BALL CORP
Form 8-K
August 30, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

August 30, 2002
(Date of earliest event reported)

Commission file number 1-7349

BALL CORPORATION
(Exact name of Registrant as specified in its charter)

Indiana	1-7349	35-0160610
(State of Incorporation)	(Commission File No.)	(IRS Employer Identification N

10 Longs Peak Drive, P.O. Box 5000, Broomfield, CO 80021-251
(Address of principal executive offices, including ZIP code)

(303) 469-3131
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report

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

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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.

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

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.

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

(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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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	December 31, 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	December 31, 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	December 31, 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 judgement. 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.

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 chaiperson 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 submited 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	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

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	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	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 (Unaudited)	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 respoct 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	Isaac Angel	Doron Blachar
Chairman of the Board of Directors	Chief Executive Officer	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 securred 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,		Three Months Ended September 30,		Year ended December 31,
	2014	2013	2014	2013	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)
Impairement 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 holderes 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	Noncontroling 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 noncontroling 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 holderes 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	Noncontroling 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

(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 holderes 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	Noncontroling 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	2013	Three Months Ended September 30, 2014	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 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 respoct of concession agreement	(16,217)	—	(3,485)		—
Depreciation and amortization	70,131	67,362	24,021	23,920	88,731
Impairement (reverse of impairement) 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 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.

ORMAT INDUSTRIES LTD.
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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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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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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.

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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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	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 beofre 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 beofre 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 beofre income taxes	42,965

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(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 beofre 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 beofre 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

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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

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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 September 30,		Three Months Ended September 30,		Year ended December 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 (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.