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Equity:

The Ormat’s stockholders’ equity:							
Common stock	46	38,374	9	(38,374)		—	46
Additional paid-in capital	740,651	162,433	9	(137,628)	k	1,047	766,503
Other capital surplus	—	(18,961)	9	18,961		—	—
Retained earnings	36,835	265,527	9	(265,527)			36,835
Accumulated other comprehensive income	(5,710)	—		—		—	(5,710)
Less - cost of Ormat Industries shares held by Ormat Industries	—	(2,826)	9	2,826		—	
	771,822	444,547		(419,742)		1,047	797,674
Noncontrolling interest	11,722	329,219	9	(329,219)		—	11,722
Total equity	783,544	773,766		(748,961)		1,047	809,396
Total liabilities and equity	$2,171,913	$2,188,968		(2,131,715)		(30,098)	2,199,068

See notes to unaudited pro forma condensed combined financial statements.

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements

The share exchange will be accounted for as the acquisition of Ormat Industries by Ormat, with Ormat as the continuing reporting entity. The historical carrying values of Ormat's assets and liabilities will not change. The net assets of Ormat Industries, other than its equity interests in Ormat, will be transferred to the combined company at their historical carrying values, which are not expected to be significant. The accounting for the transaction is based on the fact that there are minimal activities of Ormat Industries other than the activities of Ormat (its majority-owned subsidiary).

The adjustments to the pro forma financial statements were made in two columns to more easily explain the pro forma condensed combined financial statements. The first adjustment column (Adjustment I) was provided to eliminate inter-company amounts given that Ormat Industries consolidates Ormat's financial results as well as to reclassify amounts between financial statement line items to align with the presentation utilized by Ormat given the fact that Ormat reports its financial results under GAAP and Ormat Industries reports its financial results under IFRS. The second adjustment column (Adjustment II) was provided to adjust Ormat Industries' financial results from IFRS to GAAP as well as to reflect the shares issued based on the periods noted above.

The adjustments to the pro forma financial statements were made as follows:

Adjustment (I) column to the Statement of Operations Information for each of the year ended December 31, 2013 and the nine months ended September 30, 2014:

This column was provided to show the effects of each of the following:

(1) elimination of inter-company amounts and consolidating entries between Ormat and Ormat Industries due to Ormat Industries consolidating Ormat's financial results;

(2) reclassification of income tax provision according to Ormat's presentation of income attributable to sale of tax benefits in accordance with GAAP;

(3) reclassification of accretion expenses of the asset retirement obligation from interest expense according to Ormat's presentation of cost of revenues in accordance with GAAP;

(4) reclassification of foreign exchange differences within other non-operating expenses according to Ormat's presentation of foreign currency translation and transaction gains (losses) in accordance with GAAP; and

(5) reclassification of interest income within other non-operating expenses according to Ormat's presentation of interest income in accordance with GAAP.

Adjustment (II) column to the Statement of Operations Information for each of the year ended December 31, 2013 and the nine months ended September 30, 2014:

This column was provided to show the effects of each of the following:

(a) adjustment of the discontinued operations of the Momotombo geothermal power plant, which according to IFRS is not reclassified into discontinued operations compared to GAAP.

(b) elimination of the impairment recorded under IFRS (IAS 36) for the Jersey power plant according to the discounted cash flows of the plant compared to GAAP. Under GAAP, the first step of the impairment analysis is based on undiscounted cash flows, for which there was no impairment as well as to adjust the depreciation of the property, plant and equipment that is calculated under IFRS (IAS 37) according to the interest risk-free rate (since under GAAP, the asset retirement obligation is recorded based on the Company's weighted average interest rate);

(c) elimination of the implementation of IAS 19, Employee Benefits;

(d) elimination of the reduction of the Brawley power plant impairment amount for the proceeds of the grant received, which under IFRS can be recorded to the statement of operations;

(e) adjustment of the calculation of uncertain tax positions from IFRS to GAAP as well as the reclassification of the non-controlling interest portion; and

(f) adjustment of the recognition of the profit and loss of Ormat's Sarulla geothermal power project as a result of Ormat Industries recording Sarulla according to IFRS based on Ormat's undivided interest of 12.75% (proportionate share) of the Sarulla Consortium according to IFRS. Under GAAP, the proportionate share method is not allowed and is to be recorded under the equity method on the financial statement line item Equity in income (losses) of investees, net.

(g) to adjust earnings per share for the shares issued in connection with the share exchange.

Adjustment (I) column to the Balance Sheet Information as of September 30, 2014:

This column was provided to show the effects of each of the following:

(1) elimination of inter-company amounts and consolidating entries between Ormat and Ormat Industries due to Ormat Industries consolidating Ormat's financial results as well as inter-company balances between the two companies;

(2) adjustment to the mapping of current maturities of notes and long-term notes according to Ormat's presentation in accordance with GAAP to current portion of long-term debt (recourse and non-recourse)

(3) reclassification of detailed liability balances to accounts payable and accrued expenses to comply with presentation in accordance with GAAP;

(4) reclassification of derivatives, income tax receivable and other to prepaid expenses and other to comply with presentation in accordance with GAAP;

(5) reclassification of financial assets through profit and loss to short-term investments to comply with presentation in accordance with GAAP;

(6) reclassification of projects under exploration and development to construction in progress to comply with presentation in accordance with GAAP; and

(7) reclassification of other long-term liabilities to asset retirement obligation to comply with presentation in accordance with GAAP.

(8) additional shares issued in connection with the share exchange as described in this information statement.

(9) elimination of equity amounts between Ormat and Ormat Industries due to Ormat Industries consolidating Ormat's financial results, excluding Ormat Industries (Standalone) assets and liabilities;

Adjustment (II) column to the Balance Sheet Information as of September 30, 2014:

This column was provided to show the effects of each of the following:

(a) adjustment of the recognition of the assets and liabilities of Ormat's Sarulla geothermal power project as a result of Ormat Industries recording Sarulla according to IFRS based on Ormat's undivided ownership interest of 12.75% (proportionate share) of the Sarulla consortium. Under GAAP, the proportionate share method is not allowed and is to be recorded under the equity method on the financial statement line item, Unconsolidated Investments;

(b) adjustment of the allocation of deferred financing costs, which is presented primarily as an offset to long-term liabilities according to IFRS (IAS 32), to deferred financing cost (asset) according to GAAP;

(c) reclassification of the minority portion of the liability associated with the sale of the tax benefit under IFRS (IAS 32) to the non-controlling interest according to GAAP;

(d) adjustment of the internal use software recorded as intangible assets according to IFRS (IAS 38) to property, plant and equipment net according to GAAP;

(e) adjustment of the allocation of the current deferred taxes and deferred charges from non-current deferred tax asset according to IFRS (IAS 12) as well as to primarily eliminate the tax impact of inter-company profit according to IFRS from the tax percentage of the provider (Ormat Nevada, a wholly-owned subsidiary of Ormat) compared to the tax percentage of the supplier (Ormat Systems);

(f) elimination of the impairment recorded under IFRS (IAS 36) for the Jersey power plant according to the discounted cash flows of the plant compared to GAAP (since under GAAP, the first step of the impairment analysis is based on undiscounted cash flows, for which there was no impairment);

(g) adjustment of the depreciation of the property, plant and equipment and the asset retirement obligation amount that is calculated under IFRS (IAS 37) according to the interest risk-free rate (since under GAAP the asset retirement obligation is recorded based on the Company's weighted average interest rate);

(h) adjustment of the net presentation of liabilities for severance pay according to IFRS compared to the gross presentation required under GAAP as well as the elimination of the implementation of IAS 19, Employee Benefits;

(i) adjustment of interest capitalized recorded under IFRS compared to GAAP from utilizing a fixed interest rate to weighted average interest expense for Ormat's Olkaria III geothermal power plant complex project;

(j) adjustment of the calculation of uncertain tax positions from IFRS to GAAP; and

(k) summary of net adjustments detailed above.

Supplemental Pro Forma Financial Information

The following balance sheet as of September 30, 2014 and statement of operations for the year ended December 31, 2013 and nine months ended September 30, 2014 are presented to assist in analyzing the Ormat Industries balances without consolidating Ormat as well as IFRS adjustments. This financial information is not in accordance with Article 11 of Regulation S-X and is only supplemental to the pro forma financial information presented above.

	Ormat	Ormat Industries (Standalone) Adjusted for GAAP	Total
	Nine Months Ended September 30, 2014		
Revenues:			
Electricity	289,015	—	289,015
Product	121,266	—	121,266
Total revenues	410,281	—	410,281
Cost of revenues:			
Electricity	186,083	—	186,083
Product	75,307	(1,363)	73,944
Total cost of revenues	261,390	(1,363)	260,027
Gross margin	148,891	1,363	150,254
Operating expenses:			
Research and development expenses	395	—	395
Selling and marketing expenses	10,853	8	10,861
General and administrative expenses	20,847	1,361	22,208
Write-off of unsuccessful exploration activities	8,107	—	8,107
Operating income	108,689	(6)	108,683
Other income (expense):			
Interest income	236	—	236
Interest expense, net	(65,084)	(25)	(65,109)
Foreign currency translation and transaction gains (losses)	(3,639)	—	(3,639)
Income attributable to sale of tax benefits	18,334	—	18,334

Gain from sale of property, plant and equipment	7,628	—	7,628
Other non-operating expense, net	649	216	865
Income before income taxes and equity in income losses of investees	66,813	185	66,998
Income tax provision	(17,731)	(1,300)	(19,031)
Equity in income (losses) of investees, net	(1,210)	—	(1,210)
Income from continuing operations	47,872	(1,115)	46,757
Net income attributable to noncontrolling interest	(670)	—	(670)
Net income attributable to the Ormat's stockholders	47,202	(1,115)	46,087

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	Ormat	Ormat Industries (Standalone) Adjusted for GAAP	Total
	For the year ended December 31, 2013		
Revenues:			
Electricity	329,747	—	329,747
Product	203,492	—	203,492
Total revenues	533,239	—	533,239
Cost of revenues:			
Electricity	232,874	—	232,874
Product	140,547	(1,797)	138,750
Total cost of revenues	373,421	(1,797)	371,624
Gross margin	159,818	1,797	161,615
Operating expenses:			
Research and development expenses	4,965	—	4,965
Selling and marketing expenses	24,613	—	24,613
General and administrative expenses	29,188	1,617	30,805
Impairment charge	—	—	—
Impairment of power plants - net	—	—	—
Write-off of unsuccessful exploration activities	4,094	—	4,094
Operating income	96,958	180	97,138
Other income (expense):			
Interest income	1,332	—	1,332
Interest expense, net	(73,776)	(228)	(74,004)
Foreign currency translation and transaction gains (losses)	5,085	—	5,085
Income attributable to sale of tax benefits	19,945	—	19,945
Gain from sale of investment in subsidiary	—	—	—
Other non-operating expense, net	1,592	(299)	1,293
Income before income taxes and equity in income losses of investees	51,136	(347)	50,789
Income tax provision	(13,552)	(1,635)	(15,187)
Equity in income (losses) of investees, net	(250)	—	(250)
Income from continuing operations	37,334	(1,982)	35,352
Net income attributable to noncontrolling interest	(793)	—	(793)
Net income attributable to the Ormat's stockholders	36,541	(1,982)	34,559

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	Ormat	Ormat Industries (Standalone) Adjusted for GAAP	Total
		September 30, 2014 in thousands	
Current assets:			
Cash and cash equivalents	42,451	3,899	46,350
Restricted cash, and cash equivalents	127,452	—	127,452
Financial assets at fair value through profit and loss	—	10,972	10,972
Short-term investments	—		
Derivatives	—	—	—
Receivables:			—
Trade	75,224	—	75,224
Related entity	506	—	506
Income taxes receivable	—	—	—
Other	9,165	640	9,805
Due from Ormat Industries	—	—	—
Inventories	17,337	—	17,337
Costs and estimated earnings in excess of billings on uncompleted contracts	14,784	—	14,784
Deferred income taxes	2,613	—	2,613
Prepaid expenses and other	36,879	—	36,879
Total current assets	326,411	15,511	341,922
Financial assets at fair value through profit and loss	—	251	251
Prepaid expenses in respect of operating lease	—	—	—
Unconsolidated investments	1,339	—	1,339
Deposits and other	21,679	—	21,679
Financial assets under concession arrangement	—	—	—
Deferred income taxes	—	—	—
Deferred charges	35,399	—	35,399
Property, plant and equipment, net	1,459,316	12,363	1,471,679
Construction-in-process	268,349	—	268,349
Projects under exploration and development	—	—	—
Deferred financing and lease costs, net	28,969	—	28,969
Intangible assets, net	29,481	—	29,481
Total assets	2,170,943	28,125	2,199,068
Current liabilities:			
Current maturities of notes and long term loans	—	—	—
Accounts payable and accrued expenses	78,411	80	78,491

Trade	—	—	—
Income taxes payable	—	863	863
Accrued expenses	—	—	—
Customers advances	—	—	—
Other	—	123	123
Derivatives	—	—	—
Short-term revolving credit lines with banks (full recourse	—	—	—
Billings in excess of costs and estimated earnings on uncompleted contracts	45,310	—	45,310
Current portion of long-term debt:			
Limited and non-recourse:			—
Senior secured notes	31,211	—	31,211
Other loans	17,995	—	17,995
Full recourse	24,116	—	24,116
Total current liabilities	197,043	1,066	198,109
Long-term debt, net of current portion:			
Limited and non-recourse:			
Senior secured notes	379,036	—	379,036
Other loans	269,123	—	269,123
Full recourse:			
Senior unsecured bonds	250,366	—	250,366
Other loans	40,298	—	40,298
Revolving credit lines with banks (full recourse	28,100	—	28,100
Long term derivative	—	—	—
Liability associated with sale of tax benefits	44,757	—	44,757
Deferred lease income	61,294	—	61,294
Deferred income taxes	67,328	—	67,328
Liability for unrecognized tax benefits	5,606	—	5,606
Liabilities for severance pay	21,984	—	21,984
Asset retirement obligation	19,801	—	19,801
Other long-term liabilities	3,633	237	3,870
Total liabilities	1,388,369	1,303	1,389,672
Equity:			
The Ormat's stockholders' equity:			
Common stock	46	—	46
Additional paid-in capital	739,681	26,822	766,503
Other capital surplus	—	—	—
Retained earnings	36,835	—	36,835
Accumulated other comprehensive income	(5,710)	—	(5,710)
Less - cost of Ormat Industries shares held by Ormat Industries	—	—	—

	770,852	26,822	797,674
Noncontrolling interest	11,722	—	11,722
Total equity	782,574	26,822	809,396
Total liabilities and equity	2,170,943	28,125	2,199,068

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MARKET PRICE AND DIVIDEND INFORMATION

Our common stock is traded on the NYSE under the symbol "ORA." Public trading of our stock commenced on November 11, 2004. Prior to that, there was no public market for our stock. As of December 10, 2014, there were 15 record holders of Ormat's common stock. On December 10, 2014, our common stock's closing price as reported on the NYSE was $25.92 per share.

Dividends

We have adopted a dividend policy pursuant to which we currently expect to distribute at least 20% of our annual profits available for distribution by way of quarterly dividends. In determining whether there are profits available for distribution, our Board of Directors will take into account our business plan and current and expected obligations, and no distribution will be made that in the judgment of our Board of Directors would prevent us from meeting such business plan or obligations. Pursuant to the terms and conditions of the share exchange agreement, we are permitted to declare and pay dividends declared or payable in the ordinary course of business and consistent with our past practices.

Notwithstanding this policy, dividends will be paid only when, as and if approved by our Board of Directors out of funds legally available therefore. The actual amount and timing of dividend payments will depend upon our financial condition, results of operations, business prospects and such other matters as the Board may deem relevant from time to time. Even if profits are available for the payment of dividends, the Board of Directors could determine that such profits should be retained for an extended period of time, used for working capital purposes, expansion or acquisition of businesses or any other appropriate purpose. As a holding company, we are dependent upon the earnings and cash flow of our subsidiaries in order to fund any dividend distributions and, as a result, we may not be able to pay dividends in accordance with our policy. Our Board of Directors may, from time to time, examine our dividend policy and may, in its absolute discretion, change such policy. In addition to the required Board of Directors' approval for the payment of dividends, the Company can declare as dividends no more than 35% of annual net income as dividends due to restrictions related to its third-party debt (see Note 10 to our consolidated financial statements incorporated by reference into this information statement).

We have declared the following dividends over the past two years:

Date Declared	Dividend Amount per Share	Record Date	Payment Date
August 6, 2013	$0.04	August 19, 2013	August 29, 2013
November 6, 2013	$0.04	November 20, 2013	December 4, 2013
February 25, 2014	$0.06	March 13, 2014	March 27, 2014
May 8, 2014	$0.05	May 21, 2014	May 30, 2014
November 4, 2014	$0.05	November 20, 2014	December 4, 2014

High/Low Stock Prices

The following table sets forth the high and low sales prices of our common stock for the years ended December 31, 2012 and 2013, and from January 1, 2014 until December 10, 2014:

	First Quarter 2012	Second Quarter 2012	Third Quarter 2012	Fourth Quarter 2012	First Quarter 2013	Second Quarter 2013	Third Quarter 2013	Fourth Quarter 2013	January 1 to December 10, 2014
High	$21.05	$22.24	$21.50	$20.80	$21.75	$23.89	$27.61	$27.95	30.46
Low:	$16.01	$20.60	$17.61	$16.67	$19.55	$19.80	$22.55	$25.00	23.95

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COMPARATIVE PER SHARE DATA

The historical net income (loss) per share from continuing operations and net book value per share of Ormat and Ormat Industries shown in the table below are derived from their unaudited consolidated financial statements as of and for the nine months ended September 30, 2014, Ormat's audited consolidated financial statements for the year ended December 31, 2013 and Ormat Industries' audited consolidated financial statements for the fiscal year ended December 31, 2013. The historical financial information for Ormat has been recognized and recorded in accordance with GAAP and the historical financial information for Ormat Industries has been recognized and recorded in accordance with IFRS. The pro forma comparative per share data for Ormat common stock and Ormat Industries ordinary shares was derived from the unaudited pro forma condensed combined financial statements included in this information statement. The pro forma net book value per share information as of September 30, 2014 was computed as if the share exchange had been completed on September 30, 2014. The pro forma equivalent information shows the effect of the share exchange for an owner of Ormat Industries ordinary shares. The information was computed by multiplying the pro forma combined income (loss) per share from continuing operations for the year ended December 31, 2013 and the nine months ended September 30, 2014, respectively, and pro forma combined net book value per share as of September 30, 2014 by the exchange ratio. You should read this information in conjunction with such pro forma financial statements and the related notes and with the historical financial information of Ormat and Ormat Industries included or incorporated elsewhere into this information statement, including Ormat's and Ormat Industries' financial statements and related notes thereto.

The pro forma shares outstanding as of September 30, 2014 assumes that (1) 116,524,664 ordinary shares of Ormat Industries are converted into 30,203,193 shares of Ormat common stock and (2) the 27,206,580 shares of Ormat common stock currently held by Ormat Industries are canceled in connection with the completion of the transfer by Ormat of all of the ordinary shares of Ormat Systems held by it to Ormat Industries.

The basic and diluted pro forma combined earnings per share for Ormat is computed by dividing the total net income attributable to Ormat's stockholders by basic and diluted weighted average shares, respectively. The basic and diluted pro forma equivalent earnings per share for Ormat Industries is computed by dividing the pro forma total net income attributable to the Ormat's stockholders by basic and diluted weighted average shares, respectively.

The historical net book values per common share are computed by dividing total stockholders' equity, before noncontrolling interests, by the number of shares of common stock outstanding at the end of the period. The pro forma net income (loss) per common share of the combined company is computed by dividing the pro forma net income (loss) from continuing operations by the pro forma weighted average number of shares outstanding. The pro forma net book value per common share of the combined company is computed by dividing total pro forma stockholders' equity by the pro forma number of shares of common stock outstanding at the end of the period.

The pro forma data is not necessarily indicative of actual results had the share exchange occurred during the periods indicated and is not necessarily indicative of future operations of the combined entity.

	Ormat		Ormat Industries	
	Historical	Pro Forma Combined	Historical	Pro Forma Equivalent
As of and for the Nine Months Ended September 30, 2014 (Unaudited)				
Net income (loss) per share from continuing operations:				
Basic	$ 1.04	$ 0.95	$ 0.25	$ 1.53
Diluted	$ 1.03	$ 0.95	$ 0.25	$ 1.53
Net book value per common share	$ 17.06	$ 16.55	$ 6.64	$ 26.80

Dividend per share declared	$	0.16	$	*0.16	$	0.05	$	0.04
Shares outstanding as of September 30, 2014 (in thousands)								
Basic		45,594		48,591		116,525		30,203
Diluted		45,917		48,014		116,525		30,203

* Note: Same as historical since no change in dividend policy is expected as a result of the transaction.

	Ormat		Ormat Industries	
	Historical	Pro Forma Combined	Historical	Pro Forma Equivalent
As of and for the Year Ended December 31, 2013				
Net income (loss) per share from continuing operations:				
Basic	$ 0.81	$ 0.71	$ 0.25	$ 1.14
Diluted	$ 0.81	$ 0.71	$ 0.25	$ 1.14
Net book value per common share	$ 16.39		$ 6.30	
Dividend per share declared	$ 0.08	$ 0.08	$ 0.05	$ 0.02
Shares outstanding as of December 31, 2013 (in thousands)				
Basic	45,440	48,437	116,525	30,203
Diluted	45,475	48,472	116,525	30,203

* Note: Same as historical since no change in dividend policy is expected as a result of the transaction.

COMPARATIVE MARKET VALUE OF STOCK

Ormat common stock and Ormat Industries ordinary shares are listed for trading on the NYSE and the TASE under the symbols “ORA” and “ORMT,” respectively. The following table shows the closing prices per share of Ormat common stock and Ormat Industries ordinary shares as reported on October 28, 2014, the final trading day of Ormat prior to the announcement by Ormat acknowledging a report by Ormat Industries issued to the TASE and ISA that Ormat and Ormat Industries were considering a potential Ormat group corporate reorganization, November 7, 2014, the final trading day of Ormat prior to the public announcement of the share exchange, and on December 10, 2014, the latest practicable date prior to the date of this information statement. The closing prices of Ormat Industries’ ordinary shares listed on the TASE for each of the periods referred to in the tables below were originally denominated in New Israeli Shekels and were converted to U.S. dollars using the representative exchange rate between the U.S. dollar and the New Israeli Shekels published by the Bank of Israel for each applicable day in the presented period.

	Closing price of Ormat common stock	Closing price of Ormat Industries ordinary shares	Implied value of share exchange consideration
As of October 28, 2014	$ 27.86	$ 6.89	$ 7.22
As of November 7, 2014	$ 28.39	$ 6.87	$ 7.36
As of December 10, 2014	$ 25.92	$ 6.52	$ 6.71

ADDITIONAL INFORMATION

Householding of Information Statements

Under rules adopted by the SEC, we are permitted to deliver a single information statement to any household at which two or more stockholders reside if we believe the stockholders are members of the same family. This process, called householding, allows us to reduce the number of copies of these materials we must print and mail. Even if householding is used, each stockholder will continue to be entitled to submit a separate proxy or voting instruction.

The Company is not householding this year for those stockholders who own their shares directly in their own name. If you share the same last name and address with another Company stockholder who also holds his or her shares directly, and you would each like to start householding for the Company's annual reports and proxy and information statements, please contact us at Ormat Technologies, Inc., 6225 Neil Road, Reno, Nevada 89511, Attention: Corporate Secretary, telephone (775) 356-9029.

This year, some brokers and nominees who hold Company shares on behalf of stockholders may be participating in the practice of householding proxy and information statements and annual reports for those stockholders. If your household receives a single information statement but you would like to receive your own copy, please contact us as stated above, and we will promptly send you a copy. If a broker or nominee holds Company shares on your behalf and you share the same last name and address with another stockholder for whom a broker or nominee holds Company shares, and together both of you would like to receive only a single set of the Company's disclosure documents, please contact your broker or nominee as described in the voter instruction card or other information you received from your broker or nominee.

If you consent to householding, your election will remain in effect until you revoke it. Should you later revoke your consent, you will be sent separate copies of those documents that are mailed at least 30 days or more after receipt of your revocation.

NOTICE OF INTERNET AVAILABILITY OF INFORMATION STATEMENT MATERIALS

Important Notice Regarding the Availability of Information Statement Materials

Pursuant to rules promulgated by the SEC, we have elected to provide access to this information statement both by sending you this information statement and by notifying you of the availability of this information statement on the Internet.

This information statement, including the Annexes to this information statement, is available at the following website: https://materials.proxyvote.com/686688.

The share issuance will be made following the satisfaction or waiver of the closing conditions to the share exchange and related transactions or such other date as the parties may mutually determine, but not earlier than January 1, 2015, which is twenty (20) calendar days following the date on which the definitive form of this information statement is first mailed to stockholders.

We are not soliciting you for a proxy with respect to the matters discussed in this information statement or otherwise. We are only furnishing this information statement as a matter of regulatory compliance with SEC rules.

INCORPORATION BY REFERENCE

The SEC allows Ormat to “incorporate by reference” information into this information statement, which means that important information can be disclosed to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this information statement, except for any information that is superseded by information included directly in this document.

The documents listed below that Ormat has previously filed with the SEC are considered to be a part of this information statement (other than any portions of the filings that were furnished, under applicable SEC rules, rather than filed). They contain important business and financial information about us:

(i) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed February 28, 2014;

(ii) Our Definitive Proxy Statement on Schedule 14A, filed March 27, 2014;

(iii) Our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2014, June 30, 2014, and September 30, 2014, filed on May 9, 2014, August 6, 2014, and November 6, 2014 , respectively; and

(iv) The Company’s Current Reports on Form 8-K filed on February 11, 2014, February 27, 2014, March 31, 2014, April 3, 2014, May 1, 2014, May 9, 2014, May 12, 2014, July 15, 2014, August 6, 2014, September 3, 2014, October 29, 2014, November 6, 2014 and November 17, 2014.

Ormat also incorporates by reference into this information statement each document filed with the SEC after the date of this information statement, but before the date of the special meeting; provided, however, that documents or information deemed to have been furnished and not filed in accordance with SEC rules will not be deemed incorporated by reference into this information statement. To the extent, however, required by the rules and regulations of the SEC, Ormat will amend this information statement to include information filed after the date of this information statement.

In addition, we have incorporated by reference in this information statement the share exchange agreement and certain additional agreements summarized in this information statement. Each of these agreements was filed with the SEC as exhibits to our Current Report on Form 8-K dated November 17, 2014. These exhibits are available on the SEC’s website: www.sec.gov.

WHERE YOU CAN FIND MORE INFORMATION

The Company’s reports on Forms 10-K, 10-Q, 8-K and Definitive Proxy Statements on Schedule 14A and all amendments to those filings are available without charge through the Company’s website, www.ormat.com, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Our Code of Business Conduct and Ethics, Code of Ethics Applicable to Senior Executives, Audit Committee Charter, Corporate Governance Guidelines, Nominating and Corporate Governance Committee Charter, Compensation Committee Charter, Insider Trading Policy, and amendments thereof are also available at our website address mentioned above. If we make any amendments to our Code of Business Conduct and Ethics or Code of Ethics Applicable to Senior Executives or grant any waiver, including any implicit waiver, from a provision of either code applicable to our Chief Executive Officer, Chief Financial Officer or principal accounting officer requiring disclosure under applicable SEC rules, we intend to disclose the nature of such amendment or waiver on our website. The content of our website, however, is not part of this information statement.

You may request a copy of our SEC filings, as well as the foregoing corporate documents, at no cost to you, by writing to the Company address appearing in this information statement or by calling us at (775) 356-9029.

By order of the Board of Directors,

/s/ Isaac Angel
Isaac Angel
Chief Executive Officer

Annex A

November 9, 2014

The Board of Directors
Ormat Technologies, Inc.
6225 Neil Road
Reno, Nevada 89511-1136

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to Ormat Technologies, Inc. (the “Company”) of the Exchange Ratio (as defined below) in the proposed Transaction (as defined below) with Ormat Industries Ltd. (the “Transaction Partner”). Pursuant to the Share Exchange and Plan of Merger Agreement (the “Agreement”), among the Company, Ormat Systems Ltd., a direct subsidiary of the Company (“Ormat Systems”), and the Transaction Partner, (i) each outstanding ordinary share, par value NIS 1.0 per share, of the Transaction Partner (the “Transaction Partner Ordinary Shares”), other than Transaction Partner Ordinary Shares held in treasury or owned by the Transaction Partner, will be exchanged in a share exchange effected through an Israeli court-approved arrangement in accordance with the Israeli Companies Law (the “Share Exchange”) into the right to receive 0.2592 shares (the “Exchange Ratio”) of the Company’s common stock, par value $0.001 per share (the “Company Common Stock”), and as a result the Transaction Partner will become a wholly-owned subsidiary of the Company; (ii) within three business days after the Share Exchange, the Transaction Partner will transfer all of the shares of Company Common Stock held by it to the Company, which shares will be automatically cancelled (the “First Internal Transfer”); (iii) promptly following the Internal Distribution, the Company will transfer all of the outstanding ordinary shares, par value NIS 1.0 per share, of Ormat Systems to the Transaction Partner (the “Second Internal Transfer”), and as a result Ormat Systems will become a direct wholly owned subsidiary of the Transaction Partner; and (iv) on March 31, 2015 (or such other time as the Company, the Transaction Partner and Ormat Systems may agree) the Transaction Partner will merge with and into Ormat Systems, with Ormat Systems surviving (the “Merger” and, together with the Share Exchange, the First Internal Transfer and the Second Internal Transfer, the “Transaction”), and as a result Ormat Systems will become a direct wholly owned subsidiary of the Company.

In connection with preparing our opinion, we have (i) reviewed a draft dated November 7, 2014 of the Agreement; (ii) reviewed certain publicly available business and financial information concerning the Transaction Partner and the Company and the industries in which they operate; (iii) compared the financial and operating performance of the Transaction Partner and the Company with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Transaction Partner Ordinary Shares and the Company Common Stock and the current market prices of certain publicly traded securities of such other companies; (iv) reviewed certain internal financial analyses and forecasts prepared by the management of the Company relating to its business, as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Transaction (the “Synergies”); (v) reviewed certain appraisals, dated October 31, 2014, prepared by a third party regarding the appraised value of certain real estate and related assets of the Transaction Partner (the “Real Estate Appraisal”); and (vi) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Transaction Partner and the Company with respect to certain aspects of the Transaction, and the past and current business operations of the Transaction Partner and the Company, the financial condition and future prospects and operations of the Company, the effects of the Transaction on the financial condition and future prospects of the Company, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Transaction Partner and the Company or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. Other than our review of the Real Estate Appraisal, we have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Transaction Partner or the Company under any state, federal or foreign laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to us or derived therefrom, including the Synergies, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company to which such analyses or forecasts relate. We express no view as to such analyses or forecasts (including the Synergies) or the assumptions on which they were based. We have also assumed that the Transaction and the other transactions contemplated by the Agreement will have the tax consequences described in discussions with, and materials furnished to us by, representatives of the Company, will be consummated as described in the Agreement, and that the definitive Agreement will not differ in any material respects from the draft thereof furnished to us. We have also assumed that the representations and warranties made by the Company and the Transaction Partner in the Agreement and the related agreements are and will be true and correct in all respects material to our analysis. We are not legal, regulatory or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Transaction Partner or the Company or on the contemplated benefits of the Transaction.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, to the Company of the Exchange Ratio in the proposed Transaction and we express no opinion as to the fairness of the Exchange Ratio to the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Transaction, or any class of such persons relative to the Exchange Ratio in the Transaction or with respect to the fairness of any such compensation. We are expressing no opinion herein as to the price at which the Transaction Partner Ordinary Shares or the Company Common Stock will trade at any future time.

We have acted as financial advisor to the Special Committee of the Board of Directors of Company with respect to the proposed Transaction and will receive a fee from the Company for our services, all of which will become payable only if the proposed Transaction is consummated. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other material financial advisory or other material commercial or investment banking relationships with the Company or the Transaction Partner. One of our affiliates owns 100% of the Class B Membership Interests in ORTP LLC. Ormat Nevada Inc., a direct wholly-owned subsidiary of Ormat Technologies, Inc., owns 100% of the Class A Membership Interests in ORTP LLC, and is the Managing Member of ORTP. ORTP LLC in turn owns 100% of Ormat Funding LLC, Oral Geothermal LLC, and ORNI 44 LLC. These three subsidiary entities in turn own, directly and indirectly all of the equity interests in separate geothermal power projects known as the Ormesa, Heber 1, Heber 2, Heber South, Mammoth, Galena 1, Steamboat 2/3, and Brady power projects. In addition, one of our affiliates owns 30% of the Class B Membership Interests in OPC LLC. Ormat Nevada Inc. owns 100% of the Class A Membership Interests in OPC LLC, and is the Managing Member of OPC. OPC LLC owns 100% of the following project companies: Orni 3 LLC, Steamboat Hills, LLC, and Orni 14 LLC, which in turn own the Desert Peak 2, Galena 2, Steamboat Hills, and Galena 3 geothermal power projects.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Exchange Ratio in the proposed Transaction is fair, from a financial point of view, to the Company.

The issuance of this opinion has been approved by a fairness opinion committee of J.P. Morgan Securities LLC. This letter is provided to the Board of Directors of the Company (in its capacity as such) in connection with and for the purposes of its evaluation of the Transaction. This opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Transaction or any other matter. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. This opinion may be reproduced in full in any proxy or information statement mailed to shareholders of the Company but may not otherwise be disclosed publicly in any manner without our prior written approval.

Very truly yours,

J.P. MORGAN SECURITIES LLC

/s/ J.P. Morgan Securities LLC

Annex B

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
Consolidated Financial Statements

TABLE OF CONTENTS

Independent Auditor's Report

To the shareholders of ORMAT INDUSTRIES LTD.

We have audited the accompanying consolidated financial statements of Ormat Industries Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel, P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.co.il

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ormat Industries Ltd. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in conformity with International Financial Reporting Standards (IFRS).

Tel Aviv, Israel	/s/ Kesselman & Kesselman
November 6, 2014	Certified Public Accountants (lsr.)
	A member firm of PricewaterhouseCoopers International Limited

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel, P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.co.il

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2013	2012
		(Dollars in thousands)	
Assets			
Current assets:			
Cash and cash equivalents	5a	57,908	71,767
Short-term bank deposit		—	3,010
Restricted cash, cash equivalents and deposits	5b	51,065	76,537
Financial assets at fair value through profit and loss	6	15,433	14,668
Derivatives	7	2,290	6,613
Accounts receivable:	8		
Trade		95,365	55,680
Income taxes receivable		4,001	6,111
Other		34,854	30,825
Costs and estimated earnings in excess of billings on uncompleted contracts	9a	21,217	9,613
Inventories	10	22,289	20,669
Total current assets		304,422	295,493
Non-current assets:			
Costs and estimated earnings in excess of billings on uncompleted contracts	9b	—	13,077
Financial assets at fair value through profit and loss	6	251	251
Prepaid expenses in respect of operating lease	17a	2,582	2,766
Power plants and other assets:	12		
Power plants and other fixed assets		1,440,388	1,246,506
Power plants under construction		226,562	**331,167
Projects under exploration and development	12b	69,639	67,565
Intangible assets	13	33,213	39,959
Non-current receivables		2,541	3,170
Deferred income taxes	14c	57,316	*73,464
Total non-current assets		1,832,492	1,777,925
Total assets		$2,136,914	$2,073,418

Ishay Davidi Chairman of the Board of Directors	Yehudit Bronicki Chief Executive Officer and Director	Doron Blachar Chief Financial Officer

Date of approval of the financial statements by the Company’s Board of Directors: November 6, 2014

	Note	December 31, 2013	2012
		(Dollars in thousands)	
Liability and equity			
Current liabilities:			
Current maturities of notes and long-term loans	15	80,389	68,333
Accounts payable and accruals:	16		
Trade		49,660	51,343
Income taxes payable		3,081	5,149
Accrued expenses		969	1,026
Customers advances		6,410	9,592
Other		38,307	34,674
Derivatives	7	2,831	—
Billings in excess of costs and estimated earnings on uncompleted contracts	9a	7,903	25,408
Total current liabilities		189,550	195,525
Long-term liabilities:			
Project financing liabilities (limited and non-recourse):	15		
Senior secured notes		258,492	298,986
Other		301,909	234,004
Senior secured notes, loans and credit (full recourse):	15		
Senior unsecured bonds		249,612	249,404
Loans		53,443	82,202
Credit from banks		112,017	73,606
Liability in respect of tax partnership	21	69,557	58,234
Deferred lease income	17	63,496	66,398
Deferred income taxes	14c	49,745	61,992
Retirement benefit obligations, net	18	3,661	3,540
Provisions and other liabilities	19	50,978	64,619
Total long-term liabilities		1,212,910	1,192,985
Total Liabilities		1,402,460	1,388,510
Equity:			
Equity holders of the Parent Company:	23		
Ordinary shares		38,374	38,374
Additional paid-in capital		162,433	162,433
Other capital surplus		(15,378)	(15,345)
Retained earnings		242,267	*218,425
Less- cost of Company shares held by the Company		(2,826)	(2,826)
Total equity holders of the Parent Company		424,870	401,061
Noncontrolling interest		309,584	*283,847
Total equity		734,454	684,908
Total liabilities and equity		2,136,914	2,073,418

* Immaterial revision of comparative figures, see note 2aa.
** Reclassified, see note 2aa

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

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Year ended December 31, 2013	2012	2011
		Dollars in thousands		
Revenues:	24a			
Electricity		334,613	327,529	323,849
Product		203,492	186,879	113,160
Royalties		—	—	2,916
Total revenues		538,105	514,408	439,925
Cost of revenues:	24b			
Electricity		235,335	241,999	239,732
Product		138,204	133,820	74,220
Total cost of revenues		373,539	375,819	313,952
Gross profit		164,566	138,589	125,973
Research and development expenses- net	25	(4,965)	(6,108)	(8,801)
Selling and marketing expenses	26	(24,835)	(16,122)	(16,207)
General and administrative expenses	26	(31,005)	(29,882)	(29,389)
Write-off of unsuccessful exploration activities	12b	(4,094)	(2,639)	—
Impairment of power plants- net	12	8,038	(171,928)	(5,549)
Other gains (losses)- net:				
On disposal and increase (decrease) in value of financial assets	6	(636)	989	(3,829)
Gain from sale of investment in subsidiary	4c	4,230	—	—
Sundry	27	8,850	2,602	3,456
Income (loss) from operations		120,149	(84,499)	65,654
Financial expenses	28	(76,914)	(65,807)	(70,314)
Share in losses of associated companies		—	(2,522)	(959)
Income (loss) before income taxes		43,235	(152,828)	(5,619)
Income tax benefit (provision)	14d	6,415	*(24,496)	(32,040)
Profit (loss) for the year		49,650	(177,324)	(37,659)
Attributable to:				
Owners of the Parent Company		29,495	(106,848)	(21,799)
Noncontrolling interest		20,155	(70,476)	(15,860)
Total		49,650	(177,324)	(37,659)
		Dollars		
Income (loss) per share attributable to equity holders of the Company-				
basic and fully diluted	29	0.25	*(0.92)	(0.19)

Weighted average number of shares used in calculation of earning (loss) per share attributable to equity holders of the Company-			
basic and fully diluted (in thousands)	116,525	116,525	116,525

* Immaterial revision of comparative figures, see note 2aa.

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

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31, 2013	2012	2011
	Dollars in thousands		
Income (loss) for the year	49,650	(177,324)	(37,659)
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss- remeasurement of retirement benefit obligations	520	(427)	(157)
Items that may be subsequently reclassified to profit or loss- in respect of cash flow hedge	(164)	(190)	(212)
	(164)	(190)	(212)
Total Other comprehensive income (loss), net of tax	356	(617)	(369)
Total Other comprehensive income (loss) for the year	50,006	(177,941)	(38,028)
Attributable to:			
Equity holders of the company	29,708	(107,218)	(22,020)
Non-controlling interest	20,298	(70,723)	(16,008)
Total	50,006	(177,941)	(38,028)

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

ORMAT INDUSTRIES LTD.

(An Israeli Corporation)
STATEMENTS OF CHANGES IN EQUITY

	Equity attributed to owners of the Parent Company								
			Other capital surplus						
	Ordinary shares	Additional Paid-in Capital	In respect of cash flow hedges	In respect of transactions with noncontrolling interests without losing control	Retained earnings	Cost of Company shares held by a subsidiary	Total	Non-controlling interests	Total
	(Dollars in thousands)								
Balance at January 1, 2011	38,374	162,433	624	(15,728)	446,502	(2,826)	629,379	361,673	991,052
Changes during 2011:									
Loss for the year	—	—		—	(21,799)	—	(21,799)	(15,860)	(37,659
Other comprehensive loss for the year	—	—	(127)	—	(94)	—	(221)	(148)	(369
Share-based payment	—	—	—	—	—	—	—	6,672	6,672
Dividend paid by the Company	—	—	—	—	(99,080)	—	(99,080)	—	(99,080
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(2,203)	(2,203
Balance at December 31, 2011	38,374	162,433	497	(15,728)	325,529	(2,826)	508,279	350,134	858,413
Balance at January 1, 2012	38,374	162,433	497	(15,728)	325,529	(2,826)	508,279	350,134	858,413
Changes during 2012:									
Loss for the year					*(106,848)		(106,848)	*(70,476)	(177,32
Other comprehensive loss for the year	—	—	(114)	—	(256)	—	(370)	(247)	(617
Share-based payment	—	—	—	—	—	—	—	6,394	6,394
Transaction with non-controlling interests without losing control	—	—	—	—	—	—	—	(499)	(499
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(1,459)	(1,459
Balance at December 31, 2012	38,374	162,433	383	(15,728)	218,425	(2,826)	401,061	283,847	684,908

* Immaterial adjustment of comparative figures, see note 2aa.

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
STATEMENTS OF CHANGES IN EQUITY

	Equity attributed to owners of the Parent Company								
			Other capital surplus						
	Ordinary shares	Additional Paid-in Capital	In respect of cash flow hedges	In respect of transactions with noncontrolling interests without losing control	Retained earnings	Cost of Company shares held by a subsidiary	Total	Non-controlling interests	Total
	(Dollars in thousands)								
Balance at January 1, 2013	38,374	162,433	383	(15,728)	218,425	(2,826)	401,061	283,847	684,908
Changes during 2013:									
Profit for the year					29,495		29,495	20,155	49,650
Other comprehensive income(loss) for the year	—	—	(98)	—	311	—	213	143	356
Share-based payment	—	—	—	—		—	—	6,434	6,434
Dividend paid by the Company	—	—	—	—	(5,964)	—	(5,964)	—	(5,964)
Exercise of options in the subsidiary				65			65	464	529
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(1,459)	(1,459)
Balance at December 31, 2013	38,374	162,433	285	(15,663)	242,267	(2,826)	424,870	309,584	734,454

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

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Cash flows from operating activities:			
Income (loss) before income taxes	43,235	(152,828)	(5,619)
Adjustments in respect of:			
Income and expenses not involving cash flows:			
Loss (gain) from disposal and decrease (increase) in value of marketable securities	636	(989)	3,829
Interest income from deposits and marketable securities	(1,490)	(1,562)	(3,441)
Change in fair value of derivatives on oil and natural gas prices	7,813		
Interest expense in respect of tax partnership	13,753	6,828	7,837
Interest on notes and loans	57,408	57,241	45,242
Retirement benefit obligations, net	954	1,370	(383)
Depreciation and amortization	88,731	96,085	91,174
Impairment (reverse of impairment) of power plants-net	(8,038)	171,928	5,549
Loss on impairment of associated company		2,114	—
Gain on sale of a subsidiary	(4,230)	—	—
Write-off of unsuccessful exploration activities	4,039	2,639	—
The financing component of asset retirement obligation	1,915	1,708	1,145
Deferred lease income, net	(2,685)	(2,685)	(2,685)
Capital gain on early repayment of OFC bonds	(819)		
Deferred lease fees	(217)	128	376
Exchange differences on dividend paid	—	—	(707)
Exchange differences on cash and cash equivalents	(465)	576	—
Equity in losses of associated companies	—	442	959
Amounts recorded in respect of options granted to employees and directors of a subsidiary	6,434	6,394	6,672
	206,974	189,389	149,948
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable:			
Trade	(34,804)	(4,406)	3,221
Other	(5,676)	(22,355)	(6,434)
Increase (decrease) in accounts payable and accruals:			
Trade	7,179	(70)	4,523
Provisions	(57)	28	258
Other	3,421	2,500	1,193
Increase (decrease) in receivables/ payables in respect of uncompleted contracts, net	(29,109)	(13,343)	32,130
Decrease (Increase) in inventories	(1,620)	(8,128)	(3)
Decrease in long term accrued expenses and other liabilities	2,303	895	(708)
	(58,363)	(44,879)	34,180
Interest received	1,321	1,558	3,558
Interest paid	(56,645)	(46,629)	(36,704)

Income taxes paid, net	(6,454)	(11,658)	(9,736)
Net cash provided by operating activities-carried forward	86,833	87,781	141,246

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(Concluded) - 2

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Net cash provided by operating activities-brought forward	86,833	87,781	141,246
Cash flows from investing activities:			
Construction of power plants and acquisition of other fixed assets	(207,535)	(231,660)	(269,712)
Cash grant received	14,685	119,199	—
Purchase of intangible assets	(562)	(1,370)	(2,280)
Acquisition of securities	(23,645)	(36,249)	(107,561)
Proceeds from sale of securities	22,413	45,764	124,596
Proceeds from sale of a subsidiary	7,699	—	—
Decrease (increase)in bank deposit	3,010	(3,010)	—
Decrease (increase) in cash, cash equivalents and restricted deposits	25,472	(1,016)	(52,212)
Investment in an associated company	—	(1,390)	(472)
Net cash used in investing activities	(158,463)	(109,732)	(307,641)
Cash flows from financing activities:			
Exercise of options in a subsidiary	529	—	—
Credit received from banks	3,058,956	2,953,535	891,566
Long-term loans received from banks and others	90,000	220,000	—
Proceeds from issuance of senior unsecured bonds	—	1,171	109,422
Proceeds from issuance of senior secured bonds by the U.S. Department of Energy	—	—	151,739
Repayment of bank credit	(3,020,545)	(3,093,978)	(867,000)
Early repayment of OFC Notes	(11,888)		
Repayment of long-term loans from banks and others	(68,396)	(74,528)	(50,157)
Extinguishment of liability in respect of a tax partnership	(13,384)	(14,884)	(14,039)
Net proceeds from the sale of a tax partnership	31,376	—	24,878
Dividend paid	(5,964)	—	(98,373)
Deferred financing costs	(1,919)	(9,146)	(13,216)
Transaction with noncontrolling interests without losing control	—	(499)	—
Dividend paid to noncontrolling interest in a subsidiary	(1,459)	(1,459)	(2,203)
Net cash provided by (used in) financing activities	57,306	(19,788)	132,617
Decrease in cash and cash equivalents	(14,324)	(41,739)	(33,778)
Balance of cash and cash equivalents at beginning of year	71,767	114,082	147,860
Effect of changes in exchange rates on cash and cash equivalents in foreign currency	465	(576)	—
Balance of cash and cash equivalents at end of year	57,908	71,767	114,082

* Supplementary information on investing and financing activities not involving cash flows is presented in note 32.

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

ORMAT INDUSTRIES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL:

a. Operations

Ormat Industries Ltd. (the “Company”) and its subsidiaries (jointly - the “Group”) are engaged in the development, design, construction and operation of power plants owned by the Group and used for the production of electricity from geothermal and recovered energy sources; the group is also engaged in the design, development, and manufacture for others of turbines and power units used for the supply of electricity.

The Company is a public company incorporated and resident in Israel. The address of the Company’s registered headquarters is 1 Szydlowski Street, New Industrial Zone, Yavne, Israel.

The Company’s shares are listed on the Tel-Aviv Stock Exchange (“TASE”).

b. Definitions:

Subsidiary	- A company in which the Company has direct or indirect control (as defined in International Accounting Standard No. 10, “Consolidated Financial Statements” (IAS 10) whose financial statements are consolidated with the Company’s financial statements.
Proportionately consolidated company	- A company held under joint control, none of whose shareholders holds exclusive control therein, financial statements of which are consolidated with those of the Company by the proportionate consolidation method.
Associated companies	- Companies in which the Company has significant influence.
Investees	- Subsidiaries, proportionately consolidated companies, and associated companies.
The Group	- The Company and companies under its control, including jointly controlled companies, as detailed below.
Solmat	- Solmat Systems Ltd., an Israeli subsidiary.
OrFuel	- OrFuel Ltd., an Israeli subsidiary.
Ormat Technologies	- Ormat Technologies, Inc., a subsidiary in the United States and the companies under its control.
OPTI B.V.	- OPTI Technologies B.V., a subsidiary in the Netherlands.
Interested parties	- As defined in the Israeli Securities (Annual Financial Statements) Regulations, 2010.

Dollar	- U.S. dollar.
Israeli CPI	- The consumer price index as published by the Central Bureau of Statistics in Israel.

ORMAT INDUSTRIES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of presentation:

The consolidated financial statements of the Group as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), which include standards and interpretations as issued by the International Accounting Standards Board (“IASB”) and include additional disclosures required by the Israeli Securities (Preparation of Annual Financial Statements) Regulations, 2010.

The significant accounting policies set out below have been consistently applied to all the periods presented, unless otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of amounts funded in respect of retirement benefit obligations, and by revaluation of financial assets at fair value through profit and loss and derivative instruments at fair value through profit or loss, which are presented at their fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. Actual results may differ materially from estimates and assumptions used by the Group’s management.

The classification of assets and liabilities in the consolidated statements of financial position is based on division into current assets and liabilities, which pertain to periods not in excess of 12 months, and non-current assets and liabilities, except for projects the revenue from which is recognized by the percentage of completion method, with respect of which the period exceeds 12 months but does not exceed 24 months, since the Group charges advances based on the percentage of completion.

The Group analyzed the results set forth in the statements of operations using a classification method based on the operating characteristics of expenses.

b. Consolidated financial statements:

1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Group. The Group controls an entity when it has the power to govern the financial and operating policies of the investee, is exposed or entitled to variable benefits resulting from its involvement in the entity and can apply its power therein to influence the amount of the yield from such entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless there are circumstances indicating impairment in value of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group for the purpose of consolidation.

2) Transactions with non-controlling interests that do not result in loss of control

Transactions with non-controlling interests that do not result in loss of control are treated as equity transactions. In such transactions, the difference between the fair value of any compensation paid or received and the amount at which the non-controlling interests is adjusted to reflect changes in their relative interests in the subsidiary are carried directly to equity and attributed to equity holders of the Company.

3) Joint arrangements

Commencing January 1, 2011, the Group has applied IFRS 11 to all joint arrangements. IFRS 11 classifies joint arrangements into only two types: “joint operations” and “joint ventures,” depending on how rights and obligations are shared by the parties to the joint arrangement. The joint arrangement in the Sarulla project is classified as a joint operation.

4) Associated companies

Associated companies are companies in which the Group has significant influence, but not control; usually, this means a 20% to 50% share in voting rights. Investments in associated companies are presented by the equity method and initially recognized at cost. The book value of these investments varies, as cumulative post-acquisition profits or losses of associated companies and of joint ventures are carried to the carrying amount of the investment.

The Group’s share in post-acquisition profits or losses of associated companies is carried to income, and its share in post-acquisition changes in other comprehensive income is carried to other comprehensive income. Cumulative post-acquisition changes are carried to the carrying amount of the investment. In the event that the Group’s equity in losses of an associated company is equal to, or higher than, the value of its interest therein (including unsecured receivables), the Group does not recognize losses in excess of the cost of its investment in such associated company, unless it is has a legal or constructive obligation to bear such losses in excess of its investment in the associated company or payments have been made on behalf thereof.

The Group determines at each reporting date if there is any indication that the carrying amount of the investment in associated companies is not recoverable. The impairment to be recognized is measured by the amount by which the recoverable amount of the investment in the associated company (the higher of value in use and fair value less costs to sell) exceeds their book value. Such difference is recognized in profit and loss under the “share in losses of associated companies” line item.

c. Segment reporting

Business segments are reported on the same basis that is used for the purpose of internal reporting to the chief executive decision maker of the Group, who is in charge of allocation of resources to the various segments and evaluation of their performance.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

d. Translation of foreign currency balances and transactions:

1) Functional and presentation currency

Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The dollar is the functional and presentation currency of the Company and of most Group companies.

2) Transactions and balances

Transactions made in a currency different from the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end-of-period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

Exchange differences in respect of financial assets and liabilities which are not monetary assets (such as equity securities, e.g. – shares or share options) classified as financial instruments at fair value through profit and loss, are recognized in income as part of changes in their fair value.

e. Power plants and other property, plant and equipment

Cost of power plants and other property, plant and equipment are recognized only if: (a) it is probable that future economic benefits associated with the item will flow to the Group, and (b) the cost of the item can be measured reliably.

Power plants and other property, plant, and equipment are initially recognized at cost of acquisition or costs of construction, less relevant government grants. Cost of construction of power plants includes direct expenses incurred in geothermal resource exploration (see also f . below), construction and running until they are put into service, borrowing costs in respect of loans used to finance the construction, as well as the estimate of anticipated costs for eventual dismantling the asset and restoring the site to its previous condition. Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When part of an asset is replaced, its carrying amount is derecognized. All other repairs and maintenance costs are expensed when incurred.

Power plants and other property, plant, and equipment are stated at cost, net of accumulated depreciation and impairment losses. Depreciation and impairment charges on property, plant, and equipment stated at cost are charged to income.

Power plants are depreciated using the straight-line method, over their estimated useful lives (25-30 years).

Depreciation on other assets is calculated using the straight-line method so as to bring their cost amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	15-50
Machinery and equipment	10
Vehicles	5-7
Furniture, fittings, and computer equipment	3-14

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

Leasehold improvements are amortized using the straight-line method over the expected useful lives of the improvements.

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, on an annual basis.

When impairment in value of an asset occurs, it is written down immediately to the recoverable value, see h. below.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognized within “other gains (losses) - net” in the statement of operations.

f. Geothermal resources exploration and evaluation costs

The Group capitalizes costs incurred in connection with the exploration and development of geothermal resources beginning when it acquires land rights to the potential geothermal resource. Usually, prior to acquiring land rights, the Group makes an initial assessment that an economically feasible geothermal reservoir is probable on that land using available data and external assessments vetted through its exploration department and, occasionally, through its outside service providers. Costs incurred prior to acquiring land rights are expensed as part of cost of revenues. Such costs were not material in any of the three years ended December 31, 2013, 2012 and 2011. It normally takes two to three years from the beginning of active exploration of a particular geothermal resource to the time the Group has an operating production well, assuming the resource is commercially viable. In some cases, however, the process may be longer due to delays in obtaining permits, preparing transmission infrastructure, or other causes of commercial matters required for the advancement of the process.

In most cases, the Group obtains the right to conduct geothermal development and operations on land owned by the Bureau of Land Management of the U.S. Department of the Interior (“BLM”) or by private parties. In consideration for certain of these leases, the Group may pay an up-front non-refundable payment which is a component of the competitive lease process. The up-front non-refundable payments and other related costs, such as legal fees, are capitalized. Upon completion of construction and commencement of operation of a power plant, the Groups pays royalties computed as a percentage of electricity revenue to the owners of the land. Such royalties are expensed as part of cost of revenues.

Once land rights to the potential geothermal resource are acquired, the Group performs further studies and surveys, including water and soil analyses, and augments its database with the results of these studies. The Group then initiates a series of geophysical surveys to assess the resource and determine drilling locations. If the results of these activities support the initial assessment of the feasibility of the geothermal resource, the Group then proceeds to exploratory drilling and other related activities, which may include drilling of temperature gradient holes, drilling of core holes, building access roads to drilling locations, drilling full size production and/or injection wells and flow tests. If the slim hole supports a conclusion that the geothermal resource will support a commercially viable power plant, it may be converted to a full-size commercial well, used either for extraction or re-injection or geothermal fluids, or used as an observation well to monitor and define the geothermal resource. Costs associated with these activities and other directly attributable costs, including interest incurred once physical exploration activities begin, as well costs related to obtaining permits, are capitalized and included in “geothermal resources exploration and evaluation”.

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Each geothermal resource is examined separately for the purpose of economic feasibility evaluation. Accordingly, in the period in which the Group concludes that the geothermal resource found justifies construction of a power plant, costs hitherto capitalized in respect of the geothermal resource are reclassified from "geothermal resources exploration and evaluation" in the statements of financial position to "power plants under construction." In the event that the Group concludes that the geothermal resource does not warrant the construction of a power plant and resolves to abandon it, the costs hitherto capitalized are charged to income as "write-off of costs of unsuccessful exploration activities" when that decision is taken.

All capitalized exploration and evaluation costs, including a one-off payment for the land, which are attributed to a power plant, are amortized over the useful life of that plant commencing with the date on which the related geothermal power plant is substantially completed and ready for use. A geothermal power plant is ready for use when it can commence operations in the manner intended by the Group.

g. Intangible assets:

1) Power purchase agreements

Power purchase agreements ("PPAs") are mainly stated on the basis of an allocation of acquisition costs, performed at the time the power plants were purchased by the Group, and are amortized over the terms of the agreements (12-25 years), using the straight-line method.

2) Patents and trademarks

Expenses relating to registration of patents and trademarks that give the Group protection in respect of the use of its technological and production know-how are expensed when incurred. In the statements of financial position, they are stated at token value.

3) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives of such licenses (three to five years), using the straight-line method.

Costs of maintenance of computer software are recognized as incurred.

4) Research and development

Research expenditure is expensed as incurred. Costs incurred in respect of development projects (relating to the design and testing of new or improved products) are also expensed, since, at the time of completion, the criteria defined in International Accounting Standard 38, "Intangible

Assets", for recognition as an asset are not fulfilled.

At the end of each calendar year, the Group reviews the estimated useful life of its intangible assets, and the amortization method it uses. Significant changes, if any, in such estimates are implemented prospectively. When impairment in value of an asset occurs, it is written down immediately to the recoverable amount, see h. below.

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h. Impairment of non-monetary assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors which could trigger impairment include, among others, significant underperformance or projected future underperformance of a power plant, significant changes in the Group's use of assets or in its overall business strategy, negative industry or economic trends, a significant increase in costs necessary to complete a project, etc.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In the electricity segment, each power plant, or power plant complex which serves a single customer, as well as assets used thereby, are defined as cash-generating units. For example, the operating power plants in a complex are managed under a combined operation management generally with one central control room that controls all of the power plants in a complex and one maintenance group that services all of the power plants in a complex. As a result, the cash flows from individual plants within a complex are not largely independent of the cash flows of other plants within the complex. The Company also tests for impairment operating plants which are not operated as a complex, as well as projects under construction or exploration and evaluation, as described in f. above.

An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of an asset less costs to sell, and its value in use. Non-monetary assets in respect of which impairment loss was recognized are reviewed for possible reversal of the impairment at each reporting date.

Fair value and value in use are measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. The significant assumptions that are used in estimating undiscounted future cash flows include: (i) projected generating capacity of the power plant or a complex of power plants, and rates to be received under the respective PPA or in cases that the estimated useful lives are longer than the PPA period, in accordance with the estimated rates at those periods; (ii) projected operating expenses of the relevant power plant or complex; and (iii) the interest rate used to determine the discounted future cash flows.

i. Borrowing costs

Borrowing costs incurred on specific or general credit directly attributable to the acquisition, construction or manufacture of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) during the period of time that is required to complete and prepare the asset for its intended use, commencing when all the following conditions are met: (a) the group incurs expenses in respect of the asset; (b) the Group incurs borrowing costs; and (c) it carries out actions required for the preparation of the said asset for its own use or for sale. Capitalization is discontinued when all the actions required for the preparation of the said asset for its designated use or for sale are virtually completed.

The Group mainly capitalizes borrowing costs pertaining to the construction of buildings and power plants or exploration and evaluation activities, whether for its own use or for sale. Other borrowing costs are expensed.

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If the Group suspends the development of the qualifying asset for an extended period, it suspends capitalization of the related borrowing costs.

j. Government grants

Government grants relating to costs are deferred and recognized in the statement of operations over the period necessary to match them with the costs for which they are intended to compensate.

Government grants in respect of property, plant, and equipment are deducted from the cost of the related asset in the accounts and recognized in income by way of reduced depreciation charges over the estimated useful life of those assets.

k. Financial assets

The Group has elected December 31, 2009 as the initial application date of International Financial Reporting Standard 9, "Financial Instruments" ("IFRS 9"). IFRS 9 deals with the classification, recognition and measurement of financial assets.

The Group classifies its financial assets into two categories: assets stated at amortized cost and assets stated at fair value.

Application of the amortized cost approach is reserved for assets which meet both of the following criteria: (i) the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows, and (ii) the contractual cash flows (principal and interest on the balance of the principal) are collectible at fixed dates. If one of those criteria is not met, the asset is accounted for using the fair value approach.

Assets stated at amortized value are initially recognized at fair value with the addition of transaction costs, and thereafter measured at amortized cost (using the effective interest method), net of any impairment provision. Such assets include loans, accounts receivable and deposits.

Assets stated at fair value are initially recognized at fair value and then remeasured at fair value in subsequent periods. Acquisition costs and fair value adjustments are carried to income upon occurrence. This category includes listed securities and derivative financial instruments.

Financial instruments are derecognized when the entitlement to receive cash flows in respect thereof has expired or transferred, and the Group has disposed of all ownership risks and benefits deriving therefrom.

Maturities of assets presented at amortized cost for periods exceeding 12 months from the date of the statement of financial position, and assets stated at fair value that are not designated for current disposal, are included in the statement of financial position among non-current assets, and the other financial assets are presented as current assets.

Fair values of financial assets, which are quoted in an active market, are based on their sale price as of the reporting date. If the trading market of the financial asset (and also in case that the financial asset is not registered for trading), the Group determines the fair value of these assets using valuation methods. These methods are based on reported prices in previous transactions at market value, relying on similar financial instruments and analysis of forecasted discounted cash flows, which are based on market data and rely as little as possible on entity specific data, see also note 30 below.

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Financial assets and financial liabilities are offset and are presented in a net amount in the statement of financial position, only if there is an enforceable legal right to offset the financial assets against the financial liabilities, and when there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously.

l. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value.

Method of recognitions of differences in fair value of derivative financial instruments depends on whether they are designated as hedges, and if so, on the nature of the hedged asset. Changes in fair value of derivatives which do not qualify for hedge accounting are recognized directly in the statements of operations. The Group does not purchase derivative financial instruments for trading purposes, but only in order to hedge the fair value of recognized assets or liabilities and firm commitments, or the anticipated changes in cash flows. Nevertheless, these derivative instruments do not qualify for hedge accounting. Consequently, changes in their fair value are recognized directly in the statements of operations within “other gains (losses) - net”. These instruments are classified as current assets if the realization thereof is anticipated within one year of the date of the statement of financial position.

The Group entered into several derivatives transactions to reduce its exposure to fluctuations in the price of natural gas and oil. The derivatives are not accounted for as hedge transactions and are presented at fair value at each statement of financial position date and fair value differences are recognized within electricity revenues.

In addition, in order to hedge its Israeli currency expenses, the Group carries out forward currency transactions and transactions in currency options. Such transactions are not accounted for as hedges, and therefore they are stated at their fair value as of each balance sheet date, with any differences in such fair value being carried to income under “other income (losses)”.

m. Inventories

Inventories are valued at the lower of cost or net realizable value. Provisions for decrease in value of slow or inactive items are based on management’s estimate.

The cost on inventories includes the raw material costs, production costs and other expenses accrued to bring the inventories to the current condition. The Group allocates related fixed production overheads (based on normal operating capacity) to the inventories.

Cost of items not ordinarily interchangeable and of goods or services separated for the needs of specific projects is determined based on specific identification of their costs.

ORMAT INDUSTRIES LTD.
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Cost of other inventory items is determined on the following basis:

Raw materials and purchased parts for Assembly	- On the moving average basis.
Self-manufactured assembly parts, work in process and finished products:	
Raw material component	- On the moving average basis.
Labor and overhead component	- At computed production costs (including labor and other direct and indirect costs), based on the stage of processing.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

n. Trade accounts receivable

These balances represent amounts receivable from customers in respect of electricity sales, construction of power plants, equipment sold and services rendered in the ordinary course of business. They are classified to current assets when the payment is expected within a year or less; otherwise, they are classified to non-current liabilities.

o. Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term bank deposits, and other short-term highly liquid investments with original maturities of three months or less.

p. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, net of tax, are shown in equity, as a deduction from issuance proceeds.

Where the Company or any Group company purchases the Company’s shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company’s equity holders until such shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

q. Trade accounts payable

These balances represent the Group's liabilities in respect of goods and services acquired in the ordinary course of business. They are classified to current liabilities when the payment is expected during the normal operational cycle of business; otherwise, they are classified to non-current liabilities.

ORMAT INDUSTRIES LTD.
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r. Borrowings

Borrowings (which comprise, among others, project financing senior secured notes, bank credit and loans from banks and from institutional investors) are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Loans are classified to current liabilities, unless the Group has an unconditional right to defer payment for at least twelve months after the date of the statement of financial position.

s. Current and deferred income taxes

Taxes on income for the year include current and deferred taxes. Taxes are recognized in the statements of operations, except for taxes in respect of items carried directly to other comprehensive income, which are also recognized in equity with the related item.

The current income tax provision is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Company and its subsidiaries operate and generate taxable income. The Group's management periodically examines the tax position under the relevant applicable tax laws and regulations and establishes provisions for the estimated tax amounts payable.

The Group fully recognizes deferred taxes on temporary differences arising between the carrying amounts in the consolidated financial statements of assets and liabilities and their tax bases, using the liability method. However, deferred income taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, has no effect on the profit or loss, whether for accounting or tax purposes.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits, against which the temporary differences can be utilized, will be available. Deferred income taxes are determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. See also note 14b.

Deferred income taxes are created in respect of temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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Deferred income tax assets and liabilities are offset only if: there is an enforceable legal right to offset current deferred tax assets against current deferred tax liabilities; and such deferred tax assets and liabilities relate to taxes levied by the same jurisdiction on an entity or entities that intend to discharge the tax balances on a net basis.

In the event of distribution of dividend out of tax exempt income from "approved and benefited enterprises," the distributed amount will be subject to tax at the rates applicable to the Company's income had it not been tax exempt. Should this occur, such additional taxes will be charged to income.

t. Employee benefits:

1) Pension and retirement benefit obligations

Under labor laws and agreements in Israel, as well as accepted practice, the Israeli company in the Group is required to pay retirement benefits to employees dismissed or retiring in certain other circumstances. This obligation is covered by a defined benefit plan, and for some employees - by a defined contribution plan.

The obligation to those Israeli employees for whom there is a defined benefit plan is to pay severance based on the number of years of employment and the employee's last monthly salary.

The obligation to the remaining Israeli employees, and to the U.S. employees for whom there are defined contributions plans, is to make regular contributions to separate and independent entities (insurance policies and pension and severance pay funds in Israel, and 401K plans in the US), while it has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the statement of financial position in respect of retirement benefit obligations is the present value of the defined benefit obligation at the date of the statement of financial position, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows (after taking into account the expected rate of salary increases) using interest rates of government bonds denominated in new Israeli shekels (the currency in which the benefits will be paid) and that have terms to maturity approximating to the terms of the related retirement benefit obligations.

The discount rate used in computation of the anticipated cash flows for the purpose of calculation of the actuarial liability was determined based on interest rates of government bonds denominated in new Israeli shekels because it is the opinion of management that there is no deep market in high-quality corporate bonds.

The Group carries the remeasurement of the net liability (assets) in respect of the defined benefit obligation directly to the statement of comprehensive income and expense, in the period in which they arise. Such remeasurement results from changes in actuarial valuation, differences between past assumptions and actual results, and differences between the net yield of the plan assets stated at the net interest thereon and the net amount of the liability in respect of that obligation.

Past-service costs are currently recognized in income.

Severance pay funds are measured at fair value. These funds represent "plan assets" as defined by IAS 19, and therefore are deducted from the balance of retirement benefit obligations for the statement of financial position presentation purposes.

As mentioned above, for part of its Israeli employees, the Group purchases insurance policies and pays contributions to pension and severance pay funds in respect of its obligation to pay pension and retirement benefits. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses commensurate with the service in respect of which the employees are entitled to those payments.

2) Vacation and recreation benefits

In certain countries in which the Group operates every employee is legally entitled to vacation and recreation benefits, both of which are computed on an annual basis. This entitlement is based on the term of employment. The Group recognizes liability and expense in respect of vacation and recreation pay based on the benefits accumulated for each employee. This obligation is measured based on the additional amount expected to be payable for unutilized entitlement to the benefit accumulated at the end of the reported period.

3) Share-based compensation

The Group operates a number of share-based compensation plans which are equity-settled to the subsidiary's equity instruments. Under these plans, the Group grants its employees, from time to time, stock options, at its discretion, to purchase shares of the subsidiary. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense in the statements of operations, with a corresponding credit carried to capital surplus in equity under non-controlling interests. The total amount to be expensed over the vesting period (the period in which all the vesting conditions are expected to be fulfilled) is determined by reference to the fair value of the options granted, at grant date. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each date of the statement of financial position, the Group revises its estimates of the number of options that are expected to vest on the basis of such non-market vesting conditions. It recognizes the impact of the revision of original estimates, if any, in the statements of operations, with a corresponding adjustment to equity.

Proceeds from exercise of stock options, net of any directly attributable transaction costs, are credited to share capital (par value) and additional paid-in capital when the options are exercised.

4) Profit sharing and bonus plans

The Group recognizes a liability and expense for bonuses and profit-sharing based on a formula that takes into consideration the net income of the Group and its subsidiary, after certain adjustments. The Group recognizes the said liability where contractually obliged or where there is a constructive obligation.

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u. Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

v. Revenue recognition

The Group's revenues are measured at the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group, and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction, and the specifics of each arrangement:

1) Revenues from sales of electricity

Revenues from sales of electricity comprise a capacity component and a delivered output component. Revenues from sales of electricity are recorded based upon output delivered, with adjustments for capacity provided, at rates specified under relevant contract terms. Certain power sale arrangements contain elements of operating lease of the plants, as defined in Interpretation 4 published by the International Financial Reporting Interpretations Committee ("IFRIC"), "Determination Whether an Arrangement Contains a Lease" ("IFRIC 4"). The Group separates the lease fee component of such revenues based on the proportion of the fair value of the service and the lease fees. Since the revenue recognition process is identical both for the service component and for the lease fees component and revenue is recognized based on actual output, they are not disclosed separately but rather included together in note 24a, as "revenues for sale of electricity;" separation of those components would not add any significant information to the users of the financial statements.

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2) Revenues from construction contracts - revenues from sale and construction of power plants

The Group uses the “percentage-of-completion method” to determine the appropriate amount to be recognized in a given period. The percentage of completion is measured by reference to the contract costs incurred up to the date of the statement of financial position as a percentage of total estimated costs for each contract.

When the outcome of a construction contract can be estimated reliably, contract revenue and costs related to the sale and construction contract are recognized as income or expenses, respectively, according to the percentage of completion at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

In the event of fixed price contract, the outcome can be reliably measured when all the following conditions are met: (a) total revenue from the contract can be reliably measured; (b) it is probable that future economic benefits associated with the item will flow to the Group; (c) both costs to completion and the percentage of completion at the end of the reporting period can be reliably measured; and (d) costs attributable to the contract can be clearly identified and reliably measured, so as to facilitate comparison between actual costs and previous estimates.

In the event of a cost plus margin contract, the outcome can be reliably measured when all the following conditions are met: (a) it is probable that future economic benefits associated with the item will flow to the Group; and (b) costs attributable to the contract, whether or not subject to specific compensation, can be clearly identified and reliably measured.

Changes in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and can be reliably measured.

The Group presents as an asset (“receivables in respect of uncompleted contracts”) the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings.

The Group presents as a liability (“payables in respect of uncompleted contracts”) the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

3) Contract revenues - revenues from sale and construction of power plants involving the granting of credit

The Group has entered into a power plant construction contract which involves extension of credit for the financing of construction and sale of the power plant to the customer. If the Group cannot collect the contractual consideration, it will become the owner of the power plant.

In the event of uncertainty as to collection of the contractual consideration for such projects, the Group does not recognize revenues or costs in respect thereof based on the percentage of completion, but rather presents the costs incurred as assets ("receivables in respect of uncompleted contracts") until the consideration is received.

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4) Sale of products

Revenue from sale of products is recognized when the significant risks and benefits of ownership have been transferred to the customer, usually upon delivery of the product, the Group does not retain effective control of the products or continuing managerial involvement therein to the degree associated with ownership, and the costs incurred or that will be incurred in respect of the transaction can be measured reliably.

5) Warranty provision

With respect of products sold outside Israel, the Group usually provides a one year warranty from the date of installation. The annual provision is calculated at the rate of 0.5% of the sales price and is charged to the statement of operations.

6) Revenue from engineering and operating services and from sale of spare parts

Revenue from provision of services is recognized when the service is rendered or the spare parts are delivered.

7) Royalty income

Royalty income is recognized on an accrual basis, according to the nature of the relevant agreement.

w. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of operations on a straight-line basis over the period of the lease.

With regard to arrangements containing lease elements, see v(1) above.

The Group has land lease agreements with the Israel Land Administration. Prepaid lease fees are presented in the statement of financial position as “power plants and other fixed assets”, and amortized by the straight-line method over the lease period (disregarding the option to extend the lease period).

Buildings erected on that land are classified as fixed assets.

x. Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s Board of directors.

y. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year excluding treasury shares held by a subsidiary.

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In computing diluted earnings (loss) per share, the weighted average number of shares that will be issued, assuming all potentially dilutive convertible instruments are actually converted into shares, is added to the average of ordinary shares used for computing the basic earnings per share. The potential shares are taken into account only when their effect is dilutive (i.e., reducing the earnings per share or increasing loss per share).

z. New international financial reporting standards, standard amendments and interpretations:

1) New international financial reporting that came into effect and are binding for financial reporting periods commencing January 1, 2013:

a) IFRS 10, “Consolidated Financial Statements” (hereafter – IFRS 10)

IFRS 10 replaces all the provisions of IAS 27 – “Consolidated and Separate Financial Statements” (hereafter – IAS 27) and of SIC 12 - “Consolidation – Special Purpose Entities” pertaining to control and consolidation of financial statements. IFRS 10 has changed the definition of “control.” Under IFRS 10, the definition of control includes power over an investee and exposure or rights to variable returns of the investee. Power means the ability to affect and direct the activities of the investee in such a way as to significantly affect the investor’s returns. IFRS 10 also contains guidelines distinguishing between participating rights and protective rights, as well as guidelines for instances where an investor acts as principal or as an agent of another party or other parties. The basic principle that a consolidated entity presents parent company and its subsidiaries as if they were a single entity, as well as the methods of consolidation, remains unchanged.

The Group first applied IFRS 10 commencing January 1, 2013. Application of the IFRS 10 for the first time had no material effect on the Group’s financial statements.

b) IFRS 11 – “Joint Arrangements” (hereafter – IFRS 11)

IFRS 11 replaces IAS 31, “Interests in Joint Ventures” (hereafter – IAS 31) and SIC 13, “Jointly Controlled Entities – Non-Monetary Contributions by Venturers.” IFRS 11 classifies joint arrangements into only two types: “joint operations” and “joint ventures,” the type “jointly controlled assets,” recognized under IAS 31, being merged into “joint operations”. The guidelines of IFRS 11 regarding the determination of the type of the joint arrangement focus on how rights and obligations are shared by the parties to the joint arrangement. Under IFRS 11, a joint operation is a joint arrangement that gives parties to the arrangement ("joint operators") direct rights to the assets and obligations for the liabilities. A joint venture gives the parties ("joint venturers") rights to the net assets of the joint arrangement. IFRS 11 abolishes the policy choice of proportionate consolidation of jointly held entities, previously allowed by IAS 31. Instead, the joint venturers must account for the joint investments by the equity method. Joint operators, however, are allowed to apply an accounting treatment similar to that currently applicable under IAS 31 to "jointly controlled assets" and jointly controlled operations." A joint operator will recognize its interest based on its involvement in the joint operation (that is, based on its direct rights in assets, obligations, revenues and expenditures) rather than on the participation interest it has in the joint arrangement. Inter alia, IFRS 11 also provides guidelines for instances in which some parties to the joint arrangement have no joint control therein.

The Group first applied IFRS 11 commencing January 1, 2013. Application of the IFRS 11 for the first time had no material effect on the Group's financial statements.

c) IFRS 12 – "Disclosure of Interests in Other Entities" (hereafter - IFRS 12)

IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11; it also replaces the disclosure requirements currently found in IAS 28 and IAS 27. The disclosure requirements under IFRS 12 pertain to the following issues: significant judgments and assumptions; interest in subsidiaries; interests in joint arrangements and associates; and interests in unconsolidated structured entities.

The Group first applied IFRS 12 commencing January 1, 2013. Application of the IFRS 12 has extended the disclosures in the Group's consolidated financial statements.

d) IFRS 13 – "Fair Value Measurement" (hereafter - IFRS 13)

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The Group first applied IFRS 13 commencing January 1, 2013 on a prospective basis. IFRS 13 does not require the application of the disclosures stipulated thereby to comparative figures for periods preceding its application for the first time. Application of the IFRS 11 for the first time had no material effect on measurement of items in the Group's financial statements.

e) Amendment to IAS 19 - "Employee Benefits" (hereafter - amendment to IAS19)

The amendment to IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits discussed by IAS 19. Following is a summary of the key changes:

- The term "actuarial gains and losses" has been replaced by "remeasurements of the net defined benefit liability (asset)" which, in addition to actuarial gains and losses include other components defined by the revised IAS 19. Remeasurements are recognized immediately in other comprehensive income (hereafter - OCI). Thus, the possibility of recognition of such gains and losses as part of income and loss statement and the use of the "corridor" approach has been eliminated.

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- Past service costs are to be recognized in profit or loss immediately when a change in the plan occurs, rather than spread over the future-service period until it vests.

- Employee benefit expenses in cases where plan assets exist will reflect net interest income/expense, based on the net defined benefit asset or liability, using the discount rates applicable under IAS 19 before the amendment for measuring defined benefit liability. This accounting treatment replaces the "interest cost" and "expected return on plan assets" under IAS 19 before the amendment.

- The distinction between short-term and long-term benefits for the purpose of measurement in the financial statements will be based on the time when payment is expected rather than when payment can be demanded.

- Any benefit that has a future-service obligation is not a termination benefit. A liability for termination benefits will be recognized when an offer of such benefits can no longer be withdrawn or when the related restructuring costs are recognized.

- Disclosure requirements have been expanded in comparison to those stipulated by IAS 19 before the amendment.

The Group applied the revised IAS 19 for the first time commencing January 1, 2013, retrospectively for all the reported periods, except for:

1) An entity need not adjust the carrying amount of assets outside the scope of IAS 19 for changes in employee benefits costs that were included in the carrying amount before the date of initial application of the amendment.

2) Presentation of comparative information pertaining to certain disclosures with regard to the sensitivity analysis of the defined benefit obligation stipulated by the amendment to IAS 19 in the financial statements for periods commencing January 1, 2014, is not required.

Application of the amendment to IAS 19 for the first time had no material effect on measurement of items in the Group's financial statements, inter alia since the Group had already recognized the remeasurement in other comprehensive income.

f) Amendment to IAS 1 - "Presentation of financial statements" (hereafter - amendment to IAS 1)

This amendment changes the disclosure of items presented in OCI in the statement of comprehensive income. Following is a summary of the key provisions of the amendment:

- The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be reclassified to profit or loss in the future. Accordingly, items that will not be reclassified are to be presented separately from items that may be reclassified in the future.

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- Entities that choose to present OCI items before tax are required to show the amount of tax related to the two groups separately.

- The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However, the amended IAS 1 still permits entities to use other titles.

The Group applied the revised IAS 1 for the first time commencing January 1, 2013, retrospectively for all the reported periods. Following the application of amendment to IAS 1 for the first time the Group presents each group of items in OCI in the statement of comprehensive income separately.

g) Amendment to IAS 16 - "Fixed assets" (hereafter - IAS 16)

The Amendment to IAS 16, published in May 2012, clarifies section 8 of IAS 16 directives relating to classification of auxiliary equipment and spare parts as property plant and equipment or as inventories. According to the amendment, servicing equipment and spare part equipment qualify as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16; otherwise, they are classified as inventory.

The Group first applied the revised IAS 16 commencing January 1, 2013. Application of the revised IAS 16 for the first time had no material effect on measurement of items in the Group's financial statements.

2) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

a) The additional phase of IFRS 9 - Financial Instruments ("IFRS 9")

In October 2010, guidelines pertaining to financial liabilities were published as a component of the first phase of IFRS 9. Those guidelines leave most guidelines of IAS 39 intact. The main change is with regard to entities which have financial liabilities carried at fair value though profit and loss that will now recognize the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss, unless such treatment would cause accounting imbalance. Amounts so recognized will not be subsequently reclassified to profit or loss. However, they may be reclassified from one equity item to another.

The second phase of IFRS 9, dealing with impairment in value of monetary assets, has not yet been published.

The third phase of IFRS 9, which deals with hedging accounting, was published in November 2013. The new hedging model differs in some aspects from that of IAS 39, and is designated to enable companies to better reflect their hedging policies, inter alia by adopting the effectiveness "bright line" of 80%-125% required by IAS 39 to an effectiveness range actually used in risk management, hedging of groups of financial instruments in a more flexible manner and, under certain circumstances, permitting hedge accounting for components of non-financial items, provided certain criteria can be satisfied. Nevertheless, the stringent documentation requirements have been left intact, and certain disclosure requirements have been added.

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In November 2013, additional amendment to IFRS 9 was published, as follows:

One change allows recognition of changes in fair value of financial liabilities deriving from the credit risks of an entity in the statement of comprehensive income, even without applying other provisions of IFRS 9.

The said amendment cancelled the effective date of January 1, 2015, as previously required, and has not named another effective date. The effective application date will only be determined when the other phases of IFRS 9 are completed. However, early adoption of the phases already published is allowed.

The Group has not applied the guidelines of IFRS 9, other than those pertaining to monetary assets. At this stage, the Group is assessing the possible impact of applying IFRS 9 on the Group's financial statements in the coming periods and of the timing of such application.

b) IFRIC 21 - Levies ("IFRIC 21")

IFRIC 21 determines the accounting treatment of the obligation to pay levies imposed by government in accordance with law, that are accounted for in accordance with IAS 37 and which are not taxes on income. Under IFRIC 21, an obligating event in respect of which such a liability should be recognized is the activity triggering the levy as identified by legislation.

aa. Immaterial adjustment of comparative figures and reclassification

An error in the financial statements of Ormat Technologies as of December 31, 2012 was identified in the course of preparation of the Group's financial statements as of June 30, 2013. The error resulted from the calculation of a tax asset in respect of US Federal carryforward losses and credit, in an excess amount of approximately $ 7.1 million which was a direct result of the deferred tax effects of the non-cash asset impairment charge recorded in the fourth quarter of 2012.

Management assessed the materiality of this error in accordance with the position of the Staff of the Israeli Securities Authority as per "Update 99-4 Regarding Guidelines for Examination of Materiality of an Error in the Financial Statements" and concluded that the misstatement in the previously issued financial statements was not material as defined by IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors."

The assessment of the materiality of the error in accordance with the guidelines for such assessment showed that it was not material for all the periods to which it pertains taken as a whole. However, if the entire correction of the error was recorded in the current reported period, the impact would be significant to operating results for that period. Ormat Technologies and the Company have rectified the error by way of revision of comparative figures presented in these financial statements. Financial statement items affected by such revision are marked as "immaterial revision of comparative figures." This revision had no impact on the Group's revenues, loss before taxes and consolidated cash flows for the said period.

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The effect of the revision on the line items in the consolidated financial statements as of and for the year ended December 31, 2012 is as follows:

	Year ended December 31, 2012 Dollars in thousands
The effect on statement of comprehensive income (loss):	
a. Effect on loss:	
Loss as previously reported	(170,859)
Effect of the revision – increase in tax expense	(7,082)
Loss as reported in these financial statements	(177,941)
Attribution of the effect of the revision on the comprehensive loss for the period:	
To equity holders of the Company:	
Loss attributed to equity holders, as previously reported	(102,977)
Effect of the revision	(4,241)
Loss attributed to equity holders, as reported in these financial statements	(107,218)
To non-controlling interests:	
Loss attributed to non-controlling interests, as previously reported	(67,882)
Effect of the revision	(2,841)
Loss attributed to non-controlling interests, as reported in these financial statements	(70,723)
	Dollars
b. Effect on loss per share attributed to equity holders of the Company:	
Basic and diluted, as previously reported	(0.88)
Effect of the revision	(0.04)
Basic and diluted, as reported in these financial statements	(0.92)

	December 31, 2012		
	As previously reported	Effect of the revision	As reported in these financial statements
		Dollars in thousands	
Effect on assets – deferred taxes	80,546	(7,082)	(73,464)
Effect on equity:			
Attributed to equity holders of the Company - retained earnings	222,666	(4,241)	218,425

Attributed to non-controlling interests	286,688	(2,841)	283,847

Additionally, the Company reclassified as of December 3, 2012 its investment in Associates to Power Plant under Construction in the amount of $2,591,000 (representing 0.1% of total assets) due to the start of the construction of the power plant.

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NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and matters involving material judgment are discussed below:

a. Revenue recognition

The Group uses the percentage-of-completion method of accounting for recognizing revenues generated from the sale and installation of power plants, taking into account that the plants are constructed for the customers, under terms negotiated therewith.

The percentage-of-completion method requires estimates of actual costs of services provided as a proportion of the total costs of services to be provided. Such cost estimates are made by management based on prior experience and the characteristics and engineering design of specific projects.

Had the percentage of actual cost out of total cost to completion been 10% higher than management's estimates, revenues recognized in 2013, 2012 and 2011 would have increased by approximately $12.2 million, $23.9 million and $6.2 million, respectively. Had such percentage been 10% lower than management's estimates, revenues recognized in 2013, 2012 and 2011 would have decreased by approximately $3.9 million, $20.3 million and $6.2 million, respectively.

b. Power plants and other property, plant and equipment

The Group estimates the useful life and depreciation expense of the power plants it owns. Such estimates are made by management based on factors such as prior experience, engineering surveys, the terms of the underlying PPAs, geothermal resources that feed the plant, the location of the assets and specific power plant characteristics and designs. Such estimates may change significantly as a result of changes in the above parameters. Currently, the useful life of the Group's power plants ranges between 25 and 30 years. Should the useful life of an asset prove lower than prior estimates, management will either increase depreciation expense or recognize impairment. In the event that an asset becomes technologically obsolete, or when non-strategic assets are abandoned or sold, the value of such assets is written off.

Should the actual useful life of power plants be 10% higher than management's estimates, the total carrying amount of power plants and other fixed assets as of December 31, 2013 and 2012 would increase by approximately $52.9 million and $50.5 million respectively. Should the actual useful life of power plants 10% lower than management's estimates, the total carrying amount of power plants and other fixed assets as of December 31, 2013 and 2012 would decrease by approximately $58.2 million and $55.6 million, respectively.

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c. Impairment of non-monetary assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The significant assumptions that the Group uses in estimating the fair value of power plants are: (i) projected generating capacity of the power plant and rates to be received under the respective PPA; (ii) projected operating expenses of the relevant power plant; and (iii) the interest rate used to determine the discounted future cash flows.

The North Brawley power plant

As of September 30, 2013, the fair value of the North Brawley power plant - approximately $23.7 million - was determined based on an after-tax capitalization rate of 8%.

The following are the effects of different capitalization rates on identical generated output:

Capitalization rate (percent)	10%	9%	8%	7%	6%
Fair value, net of selling costs (millions of dollars)	20.7	22.1	23.7	25.5	27.7
Net effect on the loss on impairment of power plants' value (millions of dollars)	3.0	1.6	—	(1.8)	(4.0)

As of December 31, 2012, the fair value of the North Brawley power plant - approximately $32 million - was determined based on an after-tax capitalization rate of 8%.

The following are the effects of different capitalization rates on identical generated output:

Capitalization rate (percent)	9%	8.5%	8%	7.5%	7%
Fair value, net of selling costs (millions of dollars)	28.9	30.2	32.0	33.1	34.7
Net effect on the loss on impairment of power plants' value (millions of dollars)	3.1	1.8	—	(1.1)	(2.7)

As of December 31, 2011, the fair value of the North Brawley power plant - approximately $156.2 million - was determined based on an after-tax capitalization rate of 8% and on a generated output as detailed in note 12 and the probability of obtaining a new PPA with a new customer.

The following are the effects of different capitalization rates on identical generated output:

Capitalization rate (percent)	7%	7.5%	8%	8.5%	9%
Fair value, net of selling costs (millions of dollars)	167.6	161.7	156.2	151.0	146.2
	11.4	5.5	—	(5.2)	(10.0)

Net effect on the loss on impairment of power plants' value (millions of dollars)

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The following are the effects of different generated output given a capitalization rate of 8%:

Generated output (MW)	37	40	45	50
Fair value, net of selling costs (millions of dollars)	143.1	154.2	182.6	198.9
Net effect on the loss on impairment of power plants' value (millions of dollars)	13.1	2.0	(26.4)	(42.7)

The effect of obtaining a new PPA with a new customer, at higher prices than established in the current PPA, given a capitalization rate of 8%, would be:

Probability of obtaining a new PPA	40%/60%	30%/70%	20%/80%	10%/90%	0%/100%
Fair value, net of selling costs (millions of dollars)	141.2	148.7	156.2	163.7	171.2
Net effect on the loss on impairment of power plants' value (millions of dollars)	15.0	7.5	—	(7.5)	(15.0)

The Jersey Valley power plant

As of December 31, 2012, the fair value of the Jersey Valley power plant - approximately $31.3 million - was determined based on an after-tax capitalization rate of 8%.

Following are the effects of different capitalization rates on identical generated output:

Capitalization rate (percent)	9%	8.5%	8%	7.5%	7%
Fair value, net of selling costs (millions of dollars)	28.0	29.6	31.3	33.1	35.2
Effect on the loss on impairment of power plants' value (millions of dollars)	3.3	1.7	—	(1.8)	(3.9)

The fair value of the Jersey Valley power plant as of December 31, 2013, has not been examined since there was no indication that the impairment loss recognized in 2012 did not exist anymore or was reduced.

The OREG 4 power plant

As of December 31, 2012, the fair value of the OREG 4 power plant - approximately $3.6 million - was determined based on an after-tax capitalization rate of 8%.

Since the value of OREG 4 power plant as of December 31, 2012 was only $3.6 million, a change in the capitalization rate would not materially affect the fair value of the plant; thus a sensitivity analysis was not presented.

As of December 31, 2011, the fair value of the OREG 4 power plant - approximately $7.2 million was determined based on an after-tax capitalization rate of 8%.

The following are the effects of different capitalization rates on identical generated output:

Capitalization rate (percent)	10%	9.0%	8.0%	7.0%	6.0%
Fair value, net of installation costs (millions of dollars)	5.8	6.4	7.2	8.1	9.1
Net effect on the loss on impairment of power plants' value (millions of dollars)	1.4	0.8	—	(0.9)	(1.9)

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The OREG 1 power plant

As of December 31, 2011, the fair value of the OREG 1 power plant - approximately $26.1 million - was determined based on an after-tax capitalization rate of 8%.

Since the carrying value of the OREG 1 power plant is lower than its fair value, the carrying value has been changed to $24.6 million.

The following are the effects of different capitalization rates on identical generated output:

Capitalization rate (percent)	10%	9%	8%	7%	6%
Fair value, net of selling costs (millions of dollars)	22.9	24.4	26.1	28.5	31.3
Net effect on the loss on impairment of power plants' value (millions of dollars)	3.2	1.7	—	*	*

*Since the book value before loss on impairment amounted to $26.1 million, the discount rate which is lower than 8% has no effect.

d. Income taxes and deferred taxes

The Group is subject to income taxes in numerous jurisdictions; accordingly, significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax liability is different from the amounts that were initially recorded, the difference will impact the income tax and deferred tax provisions in the period in which the final assessment is determined by the tax authorities.

In addition, the Group recognizes deferred tax assets and liabilities based on the differences between the carrying amounts of assets and liabilities and their amount for tax purposes. The Group continually assesses the recoverability of the deferred tax assets included in its accounts, based on historical taxable income, expected taxable income, expected timing of reversals of temporary differences, and the application of tax planning strategies. If the Group is unable to produce sufficient future taxable income, or in case of material change in effective tax rates for the period during which the related temporary differences become taxable or deductible, the Group might be required to eliminate part of the deferred tax assets or to increase its deferred tax liabilities, which may increase its effective tax rate and negatively affect the results of its operations. With regard to the decrease in deferred tax assets in the year ended December 31, 2012, see note 14c.

The Group does not recognize deferred taxes assets in respect of temporary differences resulting from investments in subsidiaries since the timing of reversal of such temporary differences is controlled by the Group and it is not expected to occur in the foreseeable future.

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NOTE 4 – SUBSIDIARIES:

a. Details on direct consolidated companies(1):

	Ormat Technologies(2) December 31,		Solmat(3) December 31,		OrFuel December 31,		OPTI BV(4) December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	%	%	%	%	%	%
Holding and voting rights:								
Ordinary shares held by the Company	59.84	59.89	100	100	100	100	100	100
Under the assumption of exercise of convertible vested securities	57.17	57.86						
Under the assumption of exercise of all convertible securities	54.23	55.53						
	Dollars in thousands		Dollars in thousands		Dollars in thousands		Dollars in thousands	
Investment – net (deferred rights)	396,866	372,181	2,978	2,647	4,945	4,609	(18)	447
Market value of the investee shares	740,291	524,543	—	—	—	—	—	—
Dividend received	2,177	2,177	—	—	—	—	—	—

(1) Investment in non-operating subsidiaries of an immaterial amount is not included.

(2) Company incorporated in Delaware, U.S., whose shares are traded on the New-York Stock Exchange (NYSE). The market value of Ormat Technologies shares as of March 10, 2014 was approximately $777 million.

(3) In 2012, the capital notes were converted to shares and additional paid-in capital of Solmat.

(4) Company incorporated in the Netherlands. In 2013, the Company repaid most of its investment in the subsidiary.

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b. Material restrictions and financial covenants on subsidiaries as of December 31, 2013:

The lender	Book value of liability (dollars in millions)	Category/goal of financing	Securities	Restricted cash and deposits (dollars in millions)	Restrictions imposed on the corporation	Financial covenants	Financial covenants as of December 31, 2013
Notes:							
OFC Senior Secured Notes	90.8	Project financing	Unconditional guarantee by all of the wholly owned subsidiaries of OFC and charges on substantially all of the assets of OFC and those of its wholly owned subsidiaries, without recourse to either the Company or Ormat Technologies. An account which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, in the following six months.	2.9	Restriction on dividend distribution in the event failure to meet the covenants.	Historical and projected 12-month debt service coverage ratio ("DSCR") of not less than 1.25 for four consecutive quarters.	Historical DSCR was 1.29
OFC 2 LLC Senior Secured Notes	144.5	Project financing	Unconditional guarantee by all of the wholly owned subsidiaries of OFC 2 and charges on substantially all of the assets of OFC 2 and those of its wholly owned	29.8	Limitations on additional indebtedness and dividend distribution.	Historical and projected 12-month "DSCR" of not less than 1.2 for four consecutive quarters, and 1.5 on a pro forma basis.	Historical DSCR was 1.79, and 2.25 on a pro forma basis.

subsidiaries.

Ormat Technologies has guaranteed the OFC 2 Notes and will guarantee each new series of Notes. The guarantee may be drawn upon if certain triggering events occur (see note 15).

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The lender	Book value of loan (dollars in millions)	Category/goal of financing	Securities	Restricted cash and deposits (dollars in millions)	Restrictions imposed on the corporation	Financial covenants	Financial covenants as of December 31, 2013
OrCal Geothermal Inc. Notes	66.2	Project financing	Unconditional guarantee by all of the wholly owned subsidiaries of OrCal and charges on substantially all of the assets of OrCal and those of its wholly owned subsidiaries, without recourse to either the Company or Ormat Technologies. An account which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, in the following six months.	3.0	Restriction on dividend distribution in the event failure to meet the covenants.	Historical and projected 12-month "DSCR" of not less than 1.25 for four consecutive quarters.	Historical DSCR was 1.3.
Project financing loans:							
Loan from OPIC	299.9	Renewal of existing loan for the construction and expansion of power plants.	An account which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, in the	10.1	Restriction on dividend distribution by OrPower 4 in the event failure to meet the covenants.	With respect to dividends: Historical and projected 12-month "DSCR" of not less than 1.4 for four consecutive quarters. With respect to default: Historical and projected 12-month	The ratios will be calculated for the first time in 2014.

			following six months.			"DSCR" of not less than 1.1 for four consecutive quarters.	
Loan from TCW Global Project Fund II, Ltd. ("TCW")	31.5	Project financing	An account which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, in the following six months.	1.0	Restriction on dividend distribution by Amatitlan4 in the event failure to meet the covenants.	a) Historical and projected 12-month "DSCR" of not less than 1.2 for four consecutive quarters, and b) Debt/equity ratio not exceeding 4.	a) Historical DSCR was 1.61; b) Debt/equity ratio was 2.21.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The lender	Book value of loan (dollars in millions)	Category/goal of financing	Securities	Restricted cash and deposits (dollars in millions)	Restrictions imposed on the corporation	Financial covenants	Financial covenants as of December 31, 2013
Unsecured Senior Bonds	250.6	Project financing	The Bonds, the loan agreements and the credit agreements are unsecured; however, Ormat Technologies is subject to a negative pledge in favor of the banks and the other lenders and certain other restrictive covenants. These include, among other things, a prohibition on: (a) creating any floating charge or any permanent pledge, charge or lien over Ormat Technologies' assets without obtaining the prior written approval of the lender; (b) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (c) selling, assigning, transferring, conveying or disposing of all or		Some of the credit agreements, the term loan agreements, as well as the trust instrument contain cross-default provisions with respect to other material indebtedness owed to any third party.	Financial ratios: a) Ormat Technologies must maintain equity of at least \$600 million and in no event less than 30% of its total assets; b) 12-month debt, net of cash, cash equivalents, marketable securities and short-term bank deposits to adjusted EBITDA ratio not to exceed 7; and c) dividend distribution not to exceed 35% of net income for the year.	Total equity was \$702.2 million, the actual equity to total assets ratio was 34.2%, and) the 12-month debt, net of cash, cash equivalents, marketable securities and short-term bank deposits to adjusted EBITDA ratio was 4.5.
Loans from financial institutions:							
Loan a	7.9	Project financing					
Loan b	13.3	Project financing					
Loan c	11.7	Project financing					
Bank loans:							
Bank loan	10.0	Project financing			Restriction on dividend distribution by Ormat Nevada in the event failure to meet the covenants.	Financial ratios: a) debt to EBITDA ratio not to exceed 4.5, b) 12-month "DSCR" of not less than 4.5 for four consecutive quarters, and c) a distribution leverage ratio not to exceed 2.	a) Debt to EBITDA ratio was 2.58, b) 12-month "DSCR" was 2.47, and c) distribution leverage ratio was 1.34.
Credit from five banks	112.0	Project financing					

		substantially all of its assets, or a change of control in Ormat Technologies' ownership structure.	
Deferred lease fees:			
Puna Power Plant PVG	63.5	—	4.3

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For further details on the loans –see note 15; for further details on the deferred lease fees – see note 17.

C. Sale of investment in subsidiary

In May 2013, the Group sold the Momotombo Power Company ("OMPC"), which operates the Momotombo geothermal power plant located in Nicaragua, to a third party (hereafter – the buyer) for approximately $7.8 million, approximately one year before the scheduled termination of the concession arrangement with the Nicaraguan owner. In conjunction with the sale, the Group and the buyer have signed a technical support agreement for an undefined period, whereby the Group will provide technical consulting services, which can be terminated by either party. The Group is of the opinion that the expected continuing cash flows from this agreement are insignificant in comparison to those derived from the operation of the plant. In the year ended December 31, 2013, the Group recognized a gain of $4.2 million in respect of the sale.

NOTE 5 – CASH, CASH EQUIVALENTS AND RESTRICTED DEPOSITS:

a. Cash and cash equivalents:

	December 31,	
	2013	2012
	Dollars in thousands	
Cash in bank and on hand	23,887	69,670
Short-term bank deposits	34,021	2,097
	57,908	71,767

b. Cash, cash equivalents and restricted deposits

Under long-term loan agreements, Senior Secured Notes agreements and operating lease agreements of the Puna power plant, the Group is required to maintain certain reserve funds and restricted balances (see notes 15 and 17). All the balances included herein are in dollars.

The book value of cash, cash equivalents and the restricted deposits is close to their carrying value, since the effect of capitalization is immaterial.

NOTE 6 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Composed as follows:

	December 31,	
	2013	2012
	Dollars in thousands	
Corporate bonds – see below	15,433	14,668
Financial funds and other funds	251	251

Total investment in securities	15,684	14,919
Presented in the balance sheet as follows:		
Current portion	15,433	14,668
Non-current portion	251	251
	15,684	14,919

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The Group holds corporate bonds bearing interest of 0.6%-6.00% and maturing between September 2016 and May 2018.

The fair value of the corporate bonds represents the close price at the market as of December 31, 2013.

Changes in value of those bonds are carried to gains (losses) on realization and increase (impairment) in value of investments in securities.

Changes in financial assets at fair value through profit and loss during the reported years are as follows:

	Year Ended December 31	
	2013	2012
	Dollars in thousands	
Balance at beginning of year	14,919	23,441
Purchases	23,645	36,249
Disposals	(22,413)	(45,764)
Accrued interest	596	1,147
Interest received	(427)	(1,143)
Gains (losses) on disposal and increase (impairment) in value	(636)	989
Balance at end of year	15,684	14,919
Less – non-current portion	251	251
Current portion	15,433	14,668

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS:

1. Composed as follows:

	Year Ended December 31	
	2013	2012
	Dollars in thousands	
Current assets:		
Derivatives – see 2 below:		
Derivatives on oil prices	—	2,136
Derivatives on natural gas prices	—	2,804
Forward transactions	2,290	1,673
Total assets	2,290	6,613
Current liabilities:		
Derivatives – see 2 below:		
Derivatives on oil prices		
Derivatives on natural gas prices	(351)	
Forward transactions	(2,490)	—

Total liabilities	(2,831)	—

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

2. Additional information:

a. Derivatives to reduce exposure to fluctuations in the price of energy

As explained in note 2l, the Group has revenues derived from the sale of electricity from power plants at a variable price in California and Hawaii. The Group’s power purchase agreements (“PPAs”) for the Ormesa complex, the Mammoth complex and the Heber 1 and 2 power plants in California were fixed until May 1, 2012. Thereafter, the energy price component under these PPAs changed from a fixed rate to a variable rate based on Short Run Avoided Costs (“SRAC”) pricing of the off-taker. These PPAs are impacted by fluctuations in natural gas prices. In addition, the prices paid for electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii are impacted by the price of oil and are calculated on a monthly basis and are exposed to material fluctuations during the year. Therefore, the group entered into swap contracts and put transactions in an attempt to reduce its exposure to fluctuations in the prices of natural gas and oil until December 31, 2013, as follows:

1) Derivatives on oil prices

On April 18, 2012, the Group entered into two oil swap contracts with a bank, each effective from May 1, 2012 until March 31, 2013, to reduce its exposure to fluctuations in the price of oil prices under the Group’s 25 MW PPA for the Puna complex, Hawaii, U.S. Under the terms of these contracts, the Group 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 addition, on September 27, 2012, the Group entered into European put transactions with two banks effective from January 1, 2013 until December 31, 2013. The Group entered into these transactions in order to reduce its exposure to fluctuations in the energy rate caused by fluctuations in oil prices. The Group paid up-front premiums in the total amount of approximately $2.6 million that were recorded as current assets -derivative financial instrument. Under these transactions, the Group 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.

On October 16, 2013, the Group entered into a swap contract with a bank for a notional volume of 275,000 BBL effective from January 1, 2014 until December 31, 2014 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. Under the terms of this contract, the Group will make payments linked to the oil price index to the bank and receive fixed rate payments $125.15 per BBL from the bank. The swap contract has monthly settlements whereby the difference between the fixed price and the monthly average market price will be settled on a cash basis.

As explained in note 2l, the derivative instruments have not been presented as hedges and are measured at their fair value as of the balance sheet date and all changes in fair value of these derivatives are recognized directly in the electricity revenues in the statements of operations. As a result, a net gain (reduction in revenue) of ($2.0 million) and $0.8 million on these derivative contracts was recognized in the years ended December 31, 2013 and 2012, respectively.

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2) Derivatives on natural gas prices

On May 24, 2012, the Group entered into a European put transaction with a bank for the period from July 1, 2012 until December 31, 2012. The Group entered into this transaction in order to reduce its exposure to fluctuations in the energy rate caused by fluctuations in natural gas prices under the Group's PPAs with Southern California Edison Company (SCE). The Group paid up-front premium in the amount of approximately $1.6 million that was recorded as a derivative financial instrument under current assets. Under the terms of the transaction, each month the Group received the difference between $3.08 and the NGI price per MMbtu at the first day of the month. If the NGI price was higher than $3.08, no payment was made.

In addition, on July 13, 2012, the Group entered into another European put transaction with the same bank for the period from August 1, 2012 until December 31, 2012 in order to reduce its exposure to fluctuations in the energy rate caused by fluctuations in natural gas prices. The Group paid an up-front premium in the amount of approximately $0.2 million that was recorded as a derivative financial instrument under current assets. Under the terms of the transaction, each month the Group received the difference between $3.19 and the NGI price per MMbtu at the first day of the month. If the NGI price was higher than $3.19, no payment was made.

In October 2012, the Group entered into NGI swap contracts with a bank for a period from January 1, 2013 until December 31, 2013, in order to reduce its exposure to fluctuations in the energy rate caused by fluctuations in natural gas prices. Under the terms of these contracts, the Group makes floating rate payments to the bank and receives 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 is settled on a cash basis.

On September 3, 2013, the Group entered into a NGI swap contract with a bank for a notional volume of approximately 4.4 million MMbtus for settlement effective January 1, 2014 until December 31, 2014, in order to reduce its exposure to NGI. Under the terms of this contract, the Company will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. The swap contract has monthly settlements whereby the difference between the fixed price of $4.035 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, 2014 to December 1, 2014) will be settled on a cash basis.

On October 16, 2013, the Group entered into a NGI swap contract with a bank for a notional volume of approximately 4.2 million MMbtus for settlement effective January 1, 2014 until December 31, 2014, in order to reduce its exposure to NGI below $4.103 per MMbtu under its PPAs with Southern California Edison. Under the terms of this contract, the Company will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. The swap contract has monthly settlements whereby the difference between the fixed price of $4.103 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, 2014 to December 1, 2014) will be settled on a cash basis.

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As explained in note 2l, the derivative instruments have not been presented as hedges and are measured at their fair value as of the balance sheet date and all changes in fair value of these derivatives are recognized directly in the electricity revenues in the statements of operations. As a result, net gain (reduction in revenue) of approximately $(3.0 million) and of $1.5 million on these derivative contracts was recognized in the years ended December 31, 2013 and 2012, respectively.

b. Currency forward transactions

In addition, the Group has forward currency transactions and transactions in currency options in order to reduce exposure to fluctuations in its Israeli currency expenses.

As of December 31, 2013 and 2012, the notional amount of the forward currency transactions was $2.3 million and $1.7 million, respectively. These amounts were recognized as income in the statements of operations for the years ended December 31, 2013 and 2012, under "other income".

For details on fair value measurement of derivatives, see note 11.

The maximum credit risk exposure as of the date of the statement of financial position equals the fair value of the derivative instruments therein.

NOTE 8 – ACCOUNTS RECEIVABLE AND ACCRUALS:

a. Trade:

	December 31,					
	2013			2012		
	Dollars in thousands					
	In dollars	In other currencies	Total	In dollars	In other currencies	Total
Composed as follows:						
Abroad – utility companies	39,536		39,536	32,128		32,128
Abroad – other	55,803	26	55,829	18,604	4,948	23,552
	95,339	26	95,365	50,732	4,948	55,680

The amounts included in the trade receivables include open accounts only.

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b. Other:

	December 31, 2013	December 31, 2012
	Dollars in thousands	
Institutions	3,587	4,172
Advances to suppliers	1,047	1,902
Prepaid expenses	24,712	21,680
Sundry	5,508	3,071
	34,854	30,825

The fair value of other accounts receivable and accruals approximates their carrying amount, since the effect of capitalization is immaterial.

	December 31, 2013	December 31, 2012
	Dollars in thousands	
In dollars	31,593	26,701
In other currencies	3,261	4,124
	34,854	30,825

The maximum credit risk exposure in respect of accounts receivable as of December 31, 2013 equals their carrying value less non-monetary balances (derived from prepaid expenses). The Group does not hold any securities for these balances.

NOTE 9 – COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLING ON UNCOMPLETED CONTRACTS:

a. Projects the revenue from which is recognized during a period less than 24 months:

1. Composed as follows:

	December 31, 2013	December 31, 2012
	Dollars in thousands	
Costs accrued in respect of uncompleted contracts	36,023	139,775
Add –recognized profits	15,527	53,173
Revenue recognized	51,550	192,948
Less – progress billings	(38,236)	(208,743)
	13,314	(15,795)
Presented in the statements of financial position as follows:		
Receivables in respect of uncompleted contracts	21,217	9,613
Payables in respect of uncompleted contracts	(7,903)	(25,408)

	13,314	(15,795)

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2. Supplementary information:

1) Construction of five projects was completed in the year ended December 31, 2013; revenue recognized in respect of those projects in 2013 was approximately $66 million, and the cumulative revenue therefrom was approximately $250 million.

2) In the year ended December 31, 2013, the Group entered into six new contracts in a total amount of approximately $104 million; revenues of approximately $16 million were recognized in respect of those contracts, and approximately $31 million was received as advances.

3) In the year ended December 31, 2013 the Group completed the sale of products for five projects while construction is still in process. Revenue in a total amount of approximately $70 million was recognized in respect of those projects.

4) The construction of the Ngatamriki power plant in New Zealand was completed in 2013. Total revenues recognized in respect of this project during the construction period were approximately $139 million.

5) In the reported years no provision for losses was recorded in respect of construction contracts.

b. Long term:

The Group entered into a power plant sale and engineering, procurement and construction contract with a customer, which includes a credit agreement to finance the sale and the construction. Should the Group not be able to collect the payments from the customer, it will become the owner of the power plant.

As of December 31, 2012, due to collection uncertainty, the Group did not recognize revenues and cost of revenues in respect of that contract but rather presented it as a non current asset until payment by the customer is assured. As of December 31, 2013, these costs are presented as a current asset under accounts receivable, since collection is expected in 2014.

NOTE 10 – INVENTORIES:

	December 31,	
	2013	2012
	Dollars in thousands	
Raw materials and purchased parts for assembly	6,326	9,775
Self-manufactured assembly parts and finished products	15,963	10,894
	22,289	20,669

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NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

Financial risk management

1) Financial risk factors

The Group’s operations give rise to exposure to financial risks: market risks (including foreign currency exchange rate risks, fair value and cash flow risks relating to interest rates and price risks), credit risks and liquidity risks. The Group’s risk management strategy focuses on the assumption that financial markets are unpredictable and on attempting to minimize possible adverse effects on the Group’s financial performance. Derivative financial instruments (“Derivatives”) are utilized by the Group to reduce those risks.

Risk management is carried out by the Group’s finance department under policies approved by the boards of directors of the Group companies. The Group’s finance department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The boards of directors of the Group companies provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risks, interest rate risks, credit risks, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

a. Market risks:

1) Exchange rate risks

The Group is exposed to changes in foreign currency exchange rates, in particular the fluctuation of the U.S. dollar versus the NIS. In order to manage the foreign currency risk, the Group enters into foreign currency Derivatives, mainly forward transaction and currency options, in order to protect the anticipated cash flows relating to salaries of employees of the Israeli subsidiary and trade payables denominated in Israeli currency for periods not exceeding one year. Derivatives are utilized by the Group only for economic hedging purposes.

As of December 31, 2013, had the Group’s operating currency strengthened by 10% against Israeli currency with all other variables remaining constant, profit before taxes for the years ended December 31, 2013, 2012, and 2011 would have been approximately $2.5 million, $5.7 million and $2.1 million lower, respectively, as a result of the changes in the fair value of the forward transactions.

As of December 31, 2013, had the Group’s operating currency weakened by 10% against Israeli currency with all other variables remaining constant, profit before taxes for the years ended December 31, 2013, 2012, and 2011 would have been approximately $3.1 million, $6.9 million and $2.4 million higher, respectively, as a result of the changes in the fair value of the forward transactions.

In the years ended December 31, 2013, 2012, and 2011, the $-NIS exchange rate increased (declined) by approximately (7.02%), (2.30%) and 7.66%, respectively.

2) Price risks

As explained in note 7, in 2013 the Group entered into swap contracts and put transactions in an attempt to reduce its exposure to fluctuations in energy prices under the PPAs affected by the fluctuations in the prices of natural gas and oil.

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As of December 31, 2013, had the indexes that affect the transactions prices increased by 10%, the profit before taxes for the year ended December 31, 2013 would have been approximately $7.0 million lower, and if had decreased by 10%, the profit before taxes for the year ended December 31, 2013 would have been approximately $7.0 million higher.

3) Cash flow and fair value interest rate risks

This risk exposure derives mainly from long-term loans. Loans bearing variable interest expose the Group to cash flow risks, while those with fixed interest rates expose the Group to fair value risks.

Quoted market prices for similar instruments are used for determining the fair value of long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

Details of the book and fair value of long-term loans with fixed interest not reflected in the financial statements at their fair value are given in the following table:

	Carrying amount December 31,		Fair Value December 31,	
	2013	2012	2013	2012
	Dollars in thousands		Dollars in thousands	
Notes :				
Senior unsecured bonds (2)	250,596	250,904	270,618	273,200
OFC Senior Secured Notes – in dollars and bearing fixed interest (1)	90,840	114,136	83,544	105,000
OrCal Senior Secured Notes – in dollars and bearing fixed interest (1)	66,156	76,548	65,769	77,300
OFC 2 LLC Notes - in dollars and bearing fixed interest	144,450	150,473	119,015	131,200
Loans from banks and institutional investors (2):				
Loan agreement – Olkaria III project, Kenya – OPIC	299,946	—	279,580	—
Loan agreement – Olkaria III project, Kenya – DEG	39,474	47,369	40,268	48,800
Loan agreement Amatitlan project, Guatemala	31,509	34,268	34,805	38,900
Loans from a financial institution	19,535	26,957	20,071	27,700
Total	942,506	700,655	913,670	702,100

(1) The fair value is based on prices quoted in an active market as of the date of the statement of financial position.

(2) The fair value of these loans and bonds is based on computation of the present value of future cash flows, discounted at interest rates usually applicable to similar loans and/or debentures, or, where applicable - on market value.

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The fair value of the Group's financial instruments included in its working capital (excluding those detailed in the table above) is usually identical, or close to, their carrying amount.

Had the interest rates on long-term credit lines bearing variable interest rates been 0.1% higher/lower, with all other variables remaining constant, after-tax profit for the years ended December 31, 2013, 2012, and 2011, would have been $135,000, $88,000 and $164,000, respectively, higher/lower.

b. Credit risks:

The main financial instruments involving credit risks to the Company are cash, deposits, investments in debentures and accounts receivable.

The Group places its cash investments, usually - in dollars - with high credit quality financial institutions in Israel, in the U.S. and in other foreign countries. At December 31, 2013 and 2012, the Group had deposits in a total amount of approximately $13.8 million and $41.2 million, respectively in seven U.S. financial institutions that were insured for up to $250,000 per account.

At December 31, 2013 and 2012, the Group's deposits in countries other than the U.S. of approximately $56.1 million, and $33.2 million, respectively, were not insured.

As of December 31, 2013 and 2012, accounts receivable from operations in countries outside of the U.S. were approximately $32.2 million and $17.6 million, respectively. Management performs ongoing credit evaluations of its customers' financial condition. Historically, credit losses have been negligible. Consequently, no allowance for doubtful accounts has been made.

Most of the Group's revenues are from electric utilities.

Sales of electricity to customers outside the U.S. accounted for 26.4, 24.9%, and 22.9%, of total electricity sales in the years ended December 31, 2013, 2012 and 2011, respectively.

Revenues from the sale of electricity to three major customers accounted for approximately 43.4%, 42.0% and 50.8% of total consolidated revenues in the years ended December 31, 2013, 2012, and 2011, respectively. Accounts receivable from these customers represent approximately 29.8%, 32.4%, and 53.8% of consolidated accounts receivable as of December 31, 2013, 2012, and 2011, respectively.

Credit ratings of the major customers as of December 31, 2013 are as follows:

Customer	Rating by S&P	Rating by Moody's
Southern California Edison Company	BBB+ (stable outlook)	A3 (stable outlook)
HELCO	BBB- (stable outlook)	Baa1(under review)
Sierra Pacific Power Company	BBB+ (stable outlook)	Baa2 (under review)
Nevada Power Company		Baa2 (under review)

	BBB+ (stable outlook)	
Southern California Power Public Authority	A-(negative outlook)	Aa3 (stable outlook)
Pacific Gas and Electric	BBB (negative outlook)	Aa3 (stable outlook)

No published credit rating for non-U.S. customers is available.

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With regard to work for customers under a contract (the product segment) – as a rule, the Group demands advances as work progresses. Therefore, management considers the credit risk involved to be negligible.

As the counterparties to the Group's derivatives are Israeli, American and European banks, the Group considers the inherent credit risks related to these transactions to be remote.

c. Liquidity risks

The Group maintains sufficient level of cash and marketable securities in order to minimize the exposure to liquidity risks.

Management monitors forecasts of the Group's liquidity reserves (comprised of undrawn borrowing facilities, cash and cash equivalents and available-for-sale financial assets) on the basis of expected cash flows. This is generally carried out at a local level in the active companies of the Group in accordance with practice and limits set by the Group. These limits vary from country to country, so as to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these and maintaining debt financing plans.

Interest and liquidity risk tables

The table below analyses the Group's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amount as the impact of discounting is not significant.

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The table presents cash flows for both principal and interest.

1) Financial liabilities that are not Derivatives:

	December 31, 2013						
	2014	2015	2016	2017	2018	Subsequent to 2018	Total
	Dollars in thousands						
Accounts payable and accruals	77,549	—	—	—	—	—	77,549
Long-term liabilities	80,389	74,386	201,621	311,890	53,954	355,617	1,077,857
Interest on long-term liabilities	64,091	59,103	51,687	44,949	23,555	117,153	360,538
	222,029	133,489	253,308	356,839	77,509	472,770	1,515,944

	December 31, 2012						
	2013	2014	2015	2016	2017	Subsequent to 2018	Total
	Dollars in thousands						
Accounts payable and accruals	82,646	—	—	—	—	—	82,646
Long-term liabilities	68,333	150,873	70,850	86,188	308,938	345,747	1,030,929
Interest on long-term liabilities	62,409	56,947	51,192	45,422	40,331	108,146	364,447
	213,388	207,820	122,042	131,610	349,269	453,893	1,478,022

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2) Fair value estimates

The Group measures the fair value based on the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets where similar assets or liabilities are listed.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the assets and liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets and liabilities measured at fair value at December 31, 2013 are shown in the table below:

	Level 1	Level 2	Level 3	Total
		Dollars in thousands		
Assets:				
Cash equivalents	40,015	—	—	40,015
Investments in securities:				
Equity securities	—	—	251	251
Debt securities	15,433	—	—	15,433
Derivatives -				
Forward transactions	—	2,990	—	2,990
Total assets	55,448	2,290	251	57,989
Liabilities -				
Derivatives:				
Derivatives on oil prices	—	(2,490)	—	(2,490)
Derivatives on natural gas prices	—	(341)	—	(341)
Total liabilities	—	(2,831)	—	(2,831)

Assets and liabilities measured at fair value at December 31, 2012 are shown in the table below:

	Level 1	Level 2	Level 3	Total
		Dollars in thousands		
Assets:				
Cash equivalents	54,298	—	—	54,298
Investments in securities:				
Equity securities	—	—	251	251
Debt securities	14,668	—	—	14,668
Derivatives:				
Derivatives on oil prices	—	2,134	—	2,134
Derivatives on natural gas prices	—	2,804	—	2,804
Forward transactions	—	1,675	—	1,675
Total assets	68,966	6,613	251	75,830

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Financial instruments measured as level 1

The fair value of financial instruments traded in active markets is based on quoted market prices as of the date of the statement of financial position. A market is considered active when quoted prices are easily accessible and regularly updated by the stock exchange, brokers, industry bodies, pricing service providers or regulatory bodies, and those prices are determined based on actual transactions carried out regularly between unaffiliated entities. The quoted market price used for financial assets held by the Group is the closing price as of the date of the statement of financial position. Such instruments are included in level 1. The Groups's level 1 instruments consist mainly of deposits, designated financial funds and corporate bonds.

Financial instruments measured as level 2

The fair value of instruments that are not listed on active markets (for example – derivatives traded over-the counter) is determined using various valuation techniques. These valuation techniques maximize the use of observable market data when available and rely as little as possible on entity specific estimates. If all the significant inputs required for the determination of fair value are observable, the instrument is included in level 2. If one or more of the inputs are not based on observable market data, the instrument is included in level 3.

The fair value of foreign currency forward transactions is determined using the exchange rates specified in the relevant agreements as of the date of the statement of financial position, discounted to present value.

The fair value of natural gas and oil price derivatives is determined using the quoted prices thereof as of the date of the statement of financial position, discounted to present value.

Financial instruments measured as level 3

The Group's level 3 instruments consist mainly of venture capital funds.

The following table summarizes the changes in instruments measured as level 3:

	Financial instruments measured at fair value Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Balance at beginning of year	251	451	11,897
Sales of securities	—	—	(10,589)
Interest received	—	—	(67)
Losses recognized in the statement of operations	—	(200)	(790)
Balance at end of year	251	251	451

No monetary assets were transferred from level to level in the reported years.

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NOTE 12 – POWER PLANTS, OTHER PROPERTY, PLANT AND EQUIPMENT, AND COSTS OF EXPLORATION AND VALUATION OF GEOTHERMAL RESOURCES:

a. Power plants and other fixed assets:

Composition of assets and the accumulated depreciation thereon, grouped by major classifications, and changes therein in the year ended December 31, 2013, are as follows:

	Balance at beginning of year	Additions during the year	Cash Grant Received	Cost Classified as asset retirement obligation	Retirements during the year	Deconsolidation	Balance at end of year	Balance at beginning of year	Ad du ye
	Dollars in Thousands								
Power plants	1,942,416	296,004	(14,685)	(13,250)	—	(30,158)	2,180,327	800,856	7
Buildings	54,438	25	—	—	—	(39)	54,424	8,829	8
Machinery and equipment	94,602	1,550	—	—	—	(945)	95,207	40,331	1
Vehicles	5,816	237	—	—	—	(308)	5,745	4,814	4
Equipment, furniture and computers	15,218	2,909	—	—	—	(141)	17,986	11,154	9
Total operating power plants and other property, plant and equipment	2,112,490	300,725	(14,685)	(13,250)	—	(31,591)	2,353,689	865,984	8
Power plants under construction	331,167	192,999	—	—	(296,729)	(875)	226,562	—	—

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Composition of assets and the accumulated depreciation thereon, grouped by major classifications, and changes therein in the year ended December 31, 2012, are as follows:

	Cost					Accumulated depreciation and impairment				
	Balance at beginning of year	Additions during the year	Cash grant received	Additions during the year	Balance at end of year	Balance at beginning of year	Additions during the year	Impairment during the year	Retirements during the year	Balance at end of year
	Dollars in thousands									
Power plants	1,895,552	166,063	(119,199)	—	1,942,416	544,469	77,080	179,307	—	800,856
Buildings	54,428	10	—	—	54,438	7,957	872	—	—	8,829
Machinery and equipment	87,701	6,901	—	—	94,602	30,671	9,660	—	—	40,331
Vehicles	5,581	235	—	—	5,816	4,084	730	—	—	4,814
Equipment, furniture and computers	16,444	2,134	—	(3,360)	15,218	12,219	2,295	—	(3,360)	11,154
Total operating power plants and other, property, plant and equipment	2,059,706	175,343	(119,199)	(3,360)	2,112,490	599,400	90,637	179,307	(3,360)	865,984
Power plants under construction	294,179	206,396	—	(169,408)	331,167	—	—	—	—	—

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Composition of assets and the accumulated depreciation thereon, grouped by major classifications, and changes therein in the year ended December 31, 2011, are as follows:

	Cost				Accumulated depreciation and impairment			
	Balance at beginning of year	Additions during the year	Retirements during the year	Balance at end of year	Balance at beginning of year	Additions during the year	Retirements during the year	Balance at end of year
	Dollars in thousands							
Power plants	1,718,452	177,100	—	1,895,552	464,003	74,917	5,549	544,469
Buildings	47,550	6,878	—	54,428	7,123	834	—	7,957
Machinery and equipment	70,826	16,875	—	87,701	22,933	7,738	—	30,671
Vehicles	5,283	298	—	5,581	3,397	687	—	4,084
Equipment, furniture and computers	14,979	1,465	—	16,444	10,142	2,077	—	12,219
Total operating power plants and other, property, plant and equipment	1,857,090	202,616	—	2,059,706	507,598	86,253	5,549	599,400
Power plants under construction	217,746	252,746	(176,313)	294,179	—	—	—	—

Power plants:

1) The item includes capitalized borrowing costs in the amount of $106,153,000 and $99,755,000 at December 31, 2013 and 2012, respectively.

2) Power plants and other property, plant, and equipment in the United States

The net carrying amount of the property, plant, and equipment in the United States, including power plants under construction, as of December 31, 2013 and 2012 is approximately $1,299 million and approximately $1,268 million, respectively.

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3) Power plants outside the United States:

(a) Kenya

A subsidiary of Ormat Technologies entered into a 20-year PPA with Kenya Power and Lighting Co. Ltd. ("KPLC"). Pursuant to the PPA, the Group agreed to conduct and distribute electricity. The net carrying amount of the power plants was $338,517,000 and $272,050,000 as of December 31, 2013 and 2012, respectively. These amounts include construction costs of $98,065,000 and $167,344,000 00 at December 31, 2013 and 2012, respectively, and are presented in "power plants under construction".

(b) Nicaragua

In May 2013, the Group sold its holdings in "OMPC", which operates the Momotombo power plant located in Nicaragua, to a third party, see note 4.

(c) Guatemala

A subsidiary of Ormat Technologies, Orzunil De Electricidad Limitada ("Orzunil"), entered into a PPA with Instituto Nacional de Electricidad Limitada ("INDE") - a Guatemalan power utility. The geothermal resources used by the power plant are owned by INDE, which granted the use of these resources to Orzunil for the period of the PPA. The net carrying amount of the assets related to the power plant was $18,846,000 and $21,628,000 at December 31, 2013 and 2012, respectively.

Ortitlan Limitada, a subsidiary of Ormat Technologies, has constructed a geothermal power plant in Amatitlan, Guatemala. The net carrying amount of the assets related to that power plant amounted to approximately $52,272,000 and $43,360,000 at December 31, 2013 and 2012, respectively.

4) Power plants under construction:

	December 31,	
	2013	2012
	Dollars in thousands	
Payment for rights to land granted by the BLM (see note2w)	27,473	29,160
Cost of exploration and valuation of geothermal resources	192,141	*286,464
Capitalized borrowing costs	6,948	15,543
	226,562	331,167

*Reclassified, see note 2aa

Investment in Sarulla project

A subsidiary of Ormat Technologies holds a 12.75% interest in a consortium of companies which is in the process of developing a geothermal power project in the Far East with expected generating capacity of approximately 330MW and operating that plant for the duration of the contract with the local electric company. The power plant is to be constructed in three stages over a five-year period, each with projected capacity of 110 MW. On April 4, 2013, the consortium signed amendments to the Joint Operating Contract (JOC) and the Energy Sales Contract (ESC) for the project. In addition,the Group will supply its OEC to the power plant, as a result of which it expects to recognize revenues of approximately $254.0 million related to the equipment sales over the construction period.

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The consortium has started preliminary testing and development activities at the site and signed an EPC and a drilling contract with an unrelated third party. Construction is expected to begin after the consortium obtains financing, which is occurred in the first half of 2014. The first phase is scheduled to commence operations in 2016, and the remaining two phases are scheduled to be completed in stages within 18 months thereafter.

In 2013, the Group made additional investment contributions of $4.6 million to the Sarulla project that were consistent with the consortium ownership structure. Additionally, the Company reclassed its Investment in Associates to Power Plant under Construction in the amount of $2,591 thousand (representing 0.1% of total assets) due to the start of the construction of the power plant.

Heber Solar

A subsidiary of Ormat Technologies is in final stages of the construction of the Heber solar photovoltaic technology power plant located in California, U.S. Completion is anticipated in the first quarter of 2014. In January 2014, the board of directors of Ormat Technology resolved to examine the possibility of selling this project.

5) Cash grant

In 2012, a wholly owned subsidiary of Ormat Technologies received $119.2 million in grants for its investment in the Jersey valley, Tuscarora and McGinness Hills power plants and for the expansion of Puna Complex under the American Recovery and Reinvestment Act of 2009 (“ARRA”). The grant is amortized using the straight-line method over the estimated useful lives of the power plants, estimated at 30 years.

In 2013, a wholly owned subsidiary of Ormat Technologies received $14.7 million in grants for its investment in the North Brawley power plant under ARRA. That part of the grant which is attributable to costs in respect of which an impairment loss has been recognized has been offset from such impairment loss, while the remainder thereof is amortized using the straight-line method over the estimated useful lives of the power plant, estimated at 27 years.

In March 2014, a wholly owned subsidiary of Ormat Technologies received $21.8 million in grants for its investment in the Don A. Campbell power plants under ARRA. The grant is amortized using the straight-line method over the estimated useful lives of the power plants, estimated at 30 years.

6) Loss on impairment of power plants - net:

As explained in note 2h, power plants are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Thereafter, at the end of each reporting period, the Group estimates whether there is any indication that the previously recognized impairment loss does not exist or has diminished. Should such an indication exist, the Group reexamines the recoverable amount of the said power plants.

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The fair value of the following plants was assessed by qualified external valuers using the discounted cash flow model. For details on the principal assumptions used by the Group in value estimates, see note 3c. Those assumptions are based on the Group's experience in construction and operation of geothermal power plants; the Group also uses methods based on unobservable inputs (level 3).

North Brawley power plant

The geothermal North Brawley power plant is located in California, U.S. In 2010, an impairment test was performed for the first time because of the lower than projected electricity output generated by the plant. As a result, the Group recognized an impairment loss.

The actions carried out at the power plant in 2011 failed to achieve a break-even point in operating results by the end of 2011 and an additional impairment test was performed. As of December 31, 2011, the excess of the carrying amount of that plant over its recoverable amount was approximately $11.4 million. As a result, in the year ended December 31, 2011, the Group recognized an impairment loss of approximately $11.4 million, presented in its consolidated statement of operations under "reduction of impairment (impairment) of power plants -net".

The recoverable amount was calculated as fair value less costs to sell.

The projected cash flows for the year ended December 31, 2011 were calculated based on the probability of attaining electricity generation as follows:

Electricity generation (MW)	Probability (%)
37	50.0
40	25.0
45	12.5
50	12.5

In a letter dated January 14, 2013, SCE informed the Group that it is no longer interested in pursuing alternatives to the current power purchase agreement, thus retracting its written permission to the company to explore a replacement power purchase agreement with higher electricity prices.

As a result of SCE's notification, the resulting continuation of the current low price regime under the existing power purchase agreement, coupled with a further understanding of the cost and probability of success of additional well-field work which has been accumulated in the recent months, the Group concluded that it would not be economically worthwhile to continue to invest the substantial capital required to increase the generating capacity of the North Brawley plant. Accordingly, the Group has decided to operate the plant at the current capacity level of approximately 27 MW and refrain from additional capital investment to expand the capacity.

As a result of the above, an additional impairment test was performed. As of December 31, 2012, the excess of the carrying amount of that plant over its recoverable amount was approximately $128.4 million. As a result, in the year ended December 31, 2012, the Group recognized an impairment loss of approximately $128.4 million, presented in its consolidated statement of operations under "impairment of power plants -net".

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The recoverable amount was calculated as fair value less costs to sell.

The after-tax discount rate the Group applied to capitalization of projected cash flows from the power plant is 8%.

As of September 30, 2013, the actions carried out at the power plant in 2013 failed to bring the plant to its projected output. In July 2013, the Group received $14.7 million in grants for its investment in the North Brawley power plant under ARRA. In view of these developments, the Group reexamined the value of this plant as of September 30, 2013.

The recoverable amount of the plant as of September 30, 2013 was approximately $23.7 million. As a result, the Group recognized an impairment loss. A portion of the amount of the grant, in the amount attributable to the impairment loss recognized in previous years, was offset from the impairment loss in the line item “reduction of impairment (impairment) of power plants -net” in the consolidated statement of operations.

The after-tax discount rate the Group applied to capitalization of projected cash flows from the power plant is 8%.

The recoverable amount was calculated as fair value less costs to sell.

The following unobservable inputs were taken into account in measurement of the fair value:

Parameters	Inputs used in measurement
Output	26.8 MW-27 MW
Range of average prices	$84.3-$111.25
Operating expense range	$13.1 million-$20.5 million

As of September 30, 2013 and December 31, 2013, the carrying amount of the power plant, after recognition of the impairment in value, is approximately $23.7 million and $32.0 million, respectively.

Jersey valley power plant

The geothermal Jersey valley power plant, located in Nevada, U.S. is still in the development stage. As of December 31, 2012, an impairment test was performed because of the lower than projected electricity output resulted from injection of the geothermal fluid problems. As of December 31, 2013, the excess of the carrying amount of the power plant over its recoverable amount was approximately $41.0 million. As a result, in the year ended December 31, 2012, the Group recognized an impairment loss of approximately $41.0 million, presented in its consolidated statement of operations under “reduction of impairment (impairment) of power plants -net”.

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The projected cash flows of the power plant for the year ended December 31, 2012, were calculated based on the probability of attaining electricity generation as follows:

Electricity generation (MW)	Probability (%)
10	70.0
12	30.0

Recoverable amount was calculated as fair value less costs to sell.

The after-tax discount rate the Group applied to capitalization of anticipated cash flows from the power plant is 8%.

As of December 31, 2013, the carrying amount of the power plant after recognition of the impairment in value was $31.3 million.

As of December 31, 2013, the value of the power plant was not examined, as there was no indication that the impairment loss recognized in 2012 did not exist or was diminished.

OREG 4 power plant

The OREG 4 power plant generates electricity using recovered energy and is located in Colorado, U.S. Impairment tests were performed because of the plant's lower than projected revenues due to the decrease in the generating output of the OREG 4 power plant. Such decrease resulted from lower than expected heat availability due to operation of the compressor stations at a lower than expected load. As of December 31, 2011 the Group tested the carrying amount of the power plant. As a result, in the year ended December 31, 2011, the Group cancelled a part of the provision for impairment recognized in the year ended December 31, 2011 and recognized income of approximately $0.3 million which is presented in its consolidated statement of operations under "reduction of impairment (impairment) of power plants-net".

As of September 30, 2012, the Group retested the carrying amount of the power plant because of the plant's lower than projected revenues due to the decrease in the generating output of the OREG 4 power plant. The Group estimated that the operation of the compressor stations at a lower than expected load will continue in the future. As of September 30, 2012 the excess of the recoverable amount of the power plant over its carrying amount was approximately $2.4 million. As a result, in the year ended December 31, 2012, the Group recognized an impairment loss of approximately $2.4 which is presented in its consolidated statement of operations under "reduction of impairment (impairment) of power plants-net".

Recoverable amount was calculated as fair value less costs to sell.

The after tax discount rate the Group applied to capitalization of projected cash flows from the power plant is 8%.

As of December 31, 2012, the carrying amount of the power plant, after recognition of the impairment in value, is approximately $3.6 million.

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OREG 1 power plant

The OREG 1 power plant generates electricity using recovered energy and is located in North Dakota, U.S. In 2009, impairment tests were performed because of the plant's gross loss resulting from lower than projected revenues, and impairment loss was recognized. In 2010, following an increase in the actual generating output of the power plant and in the forecasted cash flows, the Group tested the carrying amount of the power plant and as a result cancelled a part the impairment loss previously recognized.

As of December 31, 2011, following another increase in the actual generating output of the power plant and in the forecasted cash flows, the Group tested the carrying amount of the power plant. As a result, in the year ended December 31, 2011, the Group recognized income of approximately $5,586,000, which is presented in its consolidated statement of operations under "reduction of impairment (impairment) of power plants-net".

Recoverable amount is calculated as fair value less costs to sell.

The after-tax discount rate the Group applied to capitalization of anticipated cash flows from the power plant is 8%.

7) Capitalized lease fees to the Israel Land Administration (the "Administration")

Under lease agreements with the Administration reached in 1969-2007, the Group has rights to land leased in Yavne (where the Company's production facilities are located) for terms of between 46 and 49 years, expiring in 2018-2056. The Group has paid capitalized lease fees in the amount of $3,825,000 in respect of these leases. The said agreements grant a renewal option for an additional period. The capitalized lease fees do not extend to the additional period, as at the time of signing the agreement it was not clear whether the lessee would exercise that option. In accordance with IAS17, this lease is considered a financing lease. Accordingly, the pre- paid lease fees paid to the Administration upon the execution of the agreement (capitalized lease) represent cost of the land and are presented under "fixed assets." These lease fees are amortized by the straight-line method over the lease period. See also note 2w.

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b. Cost of exploration and valuation of geothermal resources:

(1) Changes in exploration and valuation of geothermal resources costs in the years 2012 and 2013 are as follows:

	Payment on account of rights to land	Cost of exploration and valuation of geothermal resources	Capitalized financial expenses	Total
	Dollars in thousands			
Balance at January 1, 2012	36,832	40,223	1,598	78,653
Costs accrued during the year	—	3,782	420	4,202
Write-off of costs of unsuccessful exploration activities *	(1,160)	(1,479)	—	(2,639)
Transfer to property, plant and equipment	(1,687)	(10,224)	(740)	(12,651)
Balance at December 31, 2012	33,985	32,302	1,278	67,565
Costs accrued during the year	—	6,168	—	6,168
Write-off of costs of unsuccessful exploration activities *	(3,844)	(250)	—	(4,094)
Balance at December 31, 2013	30,141	38,220	1,278	69,639

* The costs incurred in connection with the exploration and valuation of geothermal resources that were charged to income in the year ended December 31, 2013 relate to three exploration sites in Nevada, Utah and Idaho, U.S. The costs incurred in connection with the exploration and valuation of geothermal resources that were charged to income in the year ended December 31, 2012 relate to five exploration sites in Nevada, U.S. There were no write-offs of unsuccessful exploration activities for the year ended December 31, 2011.

(2) Honduras

In December 2013, a subsidiary of Ormat Technologies completed the asset acquisition of the Geotérmica Platanares ("Platanares") geothermal project in Honduras from a privately owned Honduran energy company. That subsidiary will hold the assets, including the project's wells, land, permits and a Power Purchase Agreements with electric utilities in Honduras, under a BOT structure for 15 years, in consideration for the development of the geothermal resource and royalties at the rate of 12% from the income derived from the project. The subsidiary may abandon the project under certain circumstances, as stipulated in the acquisition agreement. The net amount of the assets of the project as of December 31, 2013, is immaterial.

c. For information regarding liens and securities, see note 20.

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NOTE 13 – INTANGIBLE ASSETS:

Composition of assets and the accumulated amortization thereon, grouped by major classifications, and changes therein the year ended December 31, 2013, are as follows:

	Cost					Accumulated amortization				
	Balance at beginning of year	Additions during the year	Reclassified to long term liabilities	Retirements during the year	Balance at end of year	Balance at beginning of year	Additions during the year	Retirements during the year	Balance at end of year	Amortized balance at December 31, 2013
	Dollars in thousands									
Costs of obtaining long-term debt	3,230	442	(2,654)	(196)	822	291	210	(196)	305	517
Power supply agreements	63,018	—	—	—	63,018	29,308	3,318	—	32,626	30,392
Computer software and other intangible assets	7,676	562	—	(1,268)	6,970	4,367	1,327	(1,027)	4,667	2,303
Patent rights (at token value)	1	—	—	—	1	—	—	—	—	1
Total	73,925	1,004	(2,654)	(1,464)	70,811	33,966	4,855	(1,223)	37,598	33,213

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Composition of assets and the accumulated amortization thereon, grouped by major classifications, and changes therein the year ended December 31, 2012, are as follows:

	Cost					Accumulated amortization				
	Balance at beginning of year	Additions during the year	Reclassified to long term liabilities	Retirements during the year	Balance at end of year	Balance at beginning of year	Additions during the year	Retirements during the year	Balance at end of year	Amortized balance at December 31, 2012
	Dollars in thousands									
Costs of obtaining long-term debt	1,445	2,685	(176)	(724)	3,230	476	191	(376)	291	2,939
Power supply agreements	63,018	—	—	—	63,018	26,018	3,290	—	29,308	33,710
Computer software and other intangible assets	6,306	1,370	—	—	7,676	3,089	1,278	—	4,367	3,309
Patent rights (at token value)	1	—	—	—	1	—	—	—	—	1
Total	70,770	4,055	(176)	(724)	73,925	29,583	4,759	(376)	33,966	39,959

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Composition of assets and the accumulated amortization thereon, grouped by major classifications, and changes therein the year ended December 31, 2011, are as follows:

	Cost				Accumulated amortization			Amortized balance at December 31, 2011
	Balance at beginning of year	Additions during the year	Reclassified to long-term liabilities	Balance at end of year	Balance at beginning of year	Additions during the year	Balance at end of year	
	Dollars in thousands							
Costs of obtaining long-term debt	1,923	—	(478)	1,445	443	33	476	969
Power supply agreements	63,018	—	—	63,018	22,739	3,279	26,018	37,000
Computer software and other intangible assets	2,934	3,372	—	6,306	1,981	1,108	3,089	3,217
Patent rights (at token value)	1	—	—	1	—	—	—	1
Total	67,876	3,372	(478)	70,770	25,163	4,420	29,583	41,187

Amortization expense of intangible assets for the years ended December 31, 2013, 2012, and 2011, in the amount of $4,645,000, $4,568,000, and $4,387,000, respectively, were carried to cost of revenues. Amortization expenses of intangible assets for the years ended December 31, 2013, 2012, and 2011 in the amount of $210,000, $191,000, and $33,000, respectively, were carried to financing expenses.

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NOTE 14 – TAXES ON INCOME:

a. Corporate taxation in Israel:

1) Commencing in 2008, the operating results of the Company and its Israeli subsidiaries for tax purposes are measured in nominal values. Through tax year 2007 the results for tax purposes were measured in real terms, having regard to the changes in the Israeli CPI, under the Income Tax (Inflationary Adjustments) Law, 1985 (the "Inflationary Adjustments Law").

2) Tax rates

The income of the Company and its Israeli subsidiaries (other than income from "benefited enterprises" and "preferred enterprises", see (3) below) is taxed at the regular rates, as follows: 2011 - 24%; 2012 – 25%; 2013 and thereafter – 26.5%. The changes in the tax rate did not change materially the deferred tax assets and liabilities.

3) Encouragement Laws in Israel:

a) Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law")

Ormat Systems Ltd. an Israeli subsidiary ("Ormat Systems") has been granted "benefited enterprise" status in respect of two expansion projects under the Investment Law. The benefit period in respect of the first expansion commenced in 2004, and in respect of the second - in 2007.

In an amendment to the Investment Law approved in December 2010 (the "Amendment"), which is effective commencing January 1, 2011 new benefit schemes were introduced instead of those in force prior to that amendment: a grant scheme for enterprises located in Development Zone A and two new tax benefit schemes - "preferred enterprise" and "special preferred enterprise" – whereunder all the preferred income of a company, as defined in that amendment, is subject to a uniform tax rate. Ormat Systems has elected benefits under the Amendment commencing in tax year 2011 and enjoy the benefits available to "preferred enterprise."

The main tax benefits available to Ormat Systems are:

(1) Reduced tax rates

Under the Amendment, the tax rate applicable to Ormat Systems' income is as follows: 15% in 2011-2012, 12.5% in 2013-2014, and 12% in 2015 and thereafter.

The Law for the Change of National Order of Preference (Legislation Amendments for the Achievement of the Goals of the 2013 and 2014 Budget), published in August 2013, stipulates, inter alia, the increase in tax rate applicable to "preferred enterprises" to 16%, which is applicable to Ormat Systems in 2014 and thereafter. As a result, the deferred tax assets of the Group increased by $225,000. That amount is reported as income in the statement of operations.

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Those benefits are not limited in time and will be given to companies which meet the conditions stipulated by the Amendment, which are similar to those stipulated by the previous legislation.

As stated above, through 2010 Ormat Systems enjoyed tax benefits under the Investment Law before the amendment. Those benefits included tax exemption and reduced tax rate on income from approved and benefited enterprises.

In the event of the distribution of cash dividends (including upon liquidation) out of income that was tax-exempt as above, Ormat Systems would have to pay the 25% tax in respect of the amount distributed.

(2) Accelerated depreciation

Ormat Systems is entitled to claim accelerated depreciation as provided by the Investment Law, commencing in the first year of operation of each asset, in respect of buildings, machinery and equipment used by the benefited enterprise.

(3) Conditions for entitlement to the benefits

The entitlement to the above benefits is conditional upon fulfillment of the conditions stipulated by the Investment Law and regulations published thereunder. In the event of failure to comply with these conditions, the benefits may be cancelled and Ormat Systems may be required to refund the amount of the benefits, in whole or in part, with the addition of interest.

b) The Law for the Encouragement of Industry (Taxes), 1969:

Ormat Systems is an "industrial company" as defined by this law. As such, it is entitled to claim depreciation at increased rates for equipment used in industrial activity, as stipulated by regulations published under the Investment Law, and has done so.

b. Subsidiaries outside Israel

Subsidiaries incorporated outside of Israel are assessed for tax under the tax laws in their countries of residence. The principal tax rates applicable to the major subsidiaries outside Israel are as follows:

Companies incorporated in the U.S. – average tax rate of 38% (federal tax of 35% with the addition of state taxes in the states where to Group operates).

Company incorporated in Kenya –37.5%.

Company incorporated in Nicaragua, the investment in which was realized in 2013, as stated in note 4 –25%.

Company incorporated in New Zealand – 28%.

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Companies incorporated in Guatemala – tax exempt due to tax credit for production of electricity from geothermal sources.

The subsidiaries incorporated in the United States file consolidated tax returns.

The U.S. federal government encourages production of electricity from geothermal resources through certain tax benefits. Under a recently revised law, the U.S. subsidiaries are permitted to claim tax credits in their consolidated federal tax returns under one of the following alternatives:

"Investment tax credit" for approximately 30% of the cost of each new geothermal power plant when the qualifying facility placed in service until January 1, 2014, and 10% for plants placed in service thereafter, or -

"Production tax credit", for a period of ten years on the electricity output of new geothermal power plants put into service by December 31, 2013. In 2013, the production tax credit was 2.3 cents per kWh; the credit amount is adjusted annually for U.S. inflation. Any unused tax credit has a 1-year carry back and a 20-year carry forward. The U.S. tax laws permits the U.S. subsidiaries to depreciate most of their plants for tax purposes over five years on an accelerated basis. If those subsidiaries claim the investment tax credit, their "tax base" for depreciation purposes is reduced by half of the tax credit. Furthermore, companies that placed qualifying renewable energy facilities in service in 2009, 2010 or 2011, or that began construction of qualifying renewable energy facilities during 2009, 2010 or 2011, and placed them in service by December 31, 2013, may choose to apply for a cash grant from the U.S. Department of Treasury in an amount equal to the above "investment tax credit". In such a case, their "tax base" for depreciation purposes is reduced by half of the grant amount.

c. Deferred income taxes:

1) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax jurisdiction.

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Presented in the balance sheets as follows:

	December 31, 2013	December 31, 2012
	Dollars in thousands	
Deferred tax assets:		
Deferred tax assets recoverable within more than 12 months from the date of the statement of financial position	56,793	*72,827
Deferred tax assets recoverable within 12 months of the statement of financial position	523	637
	57,316	73,464
Deferred tax liabilities:		
Deferred tax liabilities to be settled within more than 12 months from the date of the statement of financial position	49,745	41,600
Deferred tax assets to be settled within 12 months of the date of the statement of financial position	—	20,392
	49,745	61,992
Balance – net	7,571	11,472

*Immaterial revision of comparative figures, see note 2aa.

2) Composition of the deferred taxes at date of the statement of financial positions, and the changes therein during the years ended December 31, 2012 and 2013, are as follows:

	Deferred taxes on				
	Property plant and equipment and power plants	Severance pay liabilities (1)	Vacation pay accrual	Carry-forward losses, tax credits and expenses (2)	Total
	Dollars in thousands				
Balance at January 1, 2012	(93,455)	184	420	124,260	31,409
Changes during 2012:					
Carried to statements of operations	50,036	119	(37)	*(70,232)	(20,114)
Carried to other comprehensive income (loss)	—	58	—	119	177
Balance at December 31, 2012	(43,419)	361	383	54,147	11,472
Changes during 2013:					
Carried to statements of operations	57,708	280	157	(62,049)	(3,904)
Carried to other comprehensive income	—	(99)	—	102	3
Balance at December 31, 2013	14,289	542	540	(7,800)	7,571

*Immaterial revision of comparative figures, see note 2aa.

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(1) Deferred taxes in respect of actuarial gains (losses) carried to other comprehensive income.

(2) Includes deferred taxes respect of cash flow hedges and remeasurement of the net liability for retirement benefits carried to other comprehensive income.

3) Losses for tax purposes, investment tax credit and production tax credit carried forward to future years

Utilization of carryforward tax losses and credits is contingent upon earning taxable income in a sufficient amount in the appropriate jurisdiction, before the period in which they can be utilized expires. The scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies were considered in determining the amount of deferred taxes.

Federal carryforward losses in the United States as of December 31, 2013 aggregated $235.4 million, and the state carryforward losses as of that date aggregated $218.1 million. The federal carryforward losses expire in 2021-2032, and the state carryforward losses expire in 2014-2032. The unutilized balance of investment tax credit as of December 31, 2013 is approximately $0.7 million; this balance expires at the end of a 20-year period, in 2022 and 2024; the unutilized balance of production tax credit as of December 31, 2013 is approximately $71.3 million, expiring at the end of 20 years, between 2026 and 2032.

On December 31, 2013 and 2012, in view of recurring losses, Ormat Technologies reexamined the likelihood of utilization of deferred tax assets it previously recorded. Since it concluded that, at this point in time, it was more likely than not, that part of the deferred tax assets would not be utilized, Ormat Technologies recorded a valuation allowance in the amount of approximately $114.8 million and $113.6 million, respectively, against its U.S. deferred tax assets in respect of net operating loss carryforwards and unutilized tax credits (PTCs and ITCs). That amount was carried to the income tax item in the statement of operations for the years ended December 31, 2013 and 2012, respectively. If sufficient evidence of Ormat Technologies' ability to generate taxable income is established in the future, it may be able to reduce this valuation allowance, resulting in income tax benefits in the consolidated statement of operations.

Israeli carryforward capital losses as of December 31, 2013 aggregated $6.9 million. The Group has not recognized deferred taxes in respect of such losses, since the utilization thereof in the foreseeable future is not anticipated.

4) As of December 31, 2013, the temporary differences on Group's investments in investees, which mainly arise from undistributed profits amount to approximately $264 million. The Group has not recognized a deferred tax liability in respect of such differences, since the utilization thereof in the foreseeable future is not anticipated.

5) Deferred taxes have been computed at the tax rates expected to apply when such deferred taxes are utilized.

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d. Tax benefits (taxes on income) presented in the statements of operations:

As follows:

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Tax benefit (current taxes)*	10,320	**(11,463)	181
In respect of previous years	—	—	(645)
Deferred taxes	(3,905)	(13,033)	(31,576)
	6,415	(24,496)	(32,040)
Tax rate applied in computation of provision for current taxes in Israel	12.5%-25%	15%-25%	15%-25%

*The computation of current taxes takes into account $19,152,000, $10,127,000 and $11,142,000 in the years ended December 31, 2013, 2012, and 2011, respectively, in respect of income from tax monetization transaction, see note 21.

** Immaterial revision of comparative figures, see note 2aa.

e. Tax assessments

As of December 31, 2013, the companies in the Group have received tax assessments as follows:

Israeli companies:

The Company	- Final assessments through tax year 2008.
Ormat Systems	- Final assessments through tax year 2008.
Solmat	- Tax returns through tax year 2009 are considered final.
OrFuel	- Tax returns through tax year 2009 are considered final.

Foreign subsidiaries:

USA	- Final assessments through tax year 1999.
Kenya	- Final assessments through tax year 2006.
Guatemala	- Final assessments through tax year 2008.
New Zealand	Final assessments through tax year 2008.
Nicaragua	Final assessments through tax year 2008.
The Philippines	- Final assessments through tax year 2008.

f. The effect of adoption of IFRS in Israel on tax liability

Commencing January 1, 2008, the Company’s financial statements are presented in conformity with IFRS.

There are differences between international and Israeli reporting standards. Therefore, financial statements presented in conformity with IFRS might reflect a financial position, operating results and cash flows significantly different than those reflected by financial statements presented in conformity with accounting principles generally accepted in Israel.

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Under an Amendment to the Income Tax Ordinance (No. 174 - Temporary Provision for Tax Years 2007, 2008 and 2009), 2010, enacted by the Knesset on January 25, 2010, and published in the Official Gazette on February 4, 2010, and the Amendment to the Income Tax Ordinance (No. 188), 2012, enacted by the Knesset on January 9, 2012, and published in the Official Gazette on January 12, 2012 (collectively, “the temporary provision”), Standard 29 of the Israeli Accounting Standards Board is not taken into account in determining taxable income for the tax years 2007-2011, even if it was applied in the financial statements for those tax years.

A draft proposal of a Law for the Amendment of the Income Tax Ordinance (hereafter – the draft amendment) was published on October 31, 2011. The proposed amendment endorses the IFRS and offers amendments designated to clarify and determine the manner of computing taxable income where there are ambiguities or where IFRS does not comply with the Israeli tax system. The proposed legislation as described above has not been completed and it is doubtful that it will be completed in the near future.

On January 1, 2013, the Israeli Tax Authority published a pronouncement extending the power of the said temporary provision for tax year 2012 (hereafter – “the pronouncement”). The pronouncement mentions that the Tax Authority intends to promote legislation extending the temporary provision to tax year 2012 as well immediately upon the inauguration of the new Knesset. In practice, such legislation did not take place.

Taking into consideration that the legislation of the draft amendment has not been completed and the pronouncement, management assumes that the temporary provision enacted for tax years 2007-2011 will be extended for tax years 2012 and 2013. In view of the foregoing, management estimates that the new legislation will not apply to tax years prior to 2014.

Taking into account the temporary provision, the Group computed its taxable income for the tax years 2013, 2012 and 2011 based on Israeli accounting standards in effect prior to adoption of IFRS in Israel, subject to certain adjustments; therefore, the Amendment has had no effect on the computation of current and deferred taxes in the financial statements.

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g. Theoretical tax

Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates, and the actual tax expense:

	December 31,		
	2013	2012	2011
	Dollars in thousands		
Income (loss) before income taxes, as reported in the statements of operations	43,235	(152,828)	(5,619)
Corporate tax rate in Israel	25 %	25 %	24 %
Theoretical tax expense (benefits) in respect of that income (loss)	(10,809)	38,207	1,349
Increase (decrease) resulting from:			
Different tax rates and tax credits related to foreign subsidiaries	15,071	**33,173	29,856
Valuation allowance in respect of deferred tax assets of a subsidiary due to uncertainty as to realization thereof	—	—	(61,500)
Tax-exempt income, net of disallowed expenses	(967)	(628)	(738)
Taxes applicable to income from dividend distribution of a subsidiary	—	(83,825)	—
Losses and benefits for which deferred taxes were not provided	1,101	(10,248)	—
Taxes in respect of previous years	—	—	(645)
Difference between the basis of measurement of income reported for tax purposes and the basis of measurement of income for financial reporting purposes—net*	1,531	(262)	(174)
Utilization of carryforward tax losses for which deferred taxes were not previously provided	177	(282)	131
Increase in deferred taxes due to change in tax rates	225	—	—
Sundry	86	(631)	(319)
Income tax benefit (taxes) as reported in the statement of operations	6,415	(24,496)	(32,040)

* The difference results from the gap between the Israeli currency results for tax purposes of the Company and its subsidiaries in Israel, which are calculated in real terms having regard to the changes in the Israeli CPI, and their results calculated in dollars for financial reporting purposes.

** Immaterial revision of comparative figures, see note 2aa.

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NOTE 15 – LONG-TERM NOTES AND LOANS:

a. Non-recourse Senior Secured Notes, credit lines and non-recourse and limited recourse bank credit for the financing of projects:

1) Composed as follows:

	December 31, 2013	December 31, 2012
	Dollars in thousands	
Liabilities for financing projects (limited recourse and non-recourse):		
Loan agreements:		
Non-recourse loan agreements:		
Loan agreement Amatitlan Power Plant, Guatemala	31,509	34,268
Limited recourse loan agreements-Olkaria III complex, Kenya from OPIC	299,946	220,000
Notes:		
Non-recourse:		
Ormat Funding Corp.	90,840	114,136
OrCal Geothermal Inc.	66,156	76,548
Limited recourse – OFC 2 LLC	144,450	150,473
	632,901	595,425
Less - current maturities	(51,514)	(39,684)
	581,387	555,741
Less – credit raising expenses	(20,987)	(22,751)
	560,400	532,990
Full recourse liabilities:		
Senior unsecured bonds	250,596	250,904
Loans from institutional investors	32,868	43,624
Loan agreement – Olkaria III complex, Kenya with DEG	39,474	47,369
Bank loan	10,000	20,000
Credit from bank	112,017	73,606
	444,955	435,503
Less - current maturities	(28,875)	(28,649)
	416,080	406,854
Less – credit raising expenses	(1,007)	(1,642)
	415,073	405,212

The above notes and loans are denominated in dollars.

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2) Additional information:

(a) Liabilities for financing projects:

(1) Loan from TCW Global Project Fund II, Ltd. ("TCW")

In May 2009, Ortitlan - a wholly-owned subsidiary of Ormat Technologies - concluded loan agreements in the amount of $ 42.0 million for the refinancing of some of the Group's investments in the Amatitlan power plant in Guatemala. The financing is project-based and was extended to the Group by TCW. The loan is repayable in 28 equal quarterly payments starting on September 15, 2009 and ending on June 15, 2016. The loan bears annual interest at the rate of 9.83%.

There are various restrictive covenants under the Amatitlan Loan, including the requirement to comply with the following financial ratios for each calculation period: (a) a projected cumulative DSCR of not less than 1.2 over four consecutive quarters; (b) a long-term debt to equity ratio not to exceed 4.0 and (c) limitations on Ortitlan's ability to make distributions to its shareholders. If Ortitlan fails to comply with these financial ratios it will be precluded from making distributions to its shareholders. As of December 31, 2013, (a) the actual projected DSCR was 1.61 and (b) the debt to equity ratio was 2.21.

As required under the terms of the loan, Ortitlan is to maintain a limited deposit in cash or backed by a bank guarantee, in an amount covering payment of principal and interest for the next three months. This restricted cash account is classified as current in the consolidated statement of financial position. As of December 31, 2013 and 2012, the balance of such account was approximately $1.0 million and $3.8 million, respectively. In addition, as of December 31, 2013 and 2012, part of the required debt service reserve was backed by a letter of credit in the amount of approximately $3.1 million for both years; see Note 20.

(2) Loan from Overseas Private Investment Corporation ("OPIC")

In November, 2012, OrPower 4 - a wholly owned subsidiary of Ormat Technologies, completed a finance agreement with OPIC, an agency of the United States government, to provide debt financing in an aggregate principal amount of up to $310 million (the "OPIC Loan") for the refinancing and financing of the Olkaria III geothermal power complex in Kenya.

The OPIC loan is comprised of three tranches:

Tranche I, in an aggregate principal amount of $85 million, which was drawn on November 9, 2012, was used to prepay approximately $20.5 million (plus associated prepayment penalty and breakage costs of $1.5 million) of the DEG Loan, as described below. The remainder of Tranche I proceeds was used for reimbursement of prior capital costs and other corporate purposes.

Tranche II, in an aggregate principal amount of up to $180 million, was used to fund the construction and well field drilling for the expansion of the Olkaria III geothermal power complex to up to 84 MW ("Plant 2"). On November 9, 2012, an amount of $135 million was disbursed under this Tranche II, and in February 2013, the remaining $45 million was disbursed under this Tranche II .

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Tranche III is a stand-by tranche in an aggregate principal amount of up to $45 million, was disbursed in November 2013 and was applied to a further expansion of the Olkaria III complex of up to an additional 16 MW ("Plant 3").

In July 2013 the Group completed the conversion of the interest rate applicable to both Tranche I and Tranche II from a floating interest rate to a fixed interest rate. The average fixed interest rate for Tranche I, which has an outstanding balance of approximately $81.4 million and matures in December 2030, and Tranche II, which has an outstanding balance of $177.4 million and matures in June 2030, is 6.31%. In November 2013 OrPower 4 fixed the interest rate applicable to Tranche III. The fixed interest rate for Tranche III, which has an outstanding balance of $45.0 million and matures in December 2030, is 6.12%.

The loan (principal and interest) is payable quarterly on each March 15, June 15, September 15 and December 15, commencing with the first such date following the respective disbursement of a Tranche.

OrPower 4 has a right to make voluntary prepayments of all or a portion of the OPIC Loan subject to prior notice, minimum prepayment amounts, and a prepayment premium of 2% in the first two years after the Plant 2 commercial operation date, declining to 1% in the third year after the Plant 2 commercial operation date, and without premium thereafter, plus a redemption premium. In addition, the OPIC Loan is subject to customary mandatory prepayment in the event of certain reductions in generation capacity of the power plants, unless such reductions will not cause the projected ratio of cash flow to debt service to fall below 1.7.

The OPIC Loan is secured by substantially all of OrPower 4's assets and by a pledge of all of the equity interests in OrPower 4.

The Finance Agreement includes customary events of default, including failure to pay any principal, interest or other amounts when due, failure to comply with covenants, breach of representations and warranties, non-payment or acceleration of other debt of OrPower 4, bankruptcy of OrPower 4 or certain of its affiliates, judgments rendered against OrPower 4, expropriation, change of control, and revocation or early termination of security documents or certain project-related agreements, subject to various exceptions and notice, cure and grace periods.

The repayment of the remaining outstanding DEG Loan (see below) in the amount of approximately $39.5 million as of December 31, 2013 has been subordinated to the OPIC Loan.

There are various financial covenants under the OPIC Loan, which include a required historical and projected 12-month DSCR of not less than 1.4 (measured as of March 15, June 15, September 15 and December 15 of each year). If OrPower 4 fails to comply with these financial ratios it will be prohibited from making distributions to its shareholders. In addition, if the DSCR falls below 1.1, subject to certain cure rights, such failure will constitute an event of default by OrPower 4.

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As required under the terms of the OPIC Loan, OrPower 4 maintains an account which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the OPIC Loan in the following six months. This restricted cash account is classified as current in the consolidated balance sheets. As of December 31, 2013 and 2012, the balance of the account was approximately \$10.1 and \$18.9 million, respectively. In addition, as of December 31, 2013, part of the required debt service reserve was backed by a letter of credit in the amount of \$15.7 million (see note 20).

b) Project financing - senior secured notes:

(1) Ormat Funding Corp. ("OFC") Senior Secured Notes

In February 2004, a U.S. subsidiary, of Ormat Technologies, OFC, completed the issuance of \$190 million senior secured notes ("OFC Senior Secured Notes"), and received net cash proceeds of approximately \$179.7 million, after deduction of issuance costs of approximately \$10.3 million. The OFC Senior Secured Notes bear annual interest of 8.25% and have a final maturity of December 30, 2020. Principal and interest on the OFC Senior Secured Notes are payable in semi-annual payments that commenced on June 30, 2004. The OFC Senior Secured Notes are collateralized by substantially all of the assets of OFC and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC. There are various restrictive covenants under the OFC Senior Secured Notes, which include limitations on additional indebtedness of OFC and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OFC.

In addition, there are restrictions on the ability of OFC to make distributions to its shareholders, which include a required historical and projected 12-month DSCR of not less than 1.25 (measured semi-annually as of June 30 and December 31 of each year). If OFC fails to comply with the DSCR ratio it will be prohibited from making distributions to its shareholders. The Company believes that the transition to variable energy prices under the Ormesa and Mammoth PPAs and the impact of the currently low natural gas prices on the revenues under these PPAs may cause OFC to not meet the DSCR ratio requirements for making distributions, but it does not believe that there will be an event of default by OFC. As of December 31, 2013 (the last measurement date of the covenants), the actual historical 12-month DSCR was 1.29.

In February 2013, the Group acquired from OFC note holders OFC Senior Secured Notes with an outstanding aggregate principal amount of \$12.8 million and recognized a gain of \$0.8 million in the year ended December 31, 2013.

In January 2014, the Group acquired from OFC note holders OFC Senior Secured Notes with an outstanding aggregate principal amount of \$13.2 million and will recognize a gain of \$0.3 million in the first quarter of 2013.

OFC may redeem the OFC Senior Secured Notes, in whole or in part, at any time, at redemption price equal to the principal amount of the OFC Senior Secured Notes to be redeemed plus accrued interest, premium and liquidated damages, if any, plus a "make-whole" premium. Upon certain events, as defined in the indenture governing the OFC Senior Secured Notes, OFC may be required to redeem a portion of the OFC Senior Secured Notes at a redemption price ranging from 100% to 101% of the principal amount of the OFC Senior Secured Notes being redeemed plus accrued interest, premium and liquidated damages, if any.

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As required under the terms of the OFC Senior Secured Notes, OFC maintains an account which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the OFC Senior Secured Notes in the following six months. This restricted cash account is classified as current in the consolidated balance sheets. As of December 31, 2013 and 2012, the balance of such account was $2.9 million. In addition, as of each of December 31, 2013 and 2012, part of the required debt service reserve was backed by a letter of credit in the amount of $10.6 million (see note 20).

(2) OrCal Geothermal Inc. ("OrCal") Senior Secured Notes

In December 2005, OrCal, a U.S. subsidiary of Ormat Technologies, completed the issuance of $165 million senior secured notes ("OrCal Senior Secured Notes"), and received net cash proceeds of approximately $161.1 million, after deduction of issuance costs of approximately $3.9 million. The OrCal Senior Secured Notes bear annual interest of 6.21% and have a final maturity of December 30, 2020. Principal and interest on the OrCal Senior Secured Notes are payable in semi-annual payments which commenced on June 30, 2006. The OrCal Senior Secured Notes have been rated BBB by Fitch. The OrCal Senior Secured Notes are collateralized by substantially all of the assets of OrCal, and those of its subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OrCal, without recourse to either the Company or Ormat Technologies.

There are various financial covenants under the OrCal Senior Secured Notes, which include limitations on additional indebtedness of OrCal and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OrCal. In addition, there are restrictions on the ability of OrCal to make distributions to its shareholders, which include a required historical and projected 12-month DSCR of not less than 1.25 (measured semi-annually as of June 30 and December 31 of each year). As of December 31, 2013, the actual historical 12-month DSCR was 1.30.

OrCal may redeem the OrCal Senior Secured Notes, in whole or in part, at any time at a redemption price equal to the principal amount of the OrCal Senior Secured Notes to be redeemed plus accrued interest, and a "make-whole" premium. Upon certain events, as defined in the indenture governing the OrCal Senior Secured Notes, OrCal may be required to redeem a portion of the OrCal Senior Secured Notes at a redemption price of 100% of the principal amount of the OrCal Senior Secured Notes being redeemed plus accrued interest.

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As required under the terms of the OrCal Senior Secured Notes, OrCal maintains an account, with a required minimum balance, which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the OrCal Senior Secured Notes in the following six months. This restricted cash account is classified as current on the statement of financial position. As of December 31, 2013 and 2012, the balance of such account was \$3.0 million and \$2.6 million, respectively. In addition, as of December 31, 2013 and 2012, part of the restricted cash account was funded by a letter of credit in the amount of approximately \$10.2 million and \$4.9 million, respectively (see Note 20).

(3) OFC 2 LLC Senior Secured Notes ("OFC 2")

In September 2011, OFC 2, a subsidiary of Ormat Technologies in the United States, and its wholly owned project subsidiaries (collectively, the Issuers) entered into 20-year financing agreements in an amount of \$350 million with OFC 2, to be made available as project financing credit by the American insurance company, John Hancock.

Subject to the fulfillment of customary and other specified conditions precedent, the OFC 2 Senior Secured Notes (hereafter – "the Notes") may be issued in up to six distinct series associated with the phased construction (Phase I and Phase II) of the Jersey Valley, McGinness Hills and Tuscarora geothermal power facilities owned by the Issuers. The OFC 2 Senior Secured Notes will mature and the principal amount of the OFC 2 Senior Secured Notes will be payable in equal quarterly installments in accordance with an amortization schedule attached to such Notes and in any event not later than December 31, 2034. Each Series of Notes will bear interest at a rate calculated based on a spread over the Treasury yield curve that will be set at least ten business days prior to the issuance of such Series of Notes. Interest will be payable at the end of each quarter. The DOE will guarantee payment of 80% of principal and interest on the OFC 2 Senior Secured Notes (the DOE Guarantee) pursuant to Section 1705 of Title XVII of the Energy Policy Act of 2005, as amended. The conditions precedent to the issuance of the OFC 2 Senior Secured Notes include certain specified conditions required by the DOE in connection with the DOE Guarantee.

On October 31, 2011 the Issuers completed the sale of \$151.7 million in aggregate principal amount of 4.687% Series A Notes. The net proceeds from the sale of the Series A Notes, after deducting transaction fees and expenses, were approximately \$141.1 million, and were used to finance a portion of the construction costs of Phase I of the McGinness Hills and Tuscarora facilities and to fund certain reserves. Principal and interest on the Series A Notes are payable quarterly in arrears on the last day of March, June, September and December of each year.

Issuance of the Series B Notes is dependent on the Jersey Valley power plant reaching certain operational targets in addition to the other conditions precedent noted above. If issued, the aggregate principal of the Series B Notes will not exceed \$28.0 million, and such proceeds would be used to finance a portion of the construction costs of Phase I of the Jersey Valley power plant.

The Issuers have sole discretion regarding whether to commence construction of Phase II of any of the Jersey Valley, McGinness Hills and Tuscarora facilities. If Phase II construction is undertaken for any of the facilities, the Issuers may issue up to four tranches of Notes, in respect of each stage of any of the said projects. The aggregate principal amount of all Phase II Notes may not exceed \$170.0 million.

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The OFC 2 Senior Secured Notes are collateralized by substantially all of the assets of OFC 2 and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC 2.

There are various financial covenants placed under the OFC 2 Senior Secured Notes, which include limitations on additional indebtedness of OFC 2 and its wholly owned subsidiaries. Failure to comply with these covenants shall constitute, subject to certain circumstances, an event of default by OFC 2. In addition, there are restrictions on the ability of OFC 2 to make distributions to its shareholders. Among other things, the distribution restrictions include a quarterly DSCR requirement of at least 1.2 (on a blended basis for all of the OFC 2 power plants) and 1.5 on a pro forma basis. As of December 31, 2013, the actual DSCR for the fourth quarter of 2013 was 1.79 and the pro-forma 12-month DSCR was 2.25.

In addition, in connection with the issuance of each Series of OFC 2 Senior Secured Notes, Ormat Technologies will provide a guarantee in connection with the issuance of each other Series of OFC 2 Senior Secured Notes, which will be available to be drawn upon if certain trigger events occur. One trigger event is the failure of any facility financed by the relevant Series of OFC 2 Senior Secured Notes to reach completion and meet certain operational performance levels (the non-performance trigger) which gives rise to a prepayment obligation on the OFC 2 Senior Secured Notes. The other trigger event is a payment default on the OFC 2 Senior Secured Notes or the occurrence of certain fundamental defaults that result in the acceleration of the OFC 2 Senior Secured Notes, in each case that occurs prior to the date that the relevant facility financed by such OFC 2 Senior Secured Notes reaches completion and meets certain operational performance levels. A demand on Ormat Technologies' guarantee based on the non-performance trigger is limited to an amount equal to the prepayment amount on the OFC 2 Senior Secured Notes necessary to bring the OFC 2 Issuers into compliance with certain coverage ratios. A demand on the Ormat Technologies' guarantee based on the other trigger event is not limited.

Debt service reserve; other restricted funds

Under the terms of the OFC 2 Senior Secured Notes, OFC 2 is required to maintain a debt service reserve and certain other reserves, as follows:

(a) A debt service reserve account which may be funded by cash or backed by letters of credit (see below) in an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the OFC 2 Senior Secured Notes in the following six months. This restricted cash account is classified as current assets in the consolidated statement of financial position. As of December 31, 2013, part of the required debt service reserve was backed by a letter of credit in the amount of $10.4 million, see Note 20.

(b) A performance level reserve account, intended to provide additional security for the OFC 2 Senior Secured Notes, which may be funded by cash or backed by letters of credit. This reserve builds up over time and reduces gradually each time the project achieves certain milestones. Upon issuance of the Series A Notes, this reserve was funded in the amount of $28 million. As of December 31, 2013, the balance of such account was $45.7 million, and in addition OFC 2 funded $10 million in a letter of credit issued that is required to be maintained at all times until this reserve reduces to zero.

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(c) Under the terms of the OFC 2 Senior Secured Notes, OFC 2 is also required to maintain a well field drilling and maintenance reserve that builds up over time and is dedicated to costs and expenses associated with drilling and maintenance of the project's well field, which may be funded by cash deposit or backed by letters of credit. Certain other reserves are required in the event OFC 2 elects to commence construction of Phase II of any facility and fund such construction with any Series of Notes (other than Series A and Series B Notes).

c) Full recourse agreements:

(1) Senior Unsecured Bonds

On August 3, 2010, Ormat Technologies entered into a trust instrument governing the issuance of, and accepted subscriptions for, an aggregate principal amount of approximately $142.0 million of senior unsecured bonds (the "Bonds").

In February 2012, Ormat Technologies accepted subscription for an aggregate principal amount of approximately $108.0 million of additional senior unsecured bonds (the "Additional Bonds") under two addendums to the trust instrument. The Additional Bonds were issued at a premium which reflects an effective fixed interest of 6.75%.

Subject to early redemption, the principal of the Bonds is repayable in a single bullet payment upon the final maturity of the Bonds on August 1, 2017. The Bonds bear interest at a fixed rate of 7%, payable semi-annually.

(2) Loans from institutional investors

In July 2009, the Group received a $20.0 million loan from a group of institutional investors. The loan matures July 16, 2015, is repayable in 12 equal semi-annual installments commencing January 16, 2010 and bears fixed annual interest at the rate of 6.5%.

In July 2009, the Group received another $20.0 million loan from another group of institutional investors. The loan matures on August 1, 2017, is payable in 12 semi-annual installments commencing February 1, 2012, and bears interest at 6-month LIBOR plus 5.0%.

In November 2010, the Group received another $20.0 million loan from a group of institutional investors. The loan matures on November 16, 2016, is payable in 10 semi-annual installments commencing May 16, 2013, and bears fixed annual interest at the rate of 5.75%.

(3) Loan from Deutsche Investitions und- Entwicklungsgesellschaft mbH ("DEG")

In March 2009, OrPower 4- a wholly-owned subsidiary of Ormat Technologies, Inc. - concluded loan agreements in the amount of up to $105.0 million for the refinancing of some of the Group's investments in the Olkaria III power plants in Kenya. The financing is project-based and was extended to the Group by a consortium of European government financial institutions headed by DEG. On March 23, 2009, the subsidiary drew $ 90 million and the balance of $ 15 million was drawn in July 2009. The loan is repayable in 19 equal semi-annual payments ending on December 15, 2018. The loan bears interest at the 6 month LIBOR plus 4%, and the Group had the option to fix the interest rate upon each disbursement. Upon the first disbursement, the Group fixed the interest rate on $77.0 million of the loan at 6.90% per annum.

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In October 2012, OrPower 4, DEG and the parties thereto amended and restated the DEG Loan agreement (the "DEG Amendment"). The DEG Amendment became effective in November 2012 upon the execution by OrPower 4 of the Tranche I and Tranche II Notes and the related disbursements of the proceeds thereof under the OPIC Finance Agreement (as described above). The amended and restated DEG Loan Agreement provides for: (i) the prepayment in full of a principal amount of approximately $20.5 million; (ii) the release and discharge of all collateral security previously provided by OrPower 4 to the secured parties under the DEG Loan agreement and the substitution of Ormat Technologies guarantee of OrPower 4's payment and certain other performance obligations in lieu thereof; and (iii) the establishment of a LIBOR floor of 1.25% in respect of one of the loans under the DEG Loan agreement, and (iv) the elimination of most of the affirmative and negative covenants under the DEG Loan agreement and certain other conforming provisions to take into account OrPower 4's execution of the OPIC Finance Agreement and its obligations thereunder.

(4) Bank loan

In November 2009, the Group took a $50.0 million loan to finance its activities, from a commercial bank. The loan matures on November 10, 2014 and is payable in 10 semi-annual installments commencing on May 10, 2010. The loan bears interest at 6-month LIBOR plus 3.25%.

(5) Bank credit lines

As of December 31, 2013, the Group has credit agreements with eight commercial banks for an aggregate amount of $485.1 million (including $50.0 million from Union Bank, N.A., hereafter - "Union Bank", and $25.0 million from HSBC Bank USA, N.A., hereafter – "HSBC"). Under the terms of these credit agreements, Ormat Technologies, or its Israeli subsidiary, Ormat Systems, can request: (i) extensions of credit in the form of loans and/or the issuance of one or more letters of credit in the amount of up to $283.0 million; and (ii) the issuance of one or more letters of credit in the amount of up to $202.1 million. The credit agreements mature between March 2014 and November 2016. Loans and draws under the credit agreements or under any letters of credit will bear interest at the respective bank's cost of funds plus a margin.

As of December 31, 2013, loans in the total amount of $112.0 million were outstanding, and letters of credit with an aggregate stated amount of $210.9 million were issued and outstanding under such credit agreements. The $112.0 million in loans are for terms of three months or less and bear interest at an annual weighted average rate of 2.56%.

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(6) Credit agreement with Union Bank

In February 2012, Ormat Nevada entered into an amended and restated credit agreement with Union Bank (the “new agreement”) to increase the available credit to $50.0 million and extend the termination date to February 7, 2014 (which was subsequently extended to March 31, 2014). The facility is limited to the issuance of letters of credit. Union Bank is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of other banks that may, from time to time in the future, join the credit agreement as parties thereto. In connection with this transaction, Ormat Technologies has entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which Ormat Technologies agreed to guarantee Ormat Nevada’s obligations under the credit agreement. Ormat Nevada’s obligations under the credit agreement are otherwise unsecured by any of its (or of its subsidiaries) assets.

Various financial covenants were placed on Ormat Nevada under the new credit agreement, which include a requirement to comply with the following financial ratios, which are measured quarterly: (a) 12-month debt to EBITDA ratio not to exceed 4.5; (b) 12-month DSCR of not less than 1.35; and (iii) a distribution leverage ratio not to exceed 2.

As of December 31, 2013: (i) the actual 12-month debt to EBITDA ratio was 2.58; (ii) the 12-month DSCR was 2.47; and (iii) the distribution leverage ratio was 1.34. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of Union Bank.

As of December 31, 2013, letters of credit in the aggregate amount of $45.6 million remain issued and outstanding under this credit agreement with Union Bank.

(7) Credit agreement with HSBC

In May 2013, Ormat Nevada, a wholly owned subsidiary of Ormat Technologies, entered into a credit agreement with HSBC for one year with annual renewals. The aggregate amount available under the credit agreement is $25.0 million. This credit line is limited to the issuance, extension, modification or amendment of letters of credit and $10.0 million out of this credit line for working capital needs. HSBC is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as parties thereto. In connection with this transaction, Ormat Technologies entered into a guarantee pursuant to which it agreed to guarantee Ormat Nevada’s obligations under the credit agreement. Ormat Nevada’s obligations under the credit agreement are otherwise unsecured.

There are various restrictive covenants under the credit agreement, including a requirement to comply with the following financial ratios, which are measured quarterly: (i) a 12-month debt to EBITDA ratio not to exceed 4.5; (ii) 12-month DSCR of not less than 1.35; and (iii) distribution leverage ratio not to exceed 2.0.

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As of December 31, 2013: (i) the actual 12-month debt to EBITDA ratio was 2.58; (ii) the 12-month DSCR was 2.47; and (iii) the distribution leverage ratio was 1.34. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of HSBC.

As of December 31, 2013, letters of credit in the aggregate amount of $20.8 million remain issued and outstanding under this credit agreement.

(8) The credit agreements, the loan agreements, and the trust instrument governing the bonds, described above, are unsecured; however, Ormat Technologies is subject to a negative pledge in favor of the banks and the other lenders and certain other restrictive covenants. These include, among other things, a prohibition on: (a) creating any floating charge or any permanent pledge, charge or lien over Ormat Technologies' assets without obtaining the prior written approval of the lender; (b) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (c) selling, assigning, transferring, conveying or disposing of all or substantially all of its assets, or a change of control in Ormat Technologies' ownership structure. Some of the credit agreements, the term loan agreements, as well as the trust instrument, contain cross-default provisions with respect to other material indebtedness owed by us to any third party. In some cases, Ormat Technologies has agreed to maintain certain financial ratios, which are measured quarterly, such as: (i) equity of at least $600 million and in no event less than 30% of total assets; (ii) 12-month debt, net of cash, cash equivalents, marketable securities and short-term bank deposits to adjusted EBITDA ratio not to exceed 7; and (iii) dividend distribution not to exceed 35% of net income for that year. As of December 31, 2013: (i) total equity was $745.1 million and the actual equity to total assets ratio was 34.5%, and (ii) the 12-month debt, net of cash, cash equivalents, marketable securities and short-term bank deposits to Adjusted EBITDA ratio was 4.5. During the year ended December 31, 2012, Ormat Technologies distributed interim dividends in an aggregate amount of $3.6 million. Although Ormat Technologies reported net loss for the year, under the credit agreements, the loan agreements, and the trust instrument governing the bonds the Ormat Technologies can distribute interim dividends on the basis of its estimate of its net income for the year. Since Ormat Technologies incurred a loss for the year ended December 31, 2012, it made an adjustment of $3.6 million to its 2013 dividends. The failure to perform or observe any of the covenants set forth in the above agreements, subject to various cure periods, would result in the occurrence of an event of default and would enable the lenders to accelerate all amounts due under each such agreement.

d) The credit exposes the Group to changes in interest rates and the timing thereof as stipulated by the agreements.

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The amounts of credit which create exposure to changes in interest rates and the timing thereof are as follows:

	December 31,	
	2013	2012
	Dollars in thousands	
Up to 6 months	112,017	73,606
6-12 months	23,333	256,667
	135,350	330,273

e) For information on the effect of interest changes on the fair value of non-current liabilities, see note 11a(3).

b. The long-term debt matures in the following years after the dates of the statement of financial position:

	December 31,	
	2013	2012
	Dollars in thousands	
First year – current maturities	80,389	68,333
Second year	74,386	77,266
Third year	89,604	70,850
Fourth year	311,890	86,188
Fifth year	53,954	308,938
Sixth year and thereafter	355,617	345,747
	965,840	957,322

NOTE 16 – ACCOUNTS PAYABLE AND ACCRUALS:

a. Trade:

	December 31,	
	2013	2012
	Dollars in thousands	
Open accounts:		
In dollars	45,249	44,050
In Israeli currency – unlinked	3,254	2,871
In other currencies	1,157	4,422
	49,660	51,343

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b. Other:

	December 31, 2013	December 31, 2012
	Dollars in thousands	
Payroll and related expenses	11,711	10,423
Interest accrued on Senior Secured Notes and loans	9,277	9,110
Deferred income	5,750	
Institutions	4,671	4,399
Royalties	1,531	1,646
Sundry	5,367	9,096
	38,307	34,674

	December 31, 2013	December 31, 2012
	Dollars in thousands	
In dollars	27,496	18,961
In Israeli currency – unlinked	5,499	4,924
In New Zealand dollars	1,291	6,455
Other currencies	4,021	4,333
	38,307	34,674

The fair value of accounts payable and accruals – other approximates their carrying amount.

c. Provisions:

For products sold outside Israel, the Group usually provides a one-year warranty from date of installation. The annual provision is calculated at the rate of 0.5% of the sales and is charged to income in the financial statements.

NOTE 17 – DEFERRED LEASE FEES:

a. Ormat Technologies' wholly owned subsidiary in Hawaii - Puna Geothermal Ventures ("PGV") entered into a transaction involving the Puna geothermal power plant located on the Big Island of Hawaii (the "Puna Power Plant").

Pursuant to a 31-year head lease (the "Head Lease"), PGV leased its geothermal power plant to an unrelated company in return for prepaid lease payments in the total amount of $83.0 million (the "Deferred Lease Income"). PGV's rights in the geothermal resource and the related PPA have not been leased to the lessor as part of the Head Lease but are part of the lessor's security package. The unrelated company simultaneously leased back the Puna Power Plant to PGV under a 23-year lease (the "Project Lease").

The carrying amount of the leased assets as of December 31, 2013 and 2012 amounted to $36.9 million and $39.6 million, respectively, net of accumulated depreciation of $25.5million and $22.8 million, respectively.

PGV's rent obligations under the Project Lease will be paid solely from revenues generated by the Puna Power Plant under a PPA that PGV has with Hawaii Electric Light Company ("HELCO"). The Head Lease and the Project Lease are non-recourse lease obligations to either the Company or Ormat Technologies.

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The Head Lease was classified as an operating lease. The Deferred Lease Income is amortized into revenue, using the straight-line method, over the 31-year term of the Head Lease. Deferred transaction costs amounting to $4.2 million are being amortized, using the straight-line method, over the 23-year term of the Project Lease.

b. Future minimum lease fees payable subsequent to December 31, 2013, are as follows:

	Dollars in thousands
First year	8,647
Second year	8,222
Third year	8,374
Fourth year	8,747
Fifth year	8,944
Sixth year and thereafter	12,932
	55,866

c. As required under the terms of the lease agreements, PGV is required to deposit certain amounts in restricted accounts. As of December 31, 2013 and 2012, such funds amounted to $4.3 million and $4.4 million, respectively and are classified as current assets in the statements of financial position as of December 31, 2013 and 2012.

d. Under the lease agreement, PGV is required to deposit its remaining cash, after making all of the necessary payments and transfers as provided for in the lease agreements, in order to make distributions to its parent company. The distributions are allowed only if PGV maintains various restrictive covenants under the lease agreements, which include, inter alia, limitations on additional indebtedness. As of December 31, 2013 and 2012, the balance of such account was zero.

NOTE 18 – POST-EMPLOYMENT BENEFITS:

a. Retirement benefit obligations

Israeli labor laws and agreements require the Israeli company in the Group to pay severance pay and/or pensions to employees dismissed or retiring from their employ in certain other circumstances. The severance pay amounts due to the entitled employees are based on the number of years of service and the latest salary of the employee.

Under Israeli labor laws and agreements, including the Extension Order (Combined Text) for Obligatory Pension under the Collective Agreements Law, 1957 (hereafter – the “extension order”), the Israeli company in the Group is also required to make current contributions to provident funds, pension funds or other funds, etc. (hereafter – the “funds”) to cover pension insurance of their employees and a portion of the severance pay liability.

Subject to the provisions of the extension order, current deposits with defined contribution plans come instead of payment of severance pay to employees in Israel under Section 14 of the Israeli Severance Pay Law in respect of salary and other entitling pay components in respect of the periods and rates for which such deposits are made (hereafter – Section 14 deposits).

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The Israeli company in the Group makes current deposits in personal severance pay funds in the employees' names in respect of that portion of the severance pay liability not covered by the Section 14 deposits and in respect of service periods before the extension order came into force. These amounts constitute the balance of the severance pay liability and do not come instead of that liability.

The funds in which deposits for the pension insurance obligation and the Section 14 deposits are made are defined contribution plans covered by current contributions. The amounts funded as above are not reflected in the statements of financial position. The Group has no legal or implied obligation to make any additional payments in respect of the defined contribution plans in the event that the amounts accumulated therein are not sufficient for the disbursement of all the benefits for the employees' service in the current period and in previous periods.

The balance of the severance pay liability is a defined benefit plan which exposes the Israeli company in the Group to an actuarial risk (in particular – that the labor costs are higher than anticipated) and to an investment risk (that the yield on the assets of the personal provident funds is lower than estimated). The investments in such funds are managed by the fund managers and are subject to various regulations and to supervision by the Capital Market, Insurance and Savings Department of the Ministry of Finance (including their investment policies).

b. Defined contribution plans

The liability of the Israeli company in the Group to pay employee pensions, and the Group's liability to pay severance pay to employees in Israel under Section 14 of the Israeli Severance Pay Law, as well as the severance pay liability to employees outside of Israel, is covered by current deposits with defined contribution plans. The amounts funded as above are not reflected in the statements of financial position.

The amounts expensed in respect of deposits with the defined contribution plans in the years ended December 31, 2013, 2012, and 2011 were $1.2 million, $1.1 million and $1.1 million, respectively.

c. Defined benefit plans

As mentioned above, the Israeli Group company has an obligation to pay severance pay to some employees under defined benefit plans. This liability is mainly covered by regular deposits with severance pay funds and by purchase of managerial insurance policies. The net liability presented in the statement of financial position as of December 31, 2013 and 2013, reflects the difference between the liability for severance pay and plan assets, as detailed in d. hereafter.

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d. Amounts of liability presented in the statement of financial position:

	Year Ended December 31	
	2013	2012
	Dollars in thousands	
Present value of the obligations relating to partly or fully funded plans	24,577	23,262
Fair value of plan assets	(20,916)	(19,722)
Liability presented in the statement of financial position- net	3,661	3,540

e. Changes in defined benefit plan liability (assets), net:

	Present value of the liability	Fair value of plan assets	Liability (assets) - net
		Dollars in thousands	
Balance at January 1, 2013	23,262	(19,722)	3,540
Current service cost	948	—	948
Interest income (expense), including transfers to provident funds	926	(518)	408
Exchange differences	1,789	(1,477)	312
	26,295	(21,717)	5,208
Remeasurement of liability (assets), net – actuarial losses resulting from remeasurement based on experience	(185)	(434)	(619)
	26,740	(22,151)	4,589
Plan contributions	—	(615)	(615)
Benefits paid	(1,850)	1,850	—
Retirement resulting from disposal of subsidiary	(313)	—	(313)
Balance December 31, 2013	24,577	(20,916)	3,661

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	Present value of the liability	Fair value of plan assets	Liability (assets) - net
		Dollars in thousands	
Balance at January 1, 2012	19,971	(18,228)	1,743
Current service cost	898	—	898
Interest income (expense), including transfers to provident funds	929	(496)	433
Exchange differences	966	(465)	501
	22,764	(19,189)	3,575
Remeasurement of liability (assets), net:			
Actuarial losses resulting from changes in financial estimates	989	(275)	714
Actuarial losses resulting from remeasurement based on experience	(330)	101	(229)
	22,423	(19,363)	4,060
Plan contributions	—	(604)	(604)
Benefits paid	161	245	84
Balance December 31, 2012	23,262	(19,722)	3,540

	Present value of the liability	Fair value of plan assets	Liability (assets) - net
		Dollars in thousands	
Balance at January 1, 2011	20,271	(18,302)	1,969
Current service cost	892	—	892
Interest income (expense), including transfers to provident funds	997	(582)	415
Exchange differences	(1,520)	1,385	(135)
	20,640	(17,499)	3,141
Remeasurement of liability (assets), net:			
Actuarial losses resulting from changes in financial estimates	(46)	(207)	(253)
Actuarial losses resulting from remeasurement based on experience	84	348	432
	20,678	(17,358)	3,320
Plan contributions	—	(1,557)	(1,557)
Benefits paid	(707)	687	(20)
Balance December 31, 2011	19,971	(18,228)	1,743

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f. Actuarial assumptions

The principal actuarial assumptions used were as follows:

	Year Ended December 31,		
	2013	2012	2011
Discount rate	3.62%	3.95%	4.73%
Inflation rate	2.24%-2.28%	2.49%-2.63%	2.44%-2.51%
Expected rate of retirement	1%-10%	1%-10%	1%-10%
Future salary increases	3.27%	3.52%	3.47%

Following is analysis of sensitivity of the defined benefit plans to changes in weighted material actuarial assumptions which were probable at the end of the reported period:

	Increase (decrease) in the defined benefit liability December 31, 2013 Dollars in thousands	
	+10%	-10%
Capitalization rate	(492)	336
Future salary increases	312	(264)
Retirement rate	74	(70)

The sensitivity analyses were made by changing one assumption at a time, the other assumptions remaining constant. This is unlikely to happen in practice, as there may be correlation between changes in several assumptions.

The sensitivity of the defined benefit liability to changes in material actuarial assumptions was measured using the same method which was applied in measurement of that liability in the statement of financial position (measurement of the fair value of the liability based on entitlement unit at the end of the reporting period).

g. Plan assets

The Group's defined benefit plan assets are invested in qualifying insurance policies the prices of which are quoted on active market.

h. Risk exposure resulting from the defined benefit plans

The defined benefit plans expose the Group to several risks, the most significant being fluctuations in plan assets, which include a substantial number of equity instruments, changes in the yield of government bonds, and the possibility that payroll increases will be larger than assumed in actuarial calculations.

As mentioned above, investments in personal severance pay are managed by the fund managers and are subject to various regulations and to supervision by the Capital Market, Insurance and Savings Department of the Ministry of Finance (including their investment policies).

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i. Effect on future cash flows

To cover their liability in respect of the plans, the Israeli company in the Group makes monthly deposits of 8.33% of employee pay in personal severance pay funds in the employee names.

Expected contributions to post-employment benefit plans for the year ending December 31, 2014 are approximately $0.6 million.

As of December 31, 2013, the weighted average life of the defined benefit obligation is 5.5 years.

The table below shows the anticipated payment dates of the obligation (undiscounted):

	Dollars in thousands
Less than a year	4,791
1-2 years	232
2-5 years	5,802
Over 5 years	39,021
	49,846

NOTE 19 – PROVISIONS FOR OTHER LIABILITIES:

Changes in the provisions are as follows:

	Asset retirement obligation	Other	Total
		Dollars in thousands	
Balance at January 1, 2012	66,750	4,568	71,318
Changes during the year:			
Reduction of provision due to change in estimate	(9,275)	—	(9,275)
Provisions cancelled	—	895	895
Financing component of asset retirement obligation	1,708	—	1,708
Payments during the year	—	(27)	(27)
Balance at December 31, 2012	59,183	5,436	64,619
Changes during the year:			
Additional provisions	1,866	—	1,866
Reduction of provision due to change in estimate	(15,778)	—	(15,778)
Change in provisions	—	(1,618)	(1,618)
Financing component of asset retirement obligation	1,915	—	1,915
Payments during the year	—	(26)	(26)
Balance at December 31, 2013	47,186	3,792	50,978

Asset retirement obligation:

The asset retirement obligation is computed by discounting the projected future payments for plugging wells and for dismantling of the geothermal power plants upon cessation of operations and the performance of certain remedial measures related to the land on which such operations were conducted. The discount rates used in computation as of December 31, 2013 and 2012 were 2.8%-4.0% and 1.38%- 2.91%, respectively.

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Changes resulting from changing estimates and/or discount rates are carried to cost of the plants to which they relate.

Changes resulting from accretion over time are recognized in the statements of operations as interest expense.

NOTE 20 – COMMITMENTS, CONTINGENT LIABILITIES, RESTRICTIVE COVENANTS RELATING TO LIABILITIES, PLEDGES ON ASSETS AND SECURITIES:

Commitments:

In respect of acquisition and construction of power plants

In the ordinary course of its business, the Group enters into agreements with producers and suppliers for the timely supply of goods and services, based on detailed specifications, for raw material inventories and for use in manufacture and construction of power plants. Such commitments as of December 31, 2013 aggregated $57.3 million (approximately $26.6 million of which in respect of power plants under construction).

In respect of geothermal resources

The Group, through Ormat Technologies' subsidiaries in the United Sates, controls certain rights to geothermal fluids through certain leases with BLM or through private leases. Royalties on the utilization of the geothermal resources are computed and paid to the lessors as defined in the respective agreements. Royalties' expense under the geothermal resource agreements were approximately $13.9 million $12.0 million, and $10.1 million, for the years ended December 31, 2013, 2012, and 2011, respectively.

As regards the operating lease agreement of the Puna power plant, see note 17.

Royalty commitments

The Group is committed to pay royalties to the Government of Israel on proceeds from sales of products in the research and development of which the Government participates by way of grants. Under the terms of the Group's funding from the Israeli Government, royalties of 3.5%-5% are payable on sales of products developed from a project so funded, up to 100% of the amount of the grant received by the Company (dollar linked); as from January 1, 1999 - with the addition of annual interest at the LIBOR rate). In the years ended December 31, 2013 and 2012, the Group did not pay royalties to the Israeli Government.

At December 31, 2013 and 2012, the maximum royalty amount payable by the Group is $1.5 million.

Letters of credit

In the ordinary course of business with customers, vendors, and lenders, the Group is contingently liable for performance under letters of credit totaling $248.9 million at December 31, 2013. Management does not expect any material losses to result from performance failure and, therefore, is of the opinion that the fair value of these letters of credit is zero.

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Under an agreement between the subsidiary Ormat Technologies and certain banks, the banks allocated credit lines in a total amount of approximately $485.1 million, which can be used to draw letters of credit (see note 15).

For power purchase agreements, see note 22.

Contingent liabilities

There is a contingent liability to pay taxes in Israel on capital gains, in the event of the sale of shares in non-Israeli subsidiaries, including a substantial dilution as a result of issuance of shares by such subsidiaries that are considered a sale for this purpose. This liability is based on the guarantee the Company issued to the Israeli income tax authority in connection with the transfer of shares of a non-Israeli subsidiary to another non-Israeli subsidiary, under Section 104 of the Israeli Income Tax Ordinance.

As of December 31, 2013, the Company has no intention to sell such shares.

Legal proceedings

1) On December 24, 2012, Laborers' International Union of North America Local Union No. 783 ("LiUNA"), an organized labor union, filed a petition in Mono County Superior Court, naming Mono County and Ormat Technologies as defendant and real party in interest, respectively. The petitioners brought this action to challenge the November 13, 2012 decision of the Mono County Board of Supervisors in denying Petitioners' administrative appeal of the Planning Commission's approval of Conditional Use Permit ("CUP"), adoption of findings under the California environmental quality reports for the Mammoth Pacific I replacement project. The petition asks the court to set aside the approval of the CUP and adoption of the environmental quality reports and cause a new environmental quality report to be prepared and circulated.

The Group responded to LiUNA's petition. Filing of the petition in and of itself does not have any immediate adverse implications for the Mammoth 1 enhancement.

The Group believes that the petition is without merit and is of the opinion that its chances of being dismissed exceed its chances of being accepted.

2) In January 2014, the Group learned that two former employees of Ormat Technologies alleged in a qui tam complaint filed in the United States District Court for the Southern District of California that the latter submitted fraudulent applications and certifications to obtain grants. While the United States Department of Justice has declined to intervene, the former employees may proceed on their own.

While the Group believes the allegations are without merit, it is investigating the allegations and evaluating and assessing the exposure to the Group, if any. The Group does not believe that the allegations of the lawsuit have any merit and will defend itself vigorously if served.

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3) On February 19, 2012, a stockholder lodged a claim in the Tel Aviv District Court to recognize the claim as a derivative claim under section 198 of the Companies Law, 1999 against Gazit Israel (established by Gazit Inc., Panama) a subsidiary of Norstar Holdings Ltd. (formerly Gazit Inc.) (hereafter, collectively - "Gazit") regarding alleged use of inside information by Gazit when it purchased Company shares in 2007. The claim alleges that the Gazit purchases of Company shares during that period were made with the intention of acquiring control over the Company and the shareholders claim that Gazit should have reported this to the public in real time, because publication of that information would have caused a significant change in the price of the Company's shares. Therefore, the allegation is that the said purchase was based on illegal use of inside information. The amount of the claim against Gazit is approximately NIS 365 million. On March 5, 2012 a request to approve a consensual motion was filed to the court requesting to approve procedural arrangement, according to which the respondents (Gazit and the Company) response to approve the derivative claim would be filed through May 15, 2012, and plaintiff's response to the respondents response would be filed by June 15, 2012. On March 6, 2012 the procedural arrangement was validated by the court and a hearing was scheduled to June 25, 2012. Following an extension granted by the court, on May 20, 2012 the Company filed its response to the motion, in which it objected on legal and factual grounds, to approval of the claim as a derivative claim. On November 12, 2012, the plaintiff filed a request for discovery and for shifting the burden to the respondents. The Company and Gazit filed their response to this request and the plaintiff filed its reply to their response. On December 11, 2012, a pre-trial was held. In this hearing it was determined that with respect to the motion for discovery of documents, a protocol referring to Gazit's decision to purchase up to 20% of the Company's shares will be transferred and would be confidential. As to the motion for shifting the burden it was determined that such motion will be decided within the determination of whether to approve the claim as a derivative claim. A hearing of evidence took place on March 24, 2013. Following the court decision, the parties submitted their summings-up in writing: the plaintiff – on May 12, 2013, and the defendant – on August 8, 2013. The plaintiff submitted the rejoinder to the defendant's summing-up on September 30, 2013. On October 3, 2013, the court rejected the request to recognize the claim as a derivative claim and adjudged the plaintiff to pay legal costs of NIS 25,000 to each defendant. The plaintiff was given 45 days to appeal that judgment. To the best of the Group's knowledge, no appeal was lodged and the time to do so has expired.

Pledges and collaterals

See notes 15 and 17.

NOTE 21 – OBLIGATIONS UNDER THE TAX MONETIZATION TRANSACTION IN THE UNITED STATES

The OPC transaction

On June 7, 2007, a wholly owned subsidiary of Ormat Technologies, Ormat Nevada Inc. ("Ormat Nevada"), concluded a transaction to monetize production tax credits and other favorable tax attributes, such as accelerated depreciation, generated from certain of its geothermal power plants. Pursuant to the transaction, affiliates of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. became institutional equity investors (the "Institutional Investors") in a newly formed subsidiary of Ormat Nevada. The power plants involved in the transaction include Desert Peak 2, Steamboat Hills, and Galena 2, all located in Nevada. The said subsidiary is taxed in the U.S. as a partnership.

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The first closing under the agreement occurred in 2007 and covered the Company's Desert Peak 2, Steamboat Hills and Galena 2 power plants. Under the transaction structure, Ormat Nevada transferred the aforementioned geothermal power plants to the newly formed subsidiary, OPC LLC ("OPC"), and sold limited liability company interests in OPC to the Institutional Investors. The Institutional Investors paid $71.8 million at the first closing. The second closing under the agreements occurred in 2008 and covered the Galena 3 power plant. The Institutional Investors paid $63.0 million at the second closing. Ormat Nevada will continue to operate and maintain the power plants and will receive initially all of the distributable cash flow generated by the power plants until it recovers the capital that it has invested in the power plants, while the Institutional Investors will receive substantially all of the production tax credits and the taxable income or loss (together, the "Economic Benefits"), and the distributable cash flow after Ormat Nevada has recovered its capital. The Institutional Investor's return is limited by the term of the transaction. Once the Institutional Investors reach a target after-tax yield on their investment in OPC (the "Flip Date"), Ormat Nevada will receive 95% of both distributable cash and taxable income and the Institutional Investors will receive 5% of both distributable cash and taxable income on a going forward basis. Following the Flip Date, Ormat Nevada also has the option to buy out the Institutional Investors' remaining interest in OPC at the then-current fair market value or, if greater, the Institutional Investors' capital account balances in OPC. Should Ormat Nevada exercise this purchase option, it would thereupon revert to being sole owner of the power plants.

On October 30, 2009, Ormat Nevada acquired all the Class B shares owned by Lehman-OPC LLC, which constitute a thirty percent interest in the Class B membership units of OPC. The membership units were acquired from Lehman-OPC LLC pursuant to a right of first offer for a price of $18.5 million. Since the initial sale of the Class B membership units by Ormat Nevada was accounted for as a financing transaction, the repurchase of these interests at a discount resulted in a pre-tax gain of approximately $14.4 million. Following the purchase of the Class B shares Ormat Nevada share in the cash flows and tax income was increased until the Flip Date from 95% to 96.5%.

In the fourth quarter of 2010, Ormat Nevada recovered its capital investment in the power plants and therefore the institutional investors will get their portion in the distributable cash and tax credit.

From October 30, 2009 to February 3, 2011, Ormat Nevada held all the Class A shares, representing approximately 75% of the voting rights in OPC, and 30% of the Class B shares, representing approximately 7.5% of the voting rights in OPC. Ormat Nevada therefore held approximately 82.5% of the voting rights in OPC. During that period, the Institutional Investors held approximately 70% of the Class B shares, representing approximately 17.5% of the voting rights in OPC. Aside from the restrictions applicable under the terms of the transaction, all the operational decisions in OPC are governed by the majority of shareholders. As from the Flip Date, the voting rights of Ormat Nevada would have been approximately 96.5% and those of the Institutional Investors - 3.5%.

On February 3, 2011, Ormat Nevada sold JPM Capital Corporation ("JPM") all of the Class B membership units of OPC that it had acquired on October 30, 2009 for a sale price of $24.9 million in cash. The Group did not record any gain from the sale of its Class B membership interests in OPC to JPM. Following the sale of the Class B shares Ormat Nevada share in the cash flows and tax income was decreased as from the Flip Date from 96.5% to 95.0%.

The ORTP transaction

On January 24, 2013, Ormat Nevada entered into agreements with JPM under which JPM purchased interests in a newly formed subsidiary of Ormat Nevada, ORTP, entitling JPM to certain tax benefits (such as PTCs and accelerated depreciation) associated with certain geothermal power plants in California and Nevada.

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Under the terms of the transaction, Ormat Nevada transferred the Heber complex, the Mammoth complex, the Ormesa complex, and the Steamboat 2 and 3, Burdette (Galena 1) and Brady power plants to ORTP, and sold class B membership units in ORTP to JPM. In connection with the closing, JPM paid approximately $35.7 million to Ormat Nevada and will make additional payments to Ormat Nevada of 25% of the value of PTCs generated by the portfolio over time. The additional payments are expected to be made until December 31, 2016 and total up to a maximum amount of $11.0 million.

Ormat Nevada will continue to operate and maintain the power plants. Under the agreements, Ormat Nevada will initially receive all of the distributable cash flow generated by the power plants, while JPM will receive substantially all of PTCs and the taxable income or loss (together, the Economic Benefits). JPM's return is limited by the terms of the transaction. Once JPM reaches a target after-tax yield on its investment in ORTP (the ORTP Flip Date), Ormat Nevada will receive 97.5% of the distributable cash and 95.0% of the taxable income, on a going forward basis. At any time during the twelve-month period after the end of the fiscal year in which the ORTP Flip Date occurs (but no earlier than the expiration of five years following the date that the last of the power plants was placed in service for purposes of federal income taxes), Ormat Nevada also has the option to purchase JPM's remaining interest in ORTP at the then-current fair market value. If Ormat Nevada were to exercise this purchase option, it would become the sole owner of the power plants again.

The Class B membership units entitle the holder to a 5.0% (allocation of income and loss) and 2.5% (allocation of cash) residual economic interest in ORTP. The Group's voting rights in ORTP are based on a capital structure that is comprised of Class A and Class B membership units. Through Ormat Nevada, the Group owns all of the Class A membership units, which represent 75.0% of the voting rights in ORTP. JPM owns all of the Class B membership units, which represent 25.0% of the voting rights of ORTP. Other than in respect of customary protective rights, all operational decisions in ORTP are decided by the vote of a majority of the membership units. Ormat Nevada retains the controlling voting interest in OPC and ORTP both before and after the Flip Date and therefore will continue to consolidate them.

The amounts received for the rights in OPC and ORTP are presented in the statement of financial position among long-term liabilities as "liability in respect of tax partnership." Transaction costs amounting to $5.1 million, $1.3 million and $2.0 million, as of December 31, 2013, 2012 and 2011, respectively, have been carried to the long-term liability in respect of the tax partnership in the consolidated statements of financial position and will be amortized in the consolidated statements of operations through the Flip Date, by the effective interest method.

NOTE 22 – POWER PURCHASE AGREEMENTS

Substantially all of the Group's electricity revenues are recognized pursuant to PPAs of subsidiaries of Ormat Technologies in the U.S. and in various foreign countries, including Kenya, Nicaragua and Guatemala. These PPAs generally provide for the payment of energy payments or both energy and capacity payments through their respective terms which expire in varying periods from 2014 to 2034. Generally, capacity payments are payments calculated based on the amount of time that the power plants are available to generate electricity. The energy payments are payments calculated based on the amount of electrical energy delivered to the network at a designated delivery point. The price terms are customary in the industry and include, among others, a fixed price, short-run avoided cost ("SRAC") (the incremental cost that the power purchaser avoid by not having to generate such electrical energy itself or purchase it from others), and a fixed price with an escalation clause.

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In certain cases, the price includes the value of renewable energy credits. Certain of the PPAs provide for bonus payments in the event that the Group is able to exceed certain target levels and penalties if it fails to meet minimum target levels. One PPA gives the power purchaser or its designee the right of first refusal in the event of sale of the geothermal power plant. Upon satisfaction of certain conditions specified in this PPA and subject to receipt of requisite approvals and negotiations between the parties, the Group has the right to demand that the power purchaser acquire the power plant at fair market value. The subsidiaries in Guatemala sell power at an agreed upon price subject to terms of a "take or pay" PPA.

Pursuant to the terms of certain of the PPAs, the Group may be required to make payments to the relevant power purchaser under certain conditions, such as shortfall on delivery of renewable energy and energy credits, and not meeting certain performance threshold requirements, as defined. The amount of payment required is dependent upon the level of shortfall on delivery or performance requirements and is recorded in the period the shortfall occurs. In addition, under certain PPAs, if the Group does not meet certain minimum performance requirements, the capacity of the power plant may be permanently reduced.

NOTE 23 – EQUITY:

a. Share capital:

1) The share capital (in thousands of shares) is composed as follows:

	December 31, 2013		December 31, 2012	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares of NIS 1 par value	150,000	118,741	150,000	118,741

2) The ordinary shares of NIS 1 par value confer on their holders rights to vote, to receive dividends and to participate in the distribution of the Company's assets in the event of liquidation.

3) All the ordinary shares are listed for trading on the Tel-Aviv Stock Exchange ("TASE"). On December 31, 2013, the shares were quoted at NIS 23.791 (approximately $6.85).

4) Until May 17, 2012, Company shares with a par value of NIS 2,216,360 as of December 31, 2013 and 2012 (approximately 1.9% of the issued and outstanding share capital) were held by a subsidiary. On May 17, 2013 the Company shares were transferred from its subsidiary in accordance with the Israeli Tax Ordinance- section 104c . This transaction had no effect on the consolidated financial statements.

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b. Stock-based compensation:

Options granted by the Group subsidiaries

On April 2, 2013, Ormat Technologies granted an employee of the Group stock options for purchase of 100,000 ordinary shares of Ormat Technologies under its option plan, at an exercise price of $20.54 per share, which was the quoted price of the shares of Ormat Technologies on the grant date. 25% of the options are exercisable upon the lapse of each year from the grant date, to the end of the fourth year from the grant date. The options are exercisable through August 18, 2019. Any options not exercised before that date will expire.

The fair value of each option, on grant date, computed on the basis of the Black-Scholes option-pricing model, was $5.64. This value was based on the following assumptions: expected dividend yield of 0.8%; expected standard deviation of 35.76%; risk-free interest rate of 0.57%; and expected length of time until exercise of 4 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

On June 4, 2013, Ormat Technologies granted the employees of the Group Stock Appreciation Rights ("SARs") for purchase of 1,150,100 ordinary shares of Ormat Technologies under its option plan, at an exercise price of $23.34 per share, which was the quoted price of the shares of Ormat Technologies on the grant date. The SARs are exercisable at the end of the vesting periods, as follows: 25% upon the lapse of two years from the grant date, 25% upon the lapse of three years from the grant date, and the remaining 50% upon the lapse of four years from the grant date. The options are exercisable through August 18, 2019. Any SARs not exercised before that date will expire. In this note the SARs are defined are considered as options.

The fair value of each SAR, on grant date, computed on the basis of the Black-Scholes option-pricing model, was $6.75. This value was based on the following assumptions: expected dividend yield of 0.7%; expected standard deviation of 38.13%; risk-free interest rate of 0.77%; and expected length of time until exercise of 5 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

On November 7, 2013, as part of its option plan, Ormat Technologies granted stock options to directors to purchase 45,000 shares of its common stock at an exercise price of $26.70 per share, which was the quoted price of the shares of Ormat Technologies on the grant date. Such options are exercisable after a vesting period of one year, through November 7, 2020. Options not exercised until that date will expire.

The fair value of each option, on grant date, computed on the basis of the Black-Scholes option-pricing model, was $7.0. This value was based on the following assumptions: expected dividend yield of 0.6%; expected standard deviation of 33.7%; risk-free interest rate of 0.93%; and expected length of time until exercise of 4 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

On April 2, 2012, SARs were granted for purchase of 602,000 ordinary shares of Ormat Technologies under its option plan, at an exercise price of $20.13 per share, which is the quoted price of the shares of Ormat Technologies on the grant date. The SARs are exercisable at the end of the vesting periods, as follows: 25% upon the lapse of two years from the grant date, 25% upon the lapse of three years from the grant date, and the remaining 50% upon the lapse of four years from the grant date. The options are exercisable through April 2, 2019. Any SARs not exercised before that date will expire.

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The fair value of each SAR, on grant date, computed on the basis of the Black-Scholes option-pricing model, was $7.38. This value was based on the following assumptions: expected dividend yield of 0.8%; expected standard deviation of 47.5%; risk-free interest rate of 1.05%; and expected length of time until exercise of 5 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

On August 1, 2012, as part of its option plan, Ormat Technologies granted stock options, to directors to purchase 30,000 shares of its common stock at an exercise price of $19.69 per share, which was the quoted price of the shares of Ormat Technologies on the grant date. Such options are exercisable after a vesting period of one year, through August 1, 2019. Options not exercised until that date will expire.

The fair value of each option, on grant date, computed on the basis of the Black-Scholes option-pricing model, is $7.06. This value was based on the following assumptions: expected dividend yield of 0.8%; expected standard deviation of 48.76%; risk-free interest rate of 0.48%; and expected length of time until exercise of 4 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

On November 7, 2012, as part of its option plan, Ormat Technologies granted stock options, to directors to purchase 45,000 shares of its common stock at an exercise price of $18.56 per share, which is the quoted price of the shares of Ormat Technologies on the grant date. Such options are exercisable after a vesting period of one year, through April 7, 2019. Options not exercised until that date will expire.

The fair value of each option, on grant date, computed on the basis of the Black-Scholes option-pricing model, is $5.7. This value is based on the following assumptions: expected dividend yield of 0.9%; expected standard deviation of 41.71%; risk-free interest rate of 0.52%; and expected length of time until exercise of 4 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

On March 31, 2011, Ormat Technologies granted the employees of the SARs for purchase of 622,150 ordinary shares of Ormat Technologies under its option plan at an exercise price of $25.65 per share, which was the quoted price of the shares of Ormat Technologies on the grant date. The SARs are exercisable at the end of the vesting periods, as follows: 25% upon the lapse of two years from the grant date, 25% upon the lapse of three years from the grant date, and the remaining 50% upon the lapse of four years from the grant date. The options are exercisable through March 31, 2018. Any SAR not exercised before that date will expire.

The fair value of each SAR, on grant date, computed on the basis of the Black-Scholes option-pricing model, was $10.42. This value was based on the following assumptions: expected dividend yield of 0.8%; expected standard deviation of 46.3%; risk-free interest rate of 2.3%; and expected length of time until exercise of 5 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

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On November 4, 2011, as part of its option plan, Ormat Technologies granted stock options, to directors, to purchase 30,000 shares of its common stock at an exercise price of $19.1 per share, which was the quoted price of the shares of Ormat Technologies on the grant date. Such options are exercisable after a vesting period of one year, through November 4, 2018. Options not exercised until that date will expire.

The fair value of each option, on grant date, computed on the basis of the Black-Scholes option-pricing model, was $6.94. This value was based on the following assumptions: expected dividend yield of 0.9%; expected standard deviation of 49.7%; risk-free interest rate of 0.6%; and expected length of time until exercise of 4 years. The expected volatility represented by the expected standard deviation is based on a statistical analysis of daily prices of common stock over the anticipated exercise period of the options.

Insofar as Israeli employees are concerned, this plan is governed by the terms stipulated by Section 102 of the Israeli Income Tax Ordinance. In accordance with the track chosen by the Group and pursuant to the terms thereof, the Group is not allowed to claim, as an expense for tax purposes, the amounts credited to employees as a benefit, including amounts recorded as salary benefits in the Group's accounts, in respect of options granted to employees under the plan, with the exception of the work-income benefit component, if any, determined on the grant date.

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Following is some supplemental information on share options and SARs granted to the Group employees by Ormat Technologies:

	Year Ended December 31, 2013		Year Ended December 31, 2012		Year Ended December 31, 2011	
	Number of options (in thousands)	Weighted average exercise price	Number of options (in thousands)	Weighted average exercise price	Number of options (in thousands)	Weighted average exercise price
Outstanding at beginning of Year	3,563	30.09	2,934	$ 32.40	2,335	$ 34.35
Granted:						
Options	45	26.70	75	19.01	30	19.10
SARs*	1,250	23.08	602	20.13	622	25.65
Forfeited	(114)	28.92	(48)	28.92	(53)	31.69
Exercised**	(39)	—	—	—		
Expired	(15)					
Outstanding at end of year	4,690	28.23	3,563	30.09	2,934	32.40
Exercisable at end of year	2,123	33.82	1,592	36.61	1,086	37.46

* The SARs entitle the participant to receive cash or shares in an amount equal to the excess of the fair market value of the shares on exercise date over the purchase price of the shares under the option.

** The total consideration received upon the exercise of the options in 2013 was $529,000. No options were exercised in the years ended December 31, 2012 and 2011.

Expenses charged in respect of the said grants in the consolidated financial statements amount to $6,434,000, $6,394,000, and $6,672,000, in the years ended December 31, 2013, 2012, and 2011, respectively.

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The following are data on exercise price and the remaining contractual life of the options granted to Group employees by the subsidiary, Ormat Technologies, and that are outstanding at the end of the year.

Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31, 2011		
Number outstanding at end of period (in thousands)	Exercise price	Weighted average remaining contractual life	Number outstanding at end of period (in thousands)	Exercise price	Weighted average remaining contractual life	Number outstanding at end of period (in thousands)	Exercise price	Weighted average remaining contractual life
21	15.00	0.8	32	15.00	1.8	33	15.00	2.8
45	18.56	5.8	45	18.56	6.8	—	—	—
23	19.10	4.8	30	19.10	5.8	30	19.10	6.8
26	19.69	5.6	30	19.69	6.6	—	—	—
			8	20.10	1.8	8	20.10	2.8
578	20.13	5.3	590	20.13	6.3	—	—	—
100	20.54	5.3						
1,135	23.34	5.4						
578	25.65	4.3	602	25.65	5.3	612	25.65	6.3
23	25.74	1.8	32	25.74	2.8	22	25.74	3.8
45	26.70	6.8						
529	26.84	2.2	552	26.84	3.2	559	26.84	4.2
30	28.19	3.8	30	28.19	4.8	30	28.19	5.8
8	29.21	3.3	8	29.21	4.3	8	29.21	5.3
547	29.95	3.3	567	29.95	4.3	578	29.95	5.3
222	34.13	2.3	225	34.13	3.3	227	34.13	4.3
			15	37.90	0.8	15	37.90	1.8
23	38.50	2.8	23	38.50	3.8	22	38.50	4.8
8	38.85	0.2	8	38.85	1.2	8	38.85	2.2
329	42.08	0.3	340	42.08	1.3	343	42.08	2.3
397	45.78	1.3	412	45.78	2.3	417	45.78	3.3
23	52.98	0.8	23	52.98	1.8	22	52.98	2.8
4,690			3,563			2,934		

c. Retained earnings:

1) On November 25, 2013, the Company distributed a cash dividend of NIS 0.18 for each ordinary share of NIS 1 par value, in a total amount of approximately $5.9 million.

2) On December 27, 2011, the Company distributed a cash dividend of NIS 2.83 for each ordinary share of NIS 1 par value, in a total amount of approximately $89 million (of which approximately $1.7 million – to a subsidiary).

3)

On April 12, 2011, the Company distributed a cash dividend of NIS 0.33 for each ordinary share of NIS 1 par value, in a total amount of approximately $11 million (of which approximately $205,000 – to a subsidiary).

4) As stipulated by the Companies Law, in determining the amount of distributable earnings the amount of Company shares held by the Company (presented as a separate equity item) was deducted from retained earnings reflected in equity.

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NOTE 24 – REVENUES AND COST OF REVENUES:

a. Revenues:

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Electricity:			
Electricity sales	336,945	322,606	321,164
Derivative contracts to reduce exposure to fluctuations in energy rate	(5,017)	2,238	—
Lease fees	2,685	2,685	2,685
	334,616	327,529	323,849
Contracted work and sale of products	203,492	186,879	113,160
Royalties	—	—	2,916
	538,105	514,408	439,925

b. Cost of revenues:

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Electricity:			
Field costs and materials	27,073	22,196	35,429
Payroll and related expenses	39,582	37,379	34,772
Royalties, utilities and lease expenses	32,205	31,653	29,447
Depreciation and amortization	84,437	91,673	86,829
Maintenance	30,112	31,561	31,137
Insurance	7,894	7,921	7,258
Other	14,032	19,616	14,824
	235,335	241,999	239,732
Products:			
Materials consumed	91,315	93,089	29,221
Payroll and related expenses	22,914	20,436	21,638
Subcontractors	10,252	13,967	10,053
Depreciation and amortization	3,779	3,461	3,030
Maintenance of buildings and equipment	2,512	2,874	3,621
Traveling	2,188	1,818	2,283
Other manufacturing expenses	6,864	6,303	4,377
	139,824	141,948	74,223
Decrease (increase) in inventories of own manufacture	(1,620)	(8,128)	(3)
	138,204	133,820	74,220
	373,539	375,819	313,952

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NOTE 25 – RESEARCH AND DEVELOPMENT EXPENSES - NET:

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Total expenses	6,581	6,768	9,944
Less – grants and participations	(1,616)	(660)	(1,143)
	4,965	6,108	8,801

NOTE 26 – SELLING, MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES:

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Selling and marketing:			
Payroll and related expenses	5,935	6,550	6,496
Commissions	2,670	4,250	3,617
Travel abroad	580	865	708
Patent registration costs	345	403	413
Public relations and project promotion	1,326	1,440	1,571
Professional consultancy	1,421	1,549	2,562
Termination fees paid in connection with new PPAs*	11,618		
Other	940	1,065	840
	24,835	16,122	16,207
General and administrative:			
Payroll and related expenses	13,387	14,253	15,155
Professional fees	7,523	6,559	5,162
Insurance	1,079	1,012	1,294
Office maintenance	2,319	2,290	2,542
Depreciation and amortization	711	766	707
Other	5,986	5,002	4,529
	31,005	29,882	29,389

*Selling and marketing expenses for the year ended December 31, 2013 include a one-time early termination fee in the amount of $9.0 million paid to SCE relating to the termination of the PPAs for the G1 and G3 power plants in the Mammoth complex and a $2.6 million termination fee paid to NV Energy related to the termination of the Dixie Meadows PPA.

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NOTE 27 – OTHER GAINS - NET:

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Interest on deposits and investments in securities	1,940	1,562	3,441
Exchange differences	5,266	447	(1,981)
Other	1,644	593	1,996
	8,850	2,602	3,456

NOTE 28 – FINANCIAL EXPENSES:

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Interest expense in respect of:			
Project financing Senior Secured Notes	21,713	24,494	19,344
Project financing loans	19,486	12,388	10,606
Loans and credit lines from institutional investors and banks	9,043	14,066	9,563
Senior unsecured bonds	17,672	18,287	17,148
Asset retirement obligation	1,915	1,708	1,145
Tax partnership	13,753	6,828	7,837
Losses in respect of hedging transactions*	—	—	16,380
Other	(270)		
Less – borrowing costs capitalized to property, plant and equipment	(6,398)	(11,964)	(11,709)
	76,914	65,807	70,314

* Representing losses relating to two hedging transactions for interest rates on loans in respect of which requests for guarantees have been submitted to the U.S. Department of Energy (DOE), see note 15. The loss in respect of these transactions was charged to income as they do not meet the accounting criteria for recognition as hedging transactions.

NOTE 29 – LOSS PER SHARE:

a. Basic

Basic earnings (loss) per share are computed by dividing income (loss) attributable to the equity holders of the Company by the weighted average number of outstanding ordinary shares, excluding shares purchased by a subsidiary and held as treasury shares.

b. Diluted

Diluted earnings (loss) per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
Income (loss) attributable to the equity holders of the Company (dollars in thousands)	29,495	(106,848)	(21,799)

Weighted average number of outstanding ordinary shares (in thousands)	116,525	116,525	116,525
Basic and diluted earnings (loss) per share (dollars)	0.25	(0.92)	(0.19)

NOTE 30 – INTERESTED PARTIES:

Interested Parties - as defined in Israeli Securities (Preparation of Annual Financial Statements) Regulations, 2010.

Related Parties - as defined in International Accounting Standard 24, "Related Party Disclosures" ("IAS 24").

Key management personnel (included, with others, in the definition of "related parties" in IAS 24) include directors and certain members of the senior management.

The Group is jointly controlled by Bronicki Investments Ltd. (an Israeli company), which holds approximately 17.76% of the Group's outstanding share capital and funds controlled by FIMI 2007 Ltd. ("FIMI fund"), which holds approximately 24.22% of the Group's outstanding share capital. The balance of the outstanding capital is mainly held by Norstar Israel Ltd. (approximately 7.72%), additional interested parties, and the public.

a. Interested and related party transactions:

1) Interested and related party transactions:

	Year Ended December 31,		
	2013	2012	2011
Agreements with a related party and a company under his control, see (5) below	55	90	83

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2) Remuneration and benefits to interested parties and key management personnel:

Interested parties employed by the Company that	Year Ended December 31, 2013	2012	2011
	Dollars in thousands		
Interested parties employed by the Company that are key management personnel, see (4) below	1,492	632	653
Number of recipients	3	3	3
Directors not employed by the Company or on its behalf, see (6) below:	121	60	—
Number of recipients	3	3	—
Directors not employed by the Company or on its behalf, see (6) below:	267	275	248
Number of recipients	5	8	6
Directors not employed by the Company or on its behalf, see (6) below:	273	124	—
Number of recipients	2	2	—
Directors not employed by the Company or on its behalf, see (6) below:	507	511	489
Number of recipients	4	6	4

3) Related party transactions:

Rent, see 7 below	1,797	1,763	1,718
Management fees, see 8 below	148	146	143

4) Remuneration and benefits to interested parties and key management personnel:

a. Mrs. Yehudit Bronicki serves as the CEO of Ormat Technologies and its wholly-owned subsidiary Ormat Systems Ltd. and Mr. Yehuda Bronicki serves as the Chief Technology Officer of Ormat Technologies. Under their employment agreements, which expired on June 30, 2014, the monthly salary of Mrs. Bronicki is $12,500, and of Mr. Yehuda Bronicki – $10,333. Moreover, each of them is entitled to an annual bonus representing 0.75% of

Ormat Technologies net income in excess of $2 million of Ormat Technologies (but not more than an amount equal to six monthly salaries each), as well as the usual social benefits. In addition, in the event of change of control in Ormat Technologies (as defined in the employment agreements), Ms. Yehudit Bronicki and Mr. Yehuda Bronicki are entitled to a retirement grant in an amount of $1,602,000 and 1,364,000, respectively, calculated as of December 31, 2013, which is equal to their monthly salaries at the time of transfer of control, including any salary increases thereafter, multiplied by 24, with the addition of twice the average amount of their annual bonuses for the two years preceding the transfer of control.

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The agreements were approved by the general shareholders meeting of the Company on September 8, 2004, after approval of the audit committee and board of directors of the Company, before Ormat Technologies went public. The agreements were for a four year period, with an extension option for another four years, ending June 30, 2012. On February 22, 2012, the board of directors of Ormat Technologies approved the extension of the employment agreements for a further 24-month period ending June 30, 2014. Based on legal advice obtained by the Company, in the context of Amendment 16 to the Companies Law, the Company's approval of the agreements of Ormat Technologies with the Bronickis is not required, because Ormat Technologies is an American public company subject to specific regulatory procedures relating to approval of agreements with its office-holders. The original agreements with the Bronickis stipulated that they were also entitled to receive a bonus equal to 0.75% of the consolidated profits of the Company after tax, net of the consolidated profits of Ormat Technologies after tax. Nevertheless, taking into account the said Amendment 16, the Company is not allowed to pay this grant to either of the Bronickis, without the approval of an extraordinary general shareholders meeting, with the majority stipulated in section 275 of the Companies Law.

On November 6, 2013, Ms. and Mr. Bronicki announced that they intended to retire from their offices as above on June 30, 2014. The board of directors of the Company has resolved to appoint Ms. Bronicki as its chairperson upon her retirement from her current position, and the present chairman, Mr. Ishay Davidi, announced that he would retire from his position and continue serve as a director.

The Bronickis have a personal interest in these agreements since they are parties to the agreements. Other Bronicki family members may be considered as having personal interest in these agreements due to their family ties with Ms. and Mr. Bronicki. Bronicki Investments Ltd. may be considered as having a personal interest in those agreements since it is controlled by the Bronicki family and Fimi fund may be considered as having a personal interest due to the shareholders' agreement with Bronicki Investments.

b. Mr. Yoram Bronicki ("Yoram"), serves as the President and Chief Operating Officer of Ormat Technologies. Under Yoram's employment agreement, expiring June 30, 2014, his salary is $14,000 per month, and he is entitled to an annual bonus representing 0.75% of Ormat Technologies net consolidated income in excess of $2 million (but not in excess of an amount equal to six annual salaries). Capital gains or losses on dilution of holdings in subsidiaries shall not be taken into account in the calculation of the bonus. In addition, in the event of change of control in Ormat Technologies (as defined in his agreement), Yoram is entitled to a retirement grant in the amount of approximately $1,069,000 calculated as of December 31, 2013, which is equal to Yoram's monthly salary at the time of transfer of control, including any salary increases thereafter, multiplied by 24, with the addition of twice the average amount of his annual bonuses for the two years preceding the transfer of control; in addition to the above, he is entitled to twice the computed maximum amount of the annual contributions of Ormat Technologies towards his pension. Yoram's employment agreement came into force on July 1, 2004 and has been automatically extended for additional two year periods. The employment agreement was approved by the general shareholders meetings of the Company held on September 8, 2004 and on September 15, 2009, after approvals of the audit committee and the board of directors of the Company. The agreement have since been automatically renewed for further two year periods expiring June 30, 2014, as stated above. As to legal advice obtained by the Company, in the context of Amendment 16 to the Companies Law, the Company's approval of the agreements of Ormat Technologies with the Bronickis is not required, see a. above.

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In December 2013, Ormat Technologies and Yoram entered into an amended employment agreement, whereunder his employment with Ormat has been extended till June 30, 2016, effective June 30, 2014 he will retire from his office as its COO and as of July 2014 will be appointed the Chairman of its board of directors. The amendment stipulates that Yoram must devote most of his time to his duties with Ormat Technologies and reduces his annual bonus from 0.75% of Ormat Technologies net consolidated income in excess of $2 million (but not in excess of an amount equal to six annual salaries) to 0.5% of the said amount. Since the agreement enters into effect on June 30, 2014, the reduction does not apply to Yoram's 2013 bonus.

Yoram has a personal interest in the employment agreement since he is party to the agreement. Other Bronicki family members may be considered as having personal interest in this agreement due to the family ties. Bronicki Investments Ltd. may be considered as having a personal interest in those agreements since it is controlled by the Bronicki family and Fimi fund may be considered as having a personal interest due to the shareholders' agreement with Bronicki Investments.

5) Agreements with an interested party and companies under his control:

a. Mr. Yuval Bronicki ("Yuval") provides consulting, development and implementation services with respect to the Group's exclusive ERP software (hereafter – software development and assimilation services). Yuval is entitled hourly pay of $100.

On July 16, 2008, following the approval of the audit committee and the board of directors of the Company, the general shareholders meeting approved the extension of scope of the engagement entered with Yuval for a limited number of hours. On August 3, 2011, the audit committee of Ormat Technologies approved the extension of the agreement with Yuval without any limitation on the number of hours, since the Group had submitted requests for development of additional modules for the ERP system. Moreover, it was decided that the agreement would be between Ormat Technologies and a company controlled by Yuval. Based on legal advice obtained by the Company, the Company's approval of the agreements of Ormat Technologies is not required, because Ormat Technologies is an American public company subject to specific regulatory procedures relating to approval of agreements with its office-holders who, indirectly, are its controlling shareholders.

Yuval has a personal interest in the employment agreement since he is party to the agreement and other Bronicki family members may be considered as having personal interest in this agreement due to the family ties. Bronicki Investments Ltd. may be considered as having a personal interest in those agreements since it is controlled by the Bronicki family and Fimi fund may be considered as having a personal interest due to the shareholders' agreement with Bronicki Investments.

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b. Ormat Systems, a wholly owned subsidiary of Ormat Technologies, entered into an agreement with Tersus Software Ltd. ("Tersus"), in which Yuval is an interested party, whereunder Tersus provides support and maintenance services with respect to the Group's ERP software which is being developed by Yuval (through Tersus) and others, see a. above. Yuval holds approximately 40% of the outstanding share capital of Tersus and serves as a director and an employee thereof. The engagement was approved by the general shareholders meeting of the Company, held on September 30, 2009, after the approval of the audit committee and the board of directors of the Company. In addition, the shareholders approved the new rate for Tersus' support and maintenance services, so that, commencing October 1, 2009, Tersus provides the said services in consideration for an annual amount of up to NIS 120,000 (NIS 220 per hour). This consideration is linked to the last Israeli consumer price index published before October 1, 2009. As to legal advice obtained by the Company, in the context of Amendment 16 to the Companies Law, the Company is not required to request approval of the agreements of Ormat Technologies, see a. above.

Yuval has a personal interest in the employment agreement since he is party to the agreement and other Bronicki family members may be considered as having personal interest in this agreement due to the family ties. Bronicki Investments Ltd. may be considered as having a personal interest in those agreements since it is controlled by the Bronicki family and Fimi fund may be considered as having a personal interest due to the shareholders' agreement with Bronicki Investments.

c. In the years ended December 31, 2013, 2012 and 2011, $15,000, $51,000 and $54,000, respectively, were paid to Yuval, and/or Tersus and/or a company controlled by Yuval related to the agreements mentioned in a. and b. above.

6) Compensation to directors who are controlling shareholders:

a. Yuval serves as a director of the Company and is entitled to annual compensation and a participation pay at the maximum amount set under the directives of the Companies Regulations (Rules Regarding Compensation and Expenses for Outside Directors), 2000. Such compensation was approved for all board of directors' members (except for Yehudit Bronicki, Yehuda Bronicki and Yoram Bronicki) by the audit committee and the board of directors on May 18, 2008. Yuval's compensation was approved in accordance with Regulation 1b(3) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000. Yuval' compensation was ratified again on December 11, 2012, in the context of Amendment 16 to the Companies Law.

Yuval has a personal interest in that decision since it deals with his compensation by the Company. Other Bronicki family members may be considered as having personal interest due to the family ties. Fimi fund is considered as having a personal interest due to the shareholders' agreement with Bronicki Investments.

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b. Mr. Ishay Davidi and Mr. Gillon Beck, who are partners in Fimi fund which is a controlling shareholder of the Company, and who serve as directors of the Company, are entitled to annual compensation and participation pay at the maximum amount pay set under the directives of the Companies Regulations (Rules Regarding Compensation and Expenses for Outside Directors), 2000. Such compensation was approved by the audit committee and the board of directors on March 26, 2012 and on April 1, 2012, respectively. The compensation was approved in accordance to regulation 1b(3) to the Companies Regulations (Reliefs in Transactions with Interested Parties) -2000.

FIMI fund is considered as having a personal interest in the decision since it is managed by Mr. Davidi and by Mr. Beck who are partners in the FIMI fund. Bronicki family members are considered as having personal interest due to the shareholders' agreement with FIMI fund.

7) Rent

In July 2004, the Company and Ormat Systems, a subsidiary of Ormat Technologies, entered into a sublease agreement for the real estate located in Yavne, for a monthly rent of $52,000, payable in advance and adjusted annually for changes in the Israeli Consumer Price Index. The agreement period is the shorter of (a) 25 years (including the initial term) or (b) the remaining period of the underlying lease agreements with the Israel Land Administration (which terminate between 2018 and 2047).

Effective as of April 1, 2009, the Company and Ormat Systems entered into a new sublease agreement for production facilities built near the existing production facilities in Yavne. The monthly rent under this agreement is $77,000, payable in advance and adjusted annually for changes in the Israeli Consumer Price Index. The term of the sublease terminates on the same date as the sublease agreement of July 2004.

8) Management fees

In July 2004, the Company entered into a service agreement with Ormat Systems, pursuant to which Ormat Systems provides certain corporate administrative services to the Company, for a monthly fee of $10,000 (adjusted annually, in part based on changes in the Israeli Consumer Price Index). In addition, Ormat Systems agreed to provide the Company with certain engineering services for a fee equal to the cost of such services plus 10.0%. The agreements can be cancelled by each of the parties.

9) Ormat Systems agreements with companies controlled by FIMI

Ormat Systems performs or may execute transactions in its ordinary course of business with companies controlled by FIMI. Such engagements are carried out within the framework of the procedure adopted by Ormat Technologies in July 2012. In accordance with the adopted procedure, Ormat Systems may enter during normal business transactions with any of the companies controlled by FIMI, without getting approval from the organs of Ormat Technologies in respect to any individual transaction, up to the amounts that will be determined by the Audit Committee of Ormat

Technologies (hereinafter "The amounts approved"). In this regard, the Audit Committee of Ormat Technologies determined that such transactions of up to $2 million in a year with each of the companies controlled by FIMI do not require prior approval for agreements. This mechanism established under the working assumption that: (1) engagements are performed in the ordinary course of the Group; and (2) such transactions were carried out with the aforementioned companies before becoming FIMI controlling shareholder of the Group. In addition, the Audit Committee of Ormat Technologies will audit once a year, the business relationship of Ormat Systems with companies controlled by FIMI (based on report of the Disclosure Committee of Ormat Technologies, see below) and determine whether the business relationship is in favor of Ormat Technologies and its shareholders and whether the agreements are carried at market terms and in the ordinary course of business. Further, it was decided that engagements which exceed the amounts approved will require the prior approval of the Audit Committee of Ormat Technologies regarding the amount in excess of the approved amount. In addition, an annual report will be submitted by the Disclosure Committee of Ormat Technologies summarizes the amount of purchase orders over a period of 12 months, together with a copy of the engagements (if any) made by Ormat Systems with companies controlled by FIMI during the past year.

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b. Balances of interested parties who are key managerial employees of the Group

	December 31, 2013	December 31, 2012
	Dollars in thousands	
Current liabilities – remuneration and grants	920	37

c. Continuing agreement with an interested party at different terms

As mentioned above, in December 2013, Ormat Technologies and Yoram entered into an amended employment agreement. Under that agreement, Yoram's annual bonus was reduced from 0.75% of Ormat Technologies net consolidated income in excess of $2 million (but not in excess of an amount equal to six annual salaries) to 0.5% of the amount stipulated by the previous agreement.

Since in 2011 and 2012 Ormat Technologies did not derive consolidated profit, Yoram did not receive his annual bonus, so that the change did not affect the amounts that would have been payable under the agreement in effect prior to the amendment. The effect thereof for 2013 was reducing the bonus paid by approximately $100,000.

NOTE 31 – SEGMENT INFORMATION:

The Group has defined the Chief Executive Officer of the subsidiary, Ormat Technologies, Inc., who manages the Group and makes its strategic decisions, as the Group's Chief operating decision maker. The chief operating decision maker reviews the Group's internal reports for the purpose of evaluating performance and allocating resources. Management has defined the business segments based on those reports.

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Operating results reviewed by the chief operating decision maker are based on the financial statements of Ormat Technologies, presented in conformity with the accounting principles generally accepted in the United States. The chief operating decision maker examines each segment's performance based on measurement of its operating profit.

a. General business segment information:

The Group is engaged mainly in the following business segments, which are reported to management for decision-making purposes:

Electricity - This segment is engaged in the maintenance and operation of wholly or partly owned geothermal and recovered energy power plants in the international market, to produce and supply electricity they produce for customers, which are utilities, according to PPAs.

Product - This segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the construction of power plants to supply energy from geothermal fields and other alternative energy sources.

Transfer prices between the operating segments are determined on current market values or cost plus markup of the seller's business segment. Segment assets include power plants, other property, plant and equipment, geothermal resources exploration and evaluation costs, inventories and accounts receivable.

Segment assets also include deferred tax assets, while segment operating results do not reflect the tax effect.

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Segment data in the consolidated financial statements:

	Year Ended December 31, 2013			
	Electricity	Product	Adjustments (1)	Consolidated
	Dollars in thousands			
Statement of operations data:				
External revenues	329,747	203,492	4,866	538,105
Intersegment revenues	—	37,248	(37,248)	—
Total revenues	329,747	240,740	(32,382)	538,105
Segment results	54,265	42,693	12,364	109,322
Expenses not allocated to segments				(1,617)
Other gains – net				12,444
Income from operations				120,149
Financial expenses				(76,914)
Income before taxes on income				43,235
Other data:				
Segment assets	2,017,838	141,595	(22,519)	2,136,914
Depreciation and amortization	88,853	4,079	(4,201)	88,731
Reduction in loss from impairment	—	—	(8,038)	(8,038)
	88,853	4,079	(12,239)	80,693
Income tax benefit (tax provision)	(6,980)	(6,572)	19,967	6,415
Cost of acquisition and construction of long-lived assets (capital expenditures)	203,047	1,581	3,469	208,097

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

	Year Ended December 31, 2012			
	Electricity	Product	Adjustments (1)	Consolidated
	Dollars in thousands			
Statement of operations data:				
External revenues	314,892	186,879	12,637	514,408
Intersegment revenues	—	48,315	(48,315)	—
Total revenues	314,892	235,194	(35,678)	514,408
Segment results	(189,458)	30,279	72,681	(86,498)
Expenses not allocated to segments				(1,592)
Other losses – net				3,591
Loss from operations				(84,499)
Financial expenses				(65,807)
Share in losses of associated companies				(2,522)
Pre-tax loss				(152,828)
Other data:				
Segment assets	*1,990,490	97,033	(14,105)	2,073,418
Depreciation and amortization	95,927	3,557	(3,399)	96,085
Impairment	257,965	—	(86,037)	171,928
	353,892	3,557	(89,436)	268,013
Income tax benefit (tax provision)	*2,412	(5,994)	(20,914)	(24,496)
Cost of acquisition and construction of long-lived assets (capital expenditures)	228,289	4,731	10	233,030

* Immaterial adjustment of comparative figures, see Note 2aa.

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

	Year Ended December 31, 2011			
	Electricity	Product	Adjustments (1)	Consolidated
	Dollars in thousands			
Statement of operations data:				
External revenues	312,296	113,160	14,469	439,925
Intersegment revenues	—	80,712	(80,712)	—
Total revenues	312,296	193,872	(66,243)	439,925
Segment results	42,686	18,869	11,495	73,050
Expenses not allocated to segments				(1,474)
Other losses – net				(5,922)
Income from operations				65,654
Financial expenses				(70,314)
Share in losses of associated companies				(959)
Pre-tax loss				(5,619)
Other data:				
Segment assets	2,222,836	91,882	(61,027)	2,253,691
Depreciation and amortization	90,464	3,070	(2,360)	91,174
Impairment	—	—	5,549	5,549
	90,464	3,070	3,189	96,723
Income tax benefit (tax provision)	(39,356)	(7,915)	15,231	(32,040)
Cost of acquisition and construction of long-lived assets (capital expenditures)	266,258	3,419	2,315	271,992
Investments recorded by the straight-line method	—	1,542	—	3,793

(1) The adjustments include the differences between International Financial Reporting Standards and U.S. GAAP, as well as group activities not carried out by Ormat Technologies (subsidiary).

Intersegment operations are carried out at market prices.

Investments in financial assets presented at fair value in the statement of operations are held by the Group and do not constitute segment assets. They are managed centrally by the Company’s head financial division.

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

b. Supplementary information on geographical segments:

1) Geographical segments:

The Company is an Israeli resident company, and carries out manufacturing activities in Israel. Its main business is the production and sale of electricity outside of Israel.

The Group operates mainly in the following geographical areas according to the location of the customers:

USA - Product and geothermal and recovered energy power plants.
New Zealand - Product and geothermal power plants.
Latin America - Product and geothermal power plants.
Far East - Product.
Africa - Geothermal power plants.
Europe - Product
Israel - Product.

Transfer prices between the various geographical segments are determined on the cost basis of the seller's geographical area.

2) External sales (based on geographic location of customers):

	Year Ended December 31,		
	2013	2012	2011
	Dollars in thousands		
USA	314,666	271,845	257,181
New Zealand	20,082	109,177	32,174
Europe	97,284	49,852	61,970
Africa	68,746	40,885	36,307
Latin America	26,745	40,574	38,930
Far East	10,582	2,075	13,363
Total	538,105	514,408	439,925

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

3) Non-current assets by geographic area:

	Non-current assets December 31, 2013	Non-current assets December 31, 2012
	Dollars in thousands	
USA	1,352,691	1,338,088
Africa	330,499	266,427
Latin America	63,372	66,693
New Zealand and Far East	671	210
Total abroad	1,747,233	1,671,418
Israel	25,151	27,031
Total	1,772,384	1,698,449

c. Major customers:

	Year Ended December 31, 2013		2012		2011	
	%	Dollars in thousands	%	Dollars in thousands	%	Dollars in thousands
1) Revenues:						
Customer A (1)	14	75,562	18	90,239	28	121,049
Customer B (1)	9	48,825	9	48,606	10	46,432
Customer C (1)	17	94,111	15	78,631	13	56,778
Customer D (2)	4	19,174	19	99,617	5	19,956
Customer E (1)	11	61,876	8	40,887	8	35,179
	55	299,548	69	357,980	64	279,394
2) Balances as at the date of the statement of financial position:						
Customer A (1)	6	5,486	10	5,304		
Customer B (1)	5	4,475	6	3,611		
Customer C (1)	9	8,987	16	9,098		
Customer D (2)	1	1,366	—	—		
Customer E (1)	15	13,959	13	7,126		
	36	34,273	45	25,139		

(1) Customer in the electricity segment
(2) Customer in the product segment

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

NOTE 32 – INFORMATION ON INVESTMENT AND FINANCING ACTIVITIES NOT INVOLVING CASH FLOWS:

	Year Ended December 31,		
	2012	2011	2010
	Dollars in thousands		
Increase (decrease) in suppliers' credit received for acquisition of power plants and fixed assets	4,372	(18,813)	13,117
Increase (decrease) in cost of power plants as a result of adjustment of provisions for asset retirement obligation	(12,481)	(9,275)	21,368

NOTE 33 – SUBSEQUENT EVENTS:

a. Amendment to PPA in Guatemala:

On January 22, 2014, a subsidiary of Ormat Technologies signed an amendment to the PPA with INDE for the Zunil geothermal power plant in Guatemala, which extends the term of the PPA from 2019 to 2034. The amendment also transfers operation and management responsibilities of the Zunil geothermal field from INDE to the subsidiary for the term of the amended PPA in exchange for a tariff increase. Additionally, INDE exercised its right under the PPA to become a partner in the Zunil power plant and to acquire a three percent equity interest.

b. Dividend distribution by a subsidiary:

On February 25, 2014, the Board of Directors of Ormat Technologies resolved to pay a dividend of $2.7 million, payable on March 27, 2014. Consequently, the Group will distribute dividends of $1.1 million to holders of non-controlling rights in the subsidiary.

c. Dividend distribution by the Company:

On March 12, 2014, the Board of Directors of the Company resolved to pay a cash dividend of 18 agorot for each share of NIS 1 par value, a total amount of approximately $6 million. The determining date for eligibility to receive the dividend is March 25, 2014 and the payment date is April 9, 2014.

Annex C

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
INTERIM FINANCIAL DATA
AS OF SEPTEMBER 30, 2014
(Unaudited)

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)

INTERIM FINANCIAL DATA
AS OF SEPTEMBER 30, 2014
(Unaudited)

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ORMAT INDUSTRIES LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2014
(UNAUDITED)

	September 30, 2014 (Unaudited)	September 30, 2013	December 31, 2013 (Audited)
	(Dollars in thousands)		
Assets			
Current assets:			
Cash and cash equivalents	46,710	38,128	57,908
Restricted cash, cash equivalents and deposits	127,452	84,197	51,065
Financial assets at fair value through profit and loss	10,972	17,868	15,433
Derivatives	1,637	4,447	2,290
Accounts receivable:			
Trade	75,224	60,526	95,365
Income taxes receivable	6,064	10,524	4,001
Other	42,497	47,565	34,854
Receivables in respect of uncompleted contracts	14,784	36,201	21,217
Inventories	17,337	20,396	22,289
Total current assets	342,677	319,852	304,422
Non-current assets:			
Long-term receivables in respect of uncompleted contracts	—	9,289	—
Financial assets at fair value through profit and loss	251	251	251
Prepaid expenses in respect of operating lease	2,444	2,628	2,582
Financial asset in respect of concession agreement	23,591		
Power plants and other assets:			
Power plants and other fixed assets	1,456,627	1,373,612	1,440,388
Power plants under construction	200,977	270,378	226,562
Projects under exploration and development	67,372	70,956	69,639
Intangible assets	32,172	33,965	33,213
Non-current receivables	5,632	2,655	2,541
Deferred income taxes	57,225	66,956	57,316
Total non-current assets	1,846,291	1,830,690	1,832,492
Total assets	$2,188,968	$2,150,542	$2,136,914

Yehudit Bronicki Chairman of the Board of Directors	Isaac Angel Chief Executive Officer	Doron Blachar Chief Financial Officer

Date of approval of the financial statements by the Company's Board of Directors: November 6, 2014.

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	September 30, 2014	2013	December 31, 2013
	(Dollars in thousands)		
Liability and equity			
Current liabilities:			
Current maturities of notes and long-term loans	73,322	77,222	80,389
Accounts payable and accruals:			
Trade	30,152	41,005	49,660
Income taxes payable	4,335	4,589	3,081
Accrued expenses	981	982	969
Customers advances	3,946	6,347	6,410
Other	43,468	35,352	38,307
Derivatives	2,183	—	2,831
Billings in excess of costs and estimated earnings on uncompleted contracts	45,310	12,708	7,903
Total current liabilities	203,697	178,205	189,550
Long-term liabilities:			
Project financing liabilities (limited and non-recourse):			
Senior secured notes	366,667	274,508	258,492
Other	278,818	264,528	301,909
Senior secured notes, loans and credit (full recourse):			
Senior unsecured bonds	249,679	249,561	249,612
Loans	40,282	64,359	53,443
Credit from banks	28,100	123,288	112,017
Long term derivative	5,158	—	—
Liability in respect of tax partnership	54,900	73,646	69,557
Deferred lease income	61,294	64,217	63,496
Deferred income taxes	61,339	67,810	49,745
Retirement benefit obligations, net	4,001	3,976	3,661
Provisions and other liabilities	61,267	54,989	50,978
Total long-term liabilities	1,211,505	1,240,882	1,212,910
Total Liabilities	1,415,202	1,419,087	1,402,460
Equity:			
Equity holders of the Parent Company:			
Ordinary shares	38,374	38,374	38,374
Additional paid-in capital	162,433	162,433	162,433
Other capital surplus	(18,961)	(15,319)	(15,378)
Retained earnings	265,527	243,949	242,267
Less- cost of Company shares held by the Company	(2,826)	(2,826)	(2,826)
Total equity holders of the Parent Company	444,547	426,611	424,870
Noncontrolling interest	329,219	304,844	309,584
Total equity	773,766	731,455	734,454
Total liabilities and equity	2,188,968	2,150,542	2,136,914

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

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ORMAT INDUSTRIES LTD.

(An Israeli Corporation)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014

(UNAUDITED)

	Nine Months Ended September 30, 2014	2013	Three Months Ended September 30, 2014	2013	Year ended December 31, 2013
	Dollars in thousands				
Revenues:					
Electricity	289,015	249,871	102,506	88,994	334,613
Product	141,766	157,329	38,983	41,755	203,492
Total revenues	430,781	407,200	141,489	130,749	538,105
Cost of revenues:					
Electricity	184,523	177,070	61,242	60,567	235,335
Product	93,778	107,893	23,871	28,575	138,204
Total cost of revenues	278,301	284,963	85,113	89,142	373,539
Gross profit	152,480	122,237	56,376	41,607	164,566
Research and development expenses-net	(395)	(3,446)	(250)	(838)	(4,965)
Selling and marketing expenses	(10,861)	(18,054)	(4,266)	(2,575)	(24,835)
General and administrative expenses	(22,529)	(21,604)	(7,831)	(7,022)	(31,005)
Write-off of unsuccessful exploration activities	(8,107)	—	—	—	(4,094)
Impairment of power plants-net	—	8,038	—	8,038	8,038
Other gains (losses)-net:					
On disposal and decrease in value of financial assets	(222)	(588)	(155)	(34)	(636)
Gain from sale of investment in subsidiary	—	4,230	—	—	4,230
Gain from sale of power plant	7,628	—	—	—	—
Sundry	(2,759)	6,674	(2,457)	2,205	8,850
Income (loss) from operations	115,235	97,487	41,417	41,381	120,149
Financial expenses	(65,169)	(54,522)	(22,568)	(19,011)	(76,914)
Income (loss) before income taxes	50,066	42,965	18,849	22,370	43,235
Income tax benefit	(266)	(551)	(2,008)	(1,133)	6,415
Income (loss) for the period	49,800	42,414	16,841	21,237	49,650
Attributable to:					
Equity holders of the Parent Company	29,303	25,524	9,852	12,578	29,495
Noncontrolling interest	20,497	16,890	6,989	8,659	20,155
Total	49,800	42,414	16,841	21,237	49,650
	Dollars				
Earnings (loss) per share attributable to equity holders of the Parent Company - basic and fully diluted	0.25	0.22	0.08	0.11	0.25

Weighted average number of shares used in computation of per-share data -					
basic and fully diluted (in thousands)	116,525	116,525	116,525	116,525	116,525

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

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Year ended December 31, 2013
	Dollars in thousands				
Income (loss) for the period	49,800	42,414	16,841	21,237	49,650
Other comprehensive income:					
Items that will not be reclassified to profit or loss- remeasurement of retirement benefit obligations	—	—	—	—	520
	—	—	—	—	520
Items that may be subsequently reclassified to profit or loss- in respect of cash flow hedges	(6,197)	(124)	(2,037)	(40)	(164)
Total other comprehensive income (loss), net of tax	(6,197)	(124)	(2,037)	(40)	356
Total other comprehensive income (loss) for the period	43,603	42,290	14,804	21,197	50,006
Attributable to:					
Equity holders of the Parent Company	25,599	25,450	8,635	12,554	29,708
Noncontrolling interest	18,004	16,840	6,169	8,643	20,298
Total	43,603	42,290	14,804	21,197	50,006

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

(Continued) - 1

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

	Equity holders of the Parent Company		Other capital surplus						
	Ordinary shares	Additional Paid-in Capital	In respect of cash flow hedges	In respect of transactions with noncontrolling interests without losing control	Retained earnings	Cost of Company shares held by the Company	Total	Noncontrolling interests	Total
	(Dollars in thousands)								
Balance at January 1, 2014	38,374	162,433	285	(15,663)	242,267	(2,826)	424,870	309,584	734,454
Changes during the period:									
Profit for the period	—	—	—	—	29,303	—	29,303	20,497	49,800
Comprehensive income (loss) for the period	—	—	(3,704)	—	—	—	(3,704)	(2,493)	(6,197)
Share-based payment	—	—	—	—	—	—	—	4,510	4,510
Exercise of options in the subsidiary	—	—	—	26	—	—	26	863	889
Purchase of non controlling interests				95	—	—	95	(923)	(828)
Increase in noncontrolling rights	—	—	—	—	—	—	—	257	257
Payments to non-controlling interest in a subsidiary without losing control	—	—	—	—	—	—	—	(150)	(150)
Dividend paid by the Company	—	—	—	—	(6,043)	—	(6,043)	—	(6,043)
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(2,926)	(2,926)
Balance at September 30, 2014	38,374	162,433	(3,419)	(15,542)	265,527	(2,826)	444,547	329,219	773,766
Balance at January 1, 2013	38,374	162,433	383	(15,728)	218,425	(2,826)	401,061	283,847	684,908
Changes during the period:									
Profit for the period	—	—	—	—	25,524	—	25,524	16,890	42,414

Comprehensive income (loss) for the period	—	—	(74)	—		—	(74)	(50)	(124)
Share-based payment								4,548	4,548
Issuance of shares by a subsidiary				100		—	100	337	437
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(728)	(728)
Balance at September 30, 2013	38,374	162,433	309	(15,628)	243,949	(2,826)	426,611	304,844	731,455

(Continued) - 2

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

	Equity holders of the Parent Company								
			Other capital surplus						
	Ordinary shares	Additional Paid-in Capital	In respect of cash flow hedges	In respect of transactions with noncontrolling interests without losing control	Retained earnings	Cost of Company shares held by the Company	Total	Noncontrolling interests	Total
	(Dollars in thousands)								
Balance at July 1, 2014	38,374	162,433	(2,202)	(15,714)	255,675	(2,826)	435,740	323,264	759,004
Changes during the period:									
Profit for the period	—	—	—	—	9,852	—	9,852	6,989	16,841
Comprehensive income (loss) for the period	—	—	(1,217)	—		—	(1,217)	(820)	(2,037)
Share—based payment	—	—	—	—	—	—	—	1,704	1,704
Exercise of options in the subsidiary	—	—	—	77	—	—	77	71	148
Purchase of non controlling interests	—	—	—	95	—	—	95	(923)	(828)
Payments to non-controlling interest in a subsidiary without losing control	—	—	—	—	—	—	—	(150)	(150)
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(916)	(916)
Balance at September 30, 2014	38,374	162,433	(3,419)	(15,542)	265,527	(2,826)	444,547	329,219	773,766
Balance at July 1, 2013	38,374	162,433	333	(15,728)	231,371	(2,826)	413,957	294,901	708,858
Changes during the period:									
Profit for the period	—	—	—	—	12,578	—	12,578	8,659	21,237
Comprehensive income (loss) for the period	—	—	(24)	—	—	—	(24)	(16)	(40)
Share-based payment	—	—	—	—	—	—	—	1,691	1,691
	—	—	—	100	—	—	100	337	437

Issuance of shares by a subsidiary									
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(728)	(728)
Balance at September 30, 2013	38,374	162,433	309	(15,628)	243,949	(2,826)	426,611	304,844	731,455

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(Concluded) - 3

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

	Equity holders of the Parent Company								
			Other capital surplus						
	Ordinary shares	Additional Paid-in Capital	In respect of cash flow hedges	In respect of transactions with noncontrolling interests without losing control	Retained earnings	Cost of Company shares held by a subsidiary	Total	Noncontrolling interests	Total
	(Dollars in thousands)								
Balance at January 1, 2013	38,374	162,433	383	(15,728)	218,425	(2,826)	401,061	283,847	684,908
Changes during the year 2013:									
Profit for the year	—	—	—	—	29,495	—	29,495	20,155	49,650
Comprehensive income (loss) for the period	—	—	(98)	—	311	—	213	143	356
Share-based payment	—	—	—	—	—	—	—	6,434	6,434
Dividend paid by the Company	—	—	—	—	(5,964)	—	(5,964)	—	(5,964)
Exercise of options in the subsidiary	—	—	—	65		—	65	464	529
Dividend paid by a subsidiary	—	—	—	—	—	—	—	(1,459)	(1,459)
Balance at December 31, 2013	38,374	162,433	285	(15,663)	242,267	(2,826)	424,870	309,584	734,454

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

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ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Year ended December 31, 2013
	Dollars in thousands				
Cash flows from operating activities:					
Income before income taxes	50,066	42,965	18,849	22,370	43,235
Adjustments in respect of:					
Income and expenses not involving cash flows:					
Loss (gain) from disposal and decrease (increase) in value of marketable securities	222	588	155	34	636
Interest income from deposits and marketable securities	(625)	(616)	(152)	(232)	(1,490)
Change in fair value of derivatives on oil and natural gas	(4,467)	3,487	(4,165)	1,117	7,813
Interest expense in respect of tax partnership	9,677	9,234	3,511	3,486	13,753
Interest on notes and loans	55,629	43,793	19,132	14,886	57,408
Retirement benefit obligations, net	340	749	(87)	268	954
Financial asset in respect of concession agreement	(16,217)	—	(3,485)		—
Depreciation and amortization	70,131	67,362	24,021	23,920	88,731
Impairment (reverse of impairment) of power plants-net	—	(8,038)	—	(8,038)	(8,038)
Gain from sale of subsidiary	—	(4,230)	—	—	(4,230)
Gain from sale of power plant	(7,628)	—	—	—	—
Write-off of unsuccessful exploration activities	8,107	—	—	—	4,039
The financing component of asset retirement obligation	1,123	1,476	357	537	1,915
Deferred lease income, net	(2,014)	(2,014)	(671)	(671)	(2,685)
Capital gain on early repayment of OFC bonds	(181)	(819)	—	—	(819)
Deferred lease fees	(188)	(167)	(64)	(50)	(217)
Exchange differences on cash and cash equivalents	33	(387)	177	10	(465)
Amounts recorded in respect of options granted to employees and directors of a subsidiary	4,510	4,548	1,704	1,691	6,434
	168,518	157,931	59,282	59,328	206,974
Changes in operating asset and liability items:					
Decrease (increase) in accounts receivable:					

Trade	20,141	(7,217)	3,540	7,019	(34,804)
Other	(4,580)	(15,201)	2,976	(7,989)	(5,676)
Increase (decrease) in accounts payable and accruals:					
Trade	(12,606)	(17,537)	(4,040)	(5,461)	7,179
Provisions	12	(44)	36	(15)	(57)
Other	(1,122)	(2,632)	(3,424)	2,089	3,421
Increase (decrease) in receivables/ payables in respect	43,840	(39,288)	28,259	(18,140)	(29,109)
Decrease (Increase) in inventories	4,952	273	955	(2,490)	(1,620)
Decrease in long term accrued expenses and other liabilities	(527)	960	(840)	1,184	2,303
	50,110	(80,686)	27,462	(23,803)	(58,363)
Interest received	719	481	186	270	1,321
Interest paid	(49,140)	(40,994)	(16,007)	(24,015)	(56,645)
Income taxes paid, net	(6,802)	(4,776)	(1,843)	647	(6,454)
Net cash provided by operating activities-carried forward	163,405	31,956	69,080	12,427	86,833

ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(UNAUDITED)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Year ended December 31, 2013
	Dollars in thousands				
Net cash provided by operating activities-brought forward	163,405	31,956	69,080	12,427	86,833
Cash flows from investing activities:					
Construction of power plants and acquisition of other fixed assets	(122,176)	(145,637)	(33,365)	(44,106)	(207,535)
Cash grant received	27,427	14,685	—	14,685	14,685
Purchase of intangible assets	(429)	(267)	(115)	(55)	(562)
Acquisition of securities	(2,200)	(22,553)	—	(1,654)	(23,645)
Proceeds from sale of securities	6,345	18,900	—	—	22,413
Proceeds from sale of a subsidiary	—	7,699	—	—	7,699
Proceeds from sale of power plant	35,250	—	—	—	—
Decrease (increase) in bank deposit	—	3,010	—	3,010	3,010
Decrease (increase) in cash, cash equivalents and restricted deposits	(76,387)	(7,660)	(73,375)	1,315	25,472
Net cash used in investing activities	(132,170)	(131,823)	(106,855)	(26,805)	(158,463)
Cash flows from financing activities:					
Exercise of options in a subsidiary	741	437	349	437	529
Acquisition of shares in a subsidiary from noncontrolling interests	(1,490)		(1,490)		
Net proceeds from the sale of a tax partnership	—	31,376	—	(132)	31,376
Credit received from banks	2,400,683	2,170,287	698,300	815,526	3,058,956
Long-term loans received from banks and others	17,554	45,000	5,390	—	90,000
Proceeds from issuance of senior secured bonds by the U.S. Department of Energy	140,000		140,000		
Repayment of bank credit	(2,484,600)	(2,120,605)	(794,800)	(772,485)	(3,020,545)
Early repayment of notes	(12,860)	(11,888)	—	—	(11,888)
Repayment of long-term loans from banks and others	(80,249)	(37,506)	(39,145)	(18,719)	(68,396)
Extinguishment of liability in respect of a tax partnership	(9,065)	(10,184)	(3,667)	(3,194)	(13,384)
Net proceeds from the sale of a tax partnership	2,234				—
Dividend paid	(6,043)		—		(5,964)
Cash paid for interest rate cap	(1,505)		(1,505)		
Financing costs	(4,724)	(348)	(2,053)	(348)	(1,919)

Payments to non-controlling interest in a subsidiary without losing control	(150)		(150)		
Dividend paid to non-controlling interest in a subsidiary	(2,926)	(728)	(916)	(728)	(1,459)
Net cash provided by (used in) financing activities	(42,400)	65,841	313	20,357	57,306
Decrease in cash and cash equivalents	(11,165)	(34,026)	(37,462)	5,979	(14,324)
Balance of cash and cash equivalents at beginning of period	57,908	71,767	84,349	32,159	71,767
Effect of changes in exchange rates on cash and cash equivalents in foreign currency	(33)	387	(177)	(10)	465
Balance of cash and cash equivalents at end of period	46,710	38,128	46,710	38,128	57,908

* Supplementary information on investing and financing activities not involving cash flows is presented in note 12.

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

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ORMAT INDUSTRIES LTD.
(An Israeli Corporation)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AS OF SEPTEMBER 30, 2014
(Unaudited)

NOTE 1 – GENERAL:

Ormat Industries Ltd. (the "Company") and its consolidated subsidiaries (the "Group") is engaged in the development, design, construction and operation of power plants owned thereby for the production of electricity from geothermal and recovered energy sources, and in the manufacture, including the design and development, of turbines and power units for the supply of electricity.

The Company is a public company incorporated and resident in Israel. The address of its registered office is 1 Szydlowski Street, New Industrial Area, Yavne, Israel. The Company's shares are listed on the Tel-Aviv Stock Exchange Ltd.

NOTE 2 – BASIS OF PRESENTATION:

a. The interim consolidated financial information of the Group as of September 30, 2014 and for the nine and three-month periods then ended (the "interim financial data") have been prepared in accordance with IAS No. 34, "Interim Financial Reporting" ("IAS 34") and the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. These statements should be reviewed with the annual financial statements as of December 31, 2013 and for the year then ended, including the notes thereto, which were prepared in conformity with the International Financial Reporting Standards ("IFRS") and in accordance with the Israeli Securities (Preparation of Annual Financial Statements) Regulation, 2010.

b. The Company's consolidated financial statements are presented in U.S. dollars ("dollars"), which is the currency of the primary economic environment in which most of the Group companies operate (the functional currency).

c. Estimates

The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies applied in preparation of the interim financial data are consistent with those applied in preparation of the annual financial statements as of December 31, 2013 and for the year then ended. Financial results of the interim period do not necessary reflect the results of the entire year.

ORMAT INDUSTRIES LTD.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AS OF SEPTEMBER 30, 2014
(Unaudited)

NOTE 4 – SARULLA

The Company (through a subsidiary) is a 12.75% equity shareholder of a consortium (the "Sarulla 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 will be operated by the consortium members together with PT Pertamina Geothermal Energy, the concession holder for the project, which is the local electricity company. The project (the "Sarulla Project") will be constructed in three phases of 110 MW each.

On May 16, 2014, the consortium reached a financial closing of $1.17 billion in financing agreements to finance the development of the Sarulla project with a consortium of lenders comprised of Japan Bank for International Cooperation ("JBIC"), the Asian Development Bank and six commercial banks and obtained construction and a term loan under limited recourse financing package backed by a political risk guarantee from JBIC.

In May 2014, following the financial closing as described above, the Sarulla consortium entered into interest rate swap agreements with various international banks in order to fix the Libor interest rate on up to $0.96 billion of the $1.07 billion credit facility at a rate of 3.4565%.

The Sarulla Consortium has accounted for the interest rate swap as a cash flow hedge upon which changes in the fair value of the hedging instrument, relative to the effective portion, will be recorded in other comprehensive income. As such, during the nine months and three months period ended on September 30, 2014, the Company's share in the loss of such transactions was approximately $5.2 million and $1.1 million, respectively, which was recorded in other comprehensive income. Of the $1.17 billion, $0.1 billion (which was drawn down by the Company on May 23, 2014) bears a fixed interest rate.

Following the financial closing, the Sarulla Consortium has started the construction work of the first phase of the project of which operations is expected to commence in 2016 and the remaining two phases of operations are scheduled to commence within 18 months thereafter. The Group will supply its Ormat Energy Converters to the power plant. According to the current project plan, the Group has begun to recognize revenue from the project over the course of the next three to four years starting in the second quarter of 2014.

NOTE 5 – ISSUANCE OF NOTES GUARANTEED BY THE U.S. DEPARTMENT OF ENERGY

In August 2014, a wholly-owned indirect subsidiary signed a $140.0 million loan for a period of 18 years to finance the construction of the McGinness Hills Phase 2 project in Nevada. The plant is expected to be completed in the first half of 2015. This drawdown is the last tranche under the Note Purchase Agreement with John Hancock Life Insurance Company (USA) and 80% guaranteed by the U.S. Department of Energy's Loan Programs Office in accordance with and subject to the Department's Loan Guarantee Program under Section 1705 of Title XVII of the Energy Policy Act of 2005. The $140.0 million loan, which matures in December 2032, carries a 4.61% coupon with principal paid quarterly.

In anticipation of the drawdown, on August 13, 2014, in connection with such contemplated drawdown, the Company entered into a rate lock agreement with a financial institution with a notional amount of $140.0 million, which terminated August 15, 2014. The rate lock was based on a 10-year treasury interest rate. On August 15, 2014, the

Company paid to the counterparty of the rate lock agreement an amount of $1.5 million. A loss of $0.9 million, net of related taxes of $0.6 million is recorded under “Accumulated other comprehensive income (loss)” and is amortized over the life of the notes using the effective interest method.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 6 – SALE OF HEBER SOLAR

On March 26, 2014, the Group has signed an agreement with RET Holdings, LLC to sell the Heber Solar project in Imperial County, California for $35.25 million. The Group received the first payment of $15.0 million in the first quarter of 2014 and the second payment for the remaining $20.25 million was received in the second quarter of 2014. As a result of the sale, the Group recognized a pretax gain of $7.6 million in the second quarter of 2014.

NOTE 7 – PREPAYMENT OF LONG TERM LOAN

On September 30, 2014, a subsidiary of Ormat Technologies prepaid the outstanding amount of approximately a $30.0 million loan with EIG Global Project Fund II, Ltd. (formerly TCW). This repayment resulted in a one-time charge to interest expense of approximately $1.1 million, consisting of (i) prepayment premium of $0.6 million and (ii) write-off of related deferred financing costs amounting of $0.5 million.

NOTE 8 – DERIVATIVES

On March 6, 2014, the Group entered into an additional NGI swap contract with a bank for a notional amount of approximately 2.2 million MMbtu that will be settle on January 1, 2015 until March 31, 2015, in order to reduce its exposure to fluctuations in natural gas rates. Under the terms of this contract, the Company will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. The swap contract has monthly settlements whereby the difference between the fixed price of $4.95 per MMbtu of NGI natural gas and the market price will be settled on a cash basis.

This transaction, like in previous hedge transactions signed in previous years, has not been designated as a hedge transaction and is marked to market with the corresponding gains or losses recognized within electricity revenues. The Group recognized a net gain from the hedge transactions on the natural gas and oil of $1.3 million and $4.0 million dollars in the nine and three months periods ended September 30, 2014, respectively, resulting from the mark-to-market impact of these contracts.

NOTE 9 – INTERESTED PARTIES:

On February 11, 2014, the Company announced that Mr. Isaac Angel was selected as the future CEO of the Company and CEO of its subsidiary Ormat Technologies. Mr. Angel joined Ormat on April 1, 2014 and was appointed the CEO position effective July 1, 2014. Mr. Angel is employed by Ormat Technologies and by Ormat Systems Ltd. (subsidiary of Ormat Technologies).

On April 2, 2014, the Company granted Mr. Angel options to purchase up to an aggregate of 400,000 shares of common stock under the 2012 Incentive Plan. The exercise price of each option is $29.52 per share, which represented the fair market value of the Company's common stock on the date of the grant. Options to purchase 300,000 shares of common stock will expire six years following the date of grant and will vest in four equal annual installments over four years commencing with the second anniversary of the date of grant. The remaining options to purchase 100,000 shares of common stock will vest on March 31, 2021 and will expire on September 30, 2021. The terms of the options are subject to changes in the event of a change of control.

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ORMAT INDUSTRIES LTD.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 10 – CONTINGENT LIABILITIES:

a. In December 2012, Laborers' International Union of North America Local Union No. 783 ("LiUNA"), an organized labor union, filed a petition in Mono County Superior Court, naming Mono County, California and Ormat Technologies as defendant and real party in interest, respectively. The petitioners brought this action to challenge the November 13, 2012 decision of the Mono County Board of Supervisors in adopting Resolutions No. 12-78, denying petitioners' administrative appeal of the Planning Commission's approval of Conditional Use Permit ("CUP"), adoption of findings under the California Environmental Quality Act ("CEQA") and adoption of the final environmental impact report ("EIR") for the Mammoth Pacific enhancement. The Company has successfully defended itself against the petition, which has been denied by the court.

On July 8, 2014, Global Community Monitor, LiUNA, and two residents of Bishop, California filed a complaint in the United States District Court for the Eastern District of California, alleging that Mammoth Pacific, L.P., Ormat Technologies, Inc. and Ormat Nevada, Inc. are operating three geothermal generating plants in Mammoth Lakes, California (MP-1; MP-II and PLES-I) in violation of the federal Clean Air Act ("CAA") and Great Basin Unified Air Pollution Control District ("District") rules.

The Group is continuing to review the complaint and believes that it is without merit, and intends to vigorously defend itself against the allegations set forth in the complaint and to take all necessary legal action to have the complaint dismissed. Filing of the complaint in and of itself does not have any immediate adverse implications for the Mammoth plants. The Group management is of the opinion that the chances of the claim not being accepted are greater than those of its being accepted.

b. In January 2014, the Group learned that two former employees of Ormat Technologies alleged in a "qui tam" complaint filed in the United States District Court for the Southern District of California that Ormat Technologies submitted fraudulent applications and certifications to obtain grants from the US government. The United States Department of Justice has declined to intervene. The former employees have proceeded on their own and served the Company with their initial complaint in April 2014, and then filed an amended complaint in May 2014.

The Group is investigating, and is defending against the amended complaint. This includes that, pursuant to the Company's motion to move venue of the proceeding, the file was reassigned from the United States District Court for the Southern District of California to the District of Nevada. In addition, the Group has filed a motion to dismiss the amended complaint, in response to which the complaints have filed responses, and the United States has filed a statement of interest regarding the Company's claim that the False Claims Act's "Tax Bar" excludes such Act's application to the Company, and urged the court to reject the Company's argument, while continuing to take no position as to the overall sufficiency of the complainants' complaint. The motion to dismiss is pending before the Nevada United States District Court.

The Group believes that the allegations of the lawsuit have no merit. The Group management is of the opinion that the chances of the claim not being accepted are greater than those of its being accepted.

ORMAT INDUSTRIES LTD.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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c. In addition, from time to time, the Group 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. It is the opinion of the Group'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 – TAXES ON INCOME

Income tax expenses for the nine months and three months periods ended September 30, 2014 were $0.3 million and $2.0 million, respectively. The income tax benefit includes income of $17.8 million and $5.3 million, in the nine months and three months periods ended September 30, 2014, respectively, from the sale of tax benefits to partners in the tax partnerships in the U.S. OPC and ORTP, net of income tax expenses of $18.1 million and $7.3 million, in the nine months and three months periods ended September 30, 2014, respectively.

Income tax expenses for the nine months and three months periods ended September 30, 2013 were $0.6 million and $1.1 million, respectively. The income tax benefit includes income of $13.7 million and $4.9 million, in the nine months and three months periods ended September 30, 2013, respectively, from the sale of tax benefits to partners in the tax partnerships in the U.S.- OPC and ORTP, net of income tax expenses of $14.3 million and $6.0 million, in the nine months and three months periods ended September 30, 2013, respectively.

The tax provision for the nine-month periods ended September 30, 2014 and 2013 has been computed based on the management's estimate of the effective tax rates that will apply to total projected annual net income.

NOTE 12 – BUSINESS SEGMENTS:

The Group's business segments, as determined by management are:

Electricity - This segment is engaged in the maintenance and operation of wholly or partly owned geothermal and recovered energy power plants in the international market, to produce and supply electricity they produce for customers, which are utilities, according to power purchase agreements.

Product - This segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the construction of power plants to supply energy from geothermal fields and other alternative energy sources.

Transfer prices between the operating segments were determined on current market values or cost plus markup of the seller's business segment. Segment assets include power plants, other property, plant and equipment, geothermal resources exploration and evaluation costs, inventories and accounts receivable.

Segment assets also include deferred tax assets, while segment operating results do not reflect the tax effect.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AS OF SEPTEMBER 30, 2014
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	Electricity	Product	Adjustments	Consolidated
	(Dollars in thousands)			
Nine months ended September 30, 2014:				
External revenues	289,015	121,266	20,500	430,781
Intersegment revenues		43,580	(43,580)	—
Total revenues	289,015	164,846	(23,080)	430,781
Segment results	72,850	35,839	3,173	111,862
Income not allocated to segments				4,647
Other gains, net				(1,274)
Total income from operations				115,235
Financial expenses				(65,169)
Income before income taxes				50,066

	Electricity	Product	Adjustments	Consolidated
		(Dollars in thousands)		
Three months ended September 30, 2014:				
External revenues	102,506	37,736	1,247	141,489
Intersegment revenues		7,244	(7,244)	—
Total revenues	102,506	44,980	(5,997)	141,489
Segment results	32,411	11,377	642	44,430
Expenses not allocated to segments				(400)
Other losses, net				(2,612)
Total income from operations				41,418
Financial expenses				(22,568)
Income before income taxes				18,850

	Electricity	Product	Adjustments	Consolidated
		(Dollars in thousands)		
Nine months ended September 30, 2013:				
External revenues	245,005	157,329	4,866	407,200
Intersegment revenues	—	29,731	(29,731)	—
Total revenues	245,005	187,060	(24,865)	407,200
Segment results	42,057	33,286	13,015	88,358
Expenses not allocated to segments				(1,187)
Other gains, net				10,465
Total income from operations				97,636
Financial expenses				(54,522)
Equity in losses of associated companies				(149)

Income before income taxes	42,965

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ORMAT INDUSTRIES LTD.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AS OF SEPTEMBER 30, 2014

(Unaudited)

	Electricity	Product	Adjustments	Consolidated
		(Dollars in thousands)		
Three months ended September 30, 2013:				
External revenues	88,994	41,755	—	130,749
Intersegment revenues		4,329	(4,329)	—
Total revenues	88,994	46,084	(4,329)	130,749
Segment results	20,732	9,065	9,880	39,677
Expenses not allocated to segments				(467)
Other gains, net				2,329
Total income from operations				41,539
Financial expenses				(19,011)
Equity in losses of associated companies				(158)
Income before income taxes				22,370

	Electricity	Product	Adjustments	Consolidated
		(Dollars in thousands)		
Year ended December 31, 2013:				
External revenues	329,747	203,492	4,866	538,105
Intersegment revenues	—	37,248	(37,248)	—
Total revenues	329,747	240,740	(32,382)	538,105
Segment results	54,265	42,693	12,364	109,322
Expenses not allocated to segments				(1,617)
Other gains, net				12,444
Total income from operations				120,149
Financial expenses				(76,914)
Loss before income taxes				43,235
Total assets:				
September 30, 2014	2,083,715	88,198	17,055	2,188,968
September 30, 2013	2,048,021	120,314	(17,793)	2,150,542
December 31, 2013	2,017,838	141,595	(22,519)	2,136,914

ORMAT INDUSTRIES LTD.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
AS OF SEPTEMBER 30, 2014

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NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS:

a. Fair value disclosure:

Assets and liabilities measured at fair value at September 30, 2014 are shown in the table below:

	Level 1	Level 2	Level 3	Total
		Dollars in thousands		
Assets:				
Cash, cash equivalents and restricted cash	116,118	—	—	116,118
Investments in securities:				
Equity securities	—	—	251	251
Debt securities	10,972	—	—	10,972
Derivatives :				
Derivatives on oil prices		1,134		1,134
Derivatives on natural gas prices	—	502	—	502
Total assets	127,090	1,636	251	128,977
Liabilities -				
Derivatives-				
Forward transactions	—	(2,183)	—	(2,182)
Total liabilities	—	(2,183)	—	(2,182)

Assets and liabilities measured at fair value at September 30, 2013 are shown in the table below:

	Level 1	Level 2	Level 3	Total
		Dollars in thousands		
Assets:				
Cash equivalents	67,234	—	—	67,234
Investments in securities:				
Equity securities	—	—	251	251
Debt securities	17,868	—	—	17,868
Derivatives -				
Derivatives on oil prices	—	142	—	142
Derivatives on natural gas prices	—	1,353	—	1,353
Forward transactions	—	2,952	—	2,952
Total assets	85,102	4,447	251	89,800

ORMAT INDUSTRIES LTD.
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Assets and liabilities measured at fair value at December 31, 2013 are shown in the table below:

	Level 1	Level 2	Level 3	Total
		Dollars in thousands		
Assets:				
Cash equivalents	40,015	—	—	40,015
Investments in securities:				
Equity securities	—	—	251	251
Debt securities	15,433	—	—	15,433
Derivatives -				
Forward transactions	—	2,990	—	2,990
Total assets	55,448	2,290	251	57,989
Liabilities -				
Derivatives:				
Derivatives on oil prices	—	(2,490)	—	(2,490)
Derivatives on natural gas prices	—	(341)	—	(341)
Total liabilities	—	(2,831)	—	2,831)

No monetary assets were transferred from level to level in the nine months and three month periods ended on September 30, 2014.

The fair value of natural gas and oil price derivatives and forward transactions were determined using the quoted prices in an active market and currency rates thereof as of the date of the statement of financial position.

b. Fair value of long-term loans:

Long-term loans and liabilities measured at fair value at September 30, 2014 are shown in the table below:

	September 30, 2014	September 30, 2013	December 31, 2013
		Dollars in thousands	
Assets:			
Non-current	882,906	913,695	913,609
Current	128,918	132,289	135,412
Total	1,011,824	1,045,984	1,049,021

The carrying amount of the following financial assets and liabilities approximate their fair value:

Cash and cash Equivalents
Accounts receivables
Accounts payables

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c. Financial risks management

The Group's operations give rise to exposure to financial risks: market risks (including foreign currency exchange rate risks, fair value and cash flow risks relating to interest rates and price risks), credit risks and liquidity risks.

As described above, the interim consolidated financial information do not include the information and disclosures required for annual financial statements, including information regarding its financial risk management of the Group. As such, these financial statements should be reviewed with the annual financial statements as of December 31, 2013 and for the year then ended, including the notes thereto.

There have been no material changes to the Group's policy on management of its financial risks compared to that reported in the annual financial statements for 2013.

NOTE 14 – INFORMATION ON INVESTMENT AND FINANCING ACTIVITIES NOT INVOLVING CASH FLOWS:

	Nine Months Ended		Three Months Ended		Year ended December
	September 30,		September 30,		31,
	2014	2013	2014	2013	2013
	Dollars in thousands				
Supplementary information on investing and financing activities not involving cash flows:					
Increase (decrease) in suppliers' credit received during the reported period for the construction	(5,221)	7,744	2,068	3,681	4,372
Increase (decrease) in cost of power plants resulting from adjustment of provision for asset retirement obligation	9,088	(10,509)	1,549	(1,870)	(12,481)
Deferred financing costs	—	(1,347)	—	—	—

NOTE 15 – SUBSEQUENT EVENTS

Cash dividend

On November 5, 2014, the Board of Directors of Ormat Technologies resolved to pay a dividend of $2.3 million, payable on December 4, 2014. Consequently, the Group will distribute dividends of $0.9 million to holders of non-controlling rights in the subsidiary.

Potential restructuring with parent company

On October 29, 2014, the Group announced that the Company and Ormat Technologies are considering a possible corporate reorganization. Under the proposed transaction, Ormat Technologies would acquire the Company's shares by issuing shares of common stock of Ormat Technologies to the Company's shareholders in exchange for all of the Company's shareholders' shares in the Company, based upon an exchange ratio to be agreed upon between the parties. If approved and consummated, the transaction would eliminate the Company's majority ownership interest in, and control of, Ormat Technologies.

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The Company has established a special committee of independent directors with full authority to consider the proposed transaction, including to negotiate the exchange ratio and make a recommendation to the Board of Directors, or to reject the proposed transaction. The special committee has retained independent legal and financial advisors to assist the committee in considering the proposed transaction.

There can be no assurance at this stage whether the proposed transaction will be approved and consummated and, if consummated, what the terms (including the exchange ratio) thereof would be. Any potential transaction is subject to the negotiation and execution of definitive agreements, as well as to customary conditions and approvals, including (without limitation) regulatory approvals, an affirmative recommendation of the special committee of the Board of Directors, an approval of the full Board of Directors, and the approval of the shareholders of each of the Company and Ormat Technologies.

Annex D

GLOSSARY OF TERMS

In this information statement:

- “arrangement” or “plan of arrangement” means an arrangement among Ormat Industries, Ormat Systems and their respective shareholders (and, if applicable, creditors), with respect to the share exchange, the merger and the other transactions contemplated in the share exchange agreement, including a request to exempt from the need to publish a prospectus by reason of Section 15A(a)(3) of the Israel Securities Law.

- “Bronicki Investments” means Bronicki Investments Ltd., an Israeli company, that currently holds approximately 14.21% of Ormat Industries ordinary shares and through which Lucien Bronicki, Yehudit Bronicki and Yoram Bronicki, among other members of the Bronicki family, are beneficial owners of those shares.

- “closing” means the completion of the share exchange.

- “closing date” means the date on which the closing occurs.

- “Code” means the Internal Revenue Code of 1986 (or any successor statute), as amended from time to time, and the Treasury Regulations promulgated thereunder.

- “Companies Law” or "Israel Companies Law" means the Israel Companies Law, 5759-1999, as amended.

- “Court” means the District Court of Tel Aviv-Jaffa.

- “Court approval” means the approval by the Court of Ormat Industries’ request that the Court (i) hold a hearing on the fairness of the arrangement contemplated by the share exchange agreement regardless of whether or not any objections have been raised and (ii) approve the arrangement and the order of all actions to be taken in accordance therewith.

- “effective time” means the date and time when the share exchange will become effective.

- “escrow agreement” means the escrow agreement to be entered into no later than two business days prior to the closing date of the share exchange by and among Ormat, Bronicki, FIMI and the escrow agent, substantially in the form of Exhibit B to the Ormat Industries shareholder undertaking agreements.

- “exchange ratio” means 0.2592 shares of Ormat common stock for each ordinary share of Ormat Industries.

- “FIMI” means FIMI ENRG Limited Partnership, an Israeli limited partnership, FIMI ENRG L.P., a Delaware limited partnership, and FIMI Opportunity IV, L.P., a Delaware limited partnership, individually or collectively as the context requires.

- “GAAP” means U.S. generally accepted accounting principles.

- “IFRS” means International Financial Reporting Standards.

- “Israel Securities Law” means the Israel Securities Law, 1968, as amended.

- "Israeli tax ruling" means the ruling dated November 6, 2014, received from the ITA on November 9, 2014, confirming, among other things, that, subject to the conditions stipulated therein, the obligation of Ormat Industries shareholders to pay Israeli capital gains tax on the share exchange will be deferred in accordance with the provisions of Section 103C of the Tax Ordinance.

- "ISA" means the Israel Securities Authority.

- “ITA” means the Israel Tax Authority.
- “NYSE” means The New York Stock Exchange.
- “NYSE rules” means the NYSE Listed Company Manual rules.
- “Ormat” (or “we,” “us,” “the Company,” or “our Company”) means Ormat Technologies, Inc., a Delaware corporation.
- “Ormat Industries” means Ormat Industries, Ltd., an Israeli company.
- “Ormat Industries intervening event” means a material event or development relating to the business or assets of Ormat Industries and the Ormat Industries subsidiaries (including Ormat) that is (i) not known to the board of directors of Ormat Industries as of the date of the share exchange agreement and (ii) becomes known to or by the board of directors of Ormat Industries prior to obtaining the Section 350 voting approval.
- “Ormat Industries recommendation” means the recommendation by the Ormat Industries board of directors and special committee that the shareholders of Ormat Industries approve the share exchange agreement, the share exchange and the other transactions contemplated thereby.
- “Ormat Industries shareholder undertaking agreements” means the voting agreements, dated as November 10, 2014, between Ormat and each of Bronicki Investments and FIMI.
- “Ormat intervening event” means a material event or development relating to the business or assets of Ormat and the Ormat subsidiaries that is (i) not known to the board of directors of Ormat as of the date of the share exchange agreement and (ii) becomes known to or by the board of directors of Ormat prior to obtaining the Ormat stockholder approval.
- “Ormat stockholder approval” means the Ormat stockholder approval by written consent of the share issuance dated November 10, 2014.
- “Ormat stockholder undertaking agreement” means the voting agreement, dated as November 10, 2014, between Ormat Industries and Ormat.
- “Ormat Systems” means Ormat Systems Ltd., an Israeli company and wholly-owned subsidiary of Ormat.
- “record date” means the close of business on November 28, 2014.
- “registration rights agreement” means the registration rights agreement by and among Ormat, Bronicki and FIMI, substantially in the form of Exhibit B to the voting neutralization agreements.
- “SEC” means the Securities and Exchange Commission.
- “Section 350 voting approval” means, unless otherwise ordered by the Court, the approval of the share exchange and related transactions by Ormat Industries shareholders (and, if ordered by the Court, creditors) by a majority in number (per capita) of shareholders (or, if applicable creditors) present, by person or by proxy, representing at least 75% of the votes cast at each of the Ormat Industries meetings; provided, that, with respect to the Ormat Industries shareholders meeting either (i) the shares voting in favor of such matters include at least a majority of the shares voted by shareholders who are not Bronicki Investments and FIMI or that othwerise have a “personal interest” (as defined in the Israel Companies Law) in the transaction, or (ii) the total number of shares voted against the resolution

by the shareholders described in clause (i) does not exceed two percent of the outstanding Ormat Industries ordinary shares.

- "Securities Act" means the U.S. Securities Act of 1933, as amended.
- "share exchange" means the exchange of newly issued shares of Ormat common stock for all of the outstanding ordinary shares of Ormat Industries on the terms and conditions set forth in the share exchange agreement.
- "share exchange agreement" means the Share Exchange Agreement and Plan of Merger dated as of November 10, 2014 among Ormat, Ormat Industries and Ormat Systems.
- "share exchange consideration" means that number of fully paid and nonassessable shares of Ormat common stock (and cash, without interest, in lieu of fractional shares) to be issued to holders of Ormat Industries ordinary shares at the completion of the share exchange.
- "Tax Ordinance" means the Tax Ordinance of Israel [New Version], 5721-1961, as amended.
- "TASE" means the Tel Aviv Stock Exchange.
- "Treasury Regulations" means the regulations promulgated under the Code by the U.S. Department of the Treasury.
- "voting neutralization agreements" means the voting neutralization agreements, dated as November 10, 2014, among Ormat and each of Bronicki Investments and FIMI.