

BUILD A BEAR WORKSHOP INC
 Form 4
 November 08, 2007

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
REISLER WILLIAM

2. Issuer Name and Ticker or Trading Symbol
BUILD A BEAR WORKSHOP INC [BBW]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
1800 BALTIMORE, SUITE 300
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
11/07/2007

Director 10% Owner
 Officer (give title below) Other (specify below)

KANSAS CITY, MO 64108
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V Amount (D) Price			
Common Stock	11/07/2007		A	4,499 (1) A 12,572		D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
REISLER WILLIAM 1800 BALTIMORE SUITE 300 KANSAS CITY, MO 64108		X		

Signatures

/s/ William
Reisler

11/08/2007

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Grant to reporting person of 4,499 shares of restricted stock. The shares vest one year from the date of grant.
- (2) Price is not applicable to grants of restricted stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

25.5
27.6
Total \$268,937
\$237,992
\$219,230
100.0

100.0
%
100.0
%

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Geographical breakdown of revenues

For the years ended December 31, 2006, 2005, and 2004, respectively, 83.3%, 87.8% and 84.7% of the revenues attributable to our Electricity Segment were generated in the United States.

The following table sets forth the geographic breakdown of the revenues attributable to our Electricity Segment for the years indicated:

	Revenues in Thousands			% of Revenues for Period Indicated		
	Year Ended December 31,			Year Ended December 31,		
	2006	2005	2004	2006	2005	2004
United States	\$ 162,844	\$ 155,646	\$ 134,576	83.3%	87.8%	84.7%
Foreign	32,639	21,723	24,255	16.7	12.2	15.3
Total	\$ 195,483	\$ 177,369	\$ 158,831	100.0%	100.0%	100.0%

In the years ended December 31, 2004 and 2005 we did not have material products sales in the United States. In the year ended December 31, 2006 we recognized revenues of \$10.5 million in our Products segments from sales in the United States.

Seasonality

The demand for the electricity generated by our domestic projects and the prices paid for such electricity pursuant to some of our power purchase agreements are subject to seasonal variations. The demand for electricity from the Heber 1 and 2 projects, the Mammoth project and the Ormesa project is the highest in the summer months of June through September, because the power purchaser for those projects, Southern California Edison, delivers more electricity to its California markets during such period in order to meet demand for air conditioning and other energy-intensive cooling systems utilized during such summer months. The demand for electricity from the Steamboat complex and the Brady project is more balanced, consisting of both summer and winter peaks that reflect the greater temperature variations in Nevada. The demand for electricity from the Puna project is balanced due to the equatorial temperature in Hawaii (with less pronounced temperature variations during the year). In most of our power purchase agreements in California, the capacity rates payable pursuant to the applicable power purchase agreement are higher in the summer months and as a result we receive higher revenues during such months. In contrast, there are no significant changes in prices during the year payable pursuant to our power purchase agreement for the Puna project and the Nevada projects. In the winter, due principally to the lower ambient temperature, our power plants produce more energy and as a result we receive higher energy revenues. However, the higher capacity payments payable by Southern California Edison in California in the summer months as a result of the increase in demand and in prices have a more significant

impact on our revenues than that of the higher energy revenues generally generated in winter due to increased efficiency, and as a result our revenues are generally higher in the summer than in the winter.

Breakdown of Expenses

Electricity Segment

The principal expenses attributable to our operating projects include operation and maintenance expenses such as salaries, equipment expenses, costs of parts and chemicals, costs related to third-party services, lease expenses, royalties, startup and auxiliary electricity purchases, property taxes and insurance and, for the California projects, transmission charges, scheduling charges and purchases of sweet water for use in our plant cooling towers. Some of these expenses, such as parts, third-party services and major maintenance, are not incurred on a regular basis, which results in fluctuations in our expenses and our results of operations for individual projects from quarter to quarter. The lease expense related to the Puna lease transactions is included as a separate line item in our Electricity Segment cost of revenues (See "Liquidity and Capital Resources"). For management purposes, we analyze such costs on a combined basis with other cost of revenues in our Electricity Segment.

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Payments made to government agencies and private entities on account of site leases where plants are located are included in cost of revenues. Royalty payments are payments made as compensation for the right to use certain geothermal resources and are included in cost of revenues, and are paid as a percentage of the revenues derived from the associated geothermal rights. For the year ended December 31, 2006, royalties were approximately 3.9% of the Electricity Segment revenues.

Products Segment

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

Cash, Cash Equivalents and Marketable Securities

Our cash, cash equivalents and marketable securities as of December 31, 2006 increased to \$116.7 million from \$70.5 million as of December 31, 2005. This increase is principally due to the combination of the \$135.1 million net proceeds from our follow-on offering in April 2006 of 4,025,000 shares of common stock at a price of \$37.50 per share, the \$92.4 million net proceeds from our sale of 2,500,000 shares of common stock to Lehman Brothers in a block trade in December 2006 at a price of \$37.50 per share, and \$73.0 million derived from operating activities in the year ended December 31, 2006. During the year ended December 31, 2006, we used \$159.5 million of our cash resources to fund capital expenditures and \$22.8 million for acquisitions and to repay long-term debt to our parent and to third parties.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to our audited consolidated financial statements set forth in Part II Item 8 of this annual report. However, certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Such estimates are based on management's historical experience, the terms of existing contracts, management's observance of trends in the geothermal industry, information provided by our customers and information available to management from other outside sources, as appropriate. Such estimates are subject to an inherent degree of uncertainty. Our critical accounting policies include:

- **Revenues and Cost of Revenues.** Revenues related to the sale of electricity from our geothermal and recovered energy-based power plants and capacity payments paid in connection with such sales, are recorded based upon output delivered and capacity provided by such power plants at rates specified pursuant to the relevant power purchase agreements. For power purchase agreements agreed to, modified or acquired in business combinations on or after July 1, 2003 (effective date of Emerging Issues Task Force Issue (EITF) No. 01-08, Determining Whether an Arrangement Contains a Lease), revenues related to the lease element of the power purchase agreements are included as "lease portion of energy and capacity" revenues, with the remaining revenues related to the production and delivery of energy is presented as "energy and capacity". Lease income and lease expense are recognized ratably over the lease periods. Revenues generated from engineering and operating services and sales of products and parts are recorded once the service is provided or product delivery is made, as applicable. Revenues generated from the construction of geothermal and recovered energy power plant equipment and other equipment on behalf of third parties is recognized on the percentage completion method, which is the relationship between costs

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actually incurred and total estimated costs to completion. Such cost estimate is made by management in part based on prior operations and in part based on specific project characteristics and designs. If management's estimates utilized with respect to our Products Segment of total estimated costs to completion are inaccurate, then the percentage of completion will also be inaccurate and thus lead management to over or under-estimate the gross margins for our Products Segment. Provisions for estimated losses relating to contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from the application of penalty provisions in relevant contracts and final contract settlements, may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined.

- **Property, Plant and Equipment.** Property, plant and equipment are stated at cost. All costs associated with the acquisition, development and construction of power plant facilities are capitalized. Major improvements are capitalized and repairs and maintenance (including major maintenance) costs are expensed. We estimate that the useful life of our power plants coincides with the term of the power purchase agreement; however, it is possible that the power plants may last longer than the related power purchase agreement. We periodically re-evaluate the estimated useful life of the power plants, which may result in our revising the useful life to a longer period at a future date.

- **Impairment of Long-lived Assets and Long-lived Assets to Be Disposed of.** Long-lived assets consist of property, plant and equipment, power purchase agreements and unconsolidated investments and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated future net undiscounted cash flows expected to be generated by the relevant asset. The significant assumptions that we use in estimating our undiscounted future cash flows include: (i) projected generating capacity of the project and rates to be received under the respective power purchase agreements, and (ii) projected operating expenses of the relevant project. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Our assessment regarding the existence of impairment factors is based on market conditions, operational performance and legal factors relating to our business. Our review of existing factors and the resulting appropriate carrying value of our long-lived assets are subject to judgment and estimates that management is required to make. We believe that no impairment exists for our long-lived assets; however, future estimates as to the recoverability of such assets may change based on revised circumstances.
- **Obligations Associated with the Retirement of Long-Lived Assets.** Effective January 1, 2003, we adopted Statement of Financial Accounting Standards (SFAS) No. 143 of the Financial Accounting Standards Board (FASB), Accounting for Obligations Associated with the Retirement of Long-Lived Assets. Pursuant to SFAS No. 143, which was amended by FASB Interpretation (FIN) No. 47, Accounting for Conditional Retirement Obligations, an Interpretation of FASB Statement No.143, entities are required to record the fair market value of any legal liability related to the retirement of any of its assets in the period in which such liability is incurred. Our liabilities related to the retirement of our assets include our obligation to plugging wells upon termination of our operating activities, the dismantling of our geothermal power plants upon cessation of our operations and the performance of certain remedial measures related to the land on which such operations were conducted. When a new liability for an asset retirement obligation is recorded, we capitalize the costs of such liability by increasing the carrying amount of the related long-lived asset. Such liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. At retirement, an entity either settles the obligation for its

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recorded amount or incurs a gain or a loss with respect thereto, as applicable. We estimate the costs related to such liabilities and if such estimates are incorrect, then the capitalized costs and carrying amount of the related long-lived asset will change and as a result may affect our consolidated financial condition and results of operations.

- **Derivative Instruments.** Derivative instruments (including certain derivative instruments embedded in other contracts) are measured at their fair value and recorded as either assets or liabilities unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of derivatives are recognized currently in earnings unless specific hedge criteria are met, which requires a company to formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

We maintain a risk management strategy that incorporates the use of interest rate swaps and interest rate caps to minimize significant fluctuation in cash flows and/or earnings that are caused by interest rate volatility. Gain or losses on contracts that initially qualify for cash flow hedge accounting, net of related taxes, are included as a component of other comprehensive income or loss and are subsequently reclassified into earnings when interest on the related debt is paid. Gain or losses on contracts that are not designated to qualify as a cash flow hedge are included as a component of interest expense.

- **Consolidation of Variable Interest Entities.** In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB 51, as amended by FIN No. 46R in December 2003. Among other things, FIN No. 46R generally deferred the effective date of FIN No. 46 to the quarter ended March 31, 2004. The objectives of FIN No. 46R are to provide guidance on the identification of Variable Interest Entities, which we refer to as VIEs, for which control is achieved through means other than ownership of a majority of the voting interest of the entity, and how to determine which company (if any), as the primary beneficiary, should consolidate such VIE. A variable interest in a VIE, by definition, is an asset, liability, equity, contractual arrangement or other economic interest that absorbs the entity's economic variability.

Effective as of March 31, 2004, we adopted FIN No. 46R. In connection with the adoption of FIN No. 46R, we concluded that Ormat Leyte Co., Ltd. (OLCL), in which we have an 80% ownership interest, should be deconsolidated. OLCL's operating results were accounted for using the consolidation method of accounting for the three-month period ended March 31, 2004 and, effective April 1, 2004, our ownership interest in OLCL is accounted for using the equity method of accounting.

- **Accounting for Income Taxes.** As part of the process of preparing our consolidated financial statements in accordance with SFAS No. 109, Accounting for Income Taxes, we are required to estimate our income tax in each of the jurisdictions in which we operate. This process requires us to estimate our actual current tax exposure and make an assessment of temporary differences resulting from differing treatment of items for tax and accounting purposes. Such differences result in deferred tax assets and liabilities which are included in our consolidated balance sheet. We must then assess the likelihood that our net deferred tax assets will be recovered from future taxable income and, to the extent we believe that such recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase such allowance in a period, we must include an expense within the tax provision in our consolidated statement of operations. Management uses significant judgment in determining our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. In the event that we generate taxable income in a particular jurisdiction in which we operate and in which we have net operating loss carryforwards for which a deferred tax valuation allowance has been established, we may be required to adjust our valuation allowance. Realization of the deferred tax assets and investment tax credits is dependent on generating sufficient taxable income prior to expiration

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of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that the deferred tax asset as of December 31, 2006 will be realized. We account for investment tax credits and for production tax credits as a reduction to income tax in the year in which the credits arise.

New Accounting Pronouncements

See Note 1 to our Consolidated Financial Statements set forth in Item 8 of this annual report for information regarding new accounting pronouncements.

Results of Operations

Our historical operating results in dollars and as a percentage of total revenues are presented below. The different periods described below may not be comparable, as a result of the effects on our historical operating results of our recent acquisitions and enhancements of acquired projects and construction of new projects.

	Year Ended December 31,		
	2006	2005	2004
(in thousands, except per share data)			
Statements of Operations Historical Data:			
Revenues:			
Electricity Segment	\$ 195,483	\$ 177,369	\$ 158,831
Products Segment	73,454	60,623	60,399
	268,937	237,992	219,230
Cost of revenues:			
Electricity Segment	124,356	103,615	89,742
Products Segment	51,215	45,236	46,336
	175,571	148,851	136,078
Gross margin:			
Electricity Segment	71,127	73,754	69,089
Products Segment	22,239	15,387	14,063
	93,366	89,141	83,152
Operating expenses (income):			
Research and development expenses	2,983	3,036	2,175
Selling and marketing expenses	10,361	7,876	7,769
General and administrative expenses	18,094	14,320	11,609
Gain on sale of geothermal resource rights	—	—	(845)
Operating income	61,928	63,909	62,444
Other income (expense):			
Interest income	6,560	4,308	1,316
Interest expense	(30,961)	(55,317)	(42,785)
Foreign currency translation and transaction loss	(704)	(439)	(146)
Other non-operating income	694	512	112
Income before income taxes, minority interest and equity in income of investees	37,517	12,973	20,941
Income tax provision	(6,403)	(4,690)	(6,609)
Minority interest in earnings of subsidiaries	(813)	—	(108)
Equity in income of investees	4,146	6,894	3,567
Net income	\$ 34,447	\$ 15,177	\$ 17,791
Earnings per share:			
Basic	\$ 1.00	\$ 0.48	\$ 0.72
Diluted	\$ 0.99	\$ 0.48	\$ 0.72
Weighted average number of shares used in computation of earnings per share:			

Explanation of Responses:

Basic	34,593	31,563	24,806
Diluted	34,707	31,609	24,806

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	Year Ended December 31,		
	2006	2005	2004
Statements of Operations Percentage Data:			
Revenues:			
Electricity Segment	72.7%	74.5%	72.4%
Products Segment	27.3	25.5	27.6
	100.0	100.0	100.0
Cost of revenues:			
Electricity Segment	63.6	58.4	56.5
Products Segment	69.7	74.6	76.7
	65.3	62.5	62.1
Gross margin:			
Electricity Segment	36.4	41.6	43.5
Products Segment	30.3	25.4	23.3
	34.7	37.5	37.9
Operating expenses (income):			
Research and development expenses	1.1	1.3	1.0
Selling and marketing expenses	3.9	3.3	3.5
General and administrative expenses	6.7	6.0	5.3
Gain on sale of geothermal resource rights	0.0	0.0	(0.4)
Operating income	23.0	26.9	28.5
Other income (expense):			
Interest income	2.4	1.8	0.6
Interest expense	(11.5)	(23.2)	(19.5)
Foreign currency translation and transaction loss	(0.3)	(0.2)	(0.1)
Other non-operating income	0.3	0.2	0.1
Income before income taxes, minority interest and equity in income of investees	14.0	5.5	9.6
Income tax provision	(2.4)	(2.0)	(3.0)
Minority interest in earnings of subsidiaries	(0.3)	0.0	(0.0)
Equity in income of investees	1.5	2.9	1.6
Net income	12.8%	6.4%	8.1%

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Comparison of the Year Ended December 31, 2006 and the Year Ended December 31, 2005

Explanation of Responses:

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Total Revenues

Total revenues for the year ended December 31, 2006 were \$268.9 million, as compared with \$238.0 million for the year ended December 31, 2005, which represented a 13.0% increase in total revenues. This increase is attributable both to our Electricity and Products Segments whose revenues increased by 10.2% and 21.2%, respectively, over the year ended December 31, 2005.

Electricity Segment

Revenues attributable to our Electricity Segment for the year ended December 31, 2006 were \$195.5 million, as compared with \$177.4 million for the year ended December 31, 2005, which represented a 10.2% increase in such revenues. This increase is primarily attributable to the following: (i) the consolidation of additional revenues in the amount of \$10.3 million from the Zunil project, which was consolidated as of March 13, 2006; (ii) additional revenues of \$5.9 million generated as a result of an increase in our generating capacity in the U.S. resulting in an increase in energy generation from 1,693,362 MWh in the year ended December 31, 2005 to 1,789,794 MWh in the year ended December 31, 2006; and (iii) an increase of \$1.3 million in lease income resulting from the Puna operating lease. We did not realize the aggregate generating capacity of our power plants in the year ended December 31, 2006 due to unexpected operational issues that we experienced in some of our plants, such as the Puna and Ormesa projects, and the delay in the commercial operation of the Desert Peak 2 plant.

Products Segment

Revenues attributable to our Products Segment for the year ended December 31, 2006 were \$73.5 million, as compared with \$60.6 million for the year ended December 31, 2005, which represented a 21.2% increase. This increase of \$12.9 million in the year ended December 31, 2006 is principally attributable to increased sales of our geothermal and recovered energy generation products, which amounted to \$68.8 million in the year ended December 31, 2006 as compared to \$31.6 million, while sales of our remote power units decreased in the year ended December 31, 2006 following the completion of the large order received from the company developing the Sakhalin project in Russia which amounted to \$18.9 million.

Total Cost of Revenues

Total cost of revenues for the year ended December 31, 2006 was \$175.6 million, as compared with \$148.9 million for the year ended December 31, 2005, which represented an 18.0% increase in total cost of revenues. The increase in cost of revenues is partially due to the increase in revenues and partially attributable to increased costs in our Electricity Segment during the year ended December 31, 2006, as discussed below. As a percentage of total revenues, our total cost of revenues for the years ended December 31, 2006 and 2005 were 65.3% and 62.5%, respectively. The increase in cost of revenues as a percentage of total revenues is principally attributable to the increased costs in our Electricity Segment during the year ended December 31, 2006, which was partially offset by an increase in the profitability of our Products Segment during the year ended December 31, 2006. Total cost of revenues for the year ended December 31, 2006 includes stock-based compensation related to stock options of \$0.8 million.

Electricity Segment

Total cost of revenues attributable to our Electricity Segment for the year ended December 31, 2006 was \$124.4 million, as compared with \$103.6 million for the year ended December 31, 2005, which represented a 20.0% increase in cost of revenues for such segment. This increase is primarily due to the following: (i) a \$4.1 million cost of repairing two wells that experienced mechanical problems in the Puna project (we have incurred approximately \$2.0 million in

additional repair costs in the first quarter of 2007); (ii) an increase of \$5.8 million in depreciation and royalties as a result of additional generating capacity; (iii) an increase of \$2.7 million in cost of revenues attributable to the Zunil project which was consolidated as of March 13, 2006; (iv) an increase in lease expense of \$2.2 million resulting from the Puna operating lease; and (v) additional insurance costs of \$1.9 million due to higher insurance premiums and additional premiums as a result of coverage of our additional assets. The remaining \$4.1 million of the increase in our cost of revenues is attributable primarily to increased labor and materials costs in existing plants. As a percentage of total electricity revenues, the total cost of revenues attributable to our Electricity Segment for the year ended December 31, 2006 was 63.6% compared with 58.4% for the year ended December 31, 2005.

Products Segment

Total cost of revenues attributable to our Products Segment for the year ended December 31, 2006 was \$51.2 million, as compared with \$45.2 million for the year ended December 31, 2005, which represented a 13.2% increase in total cost of revenues related to such segment. Such \$6.0 million increase in total cost of revenues during the year ended December 31, 2006 is attributable to the increase in our Products Segment revenues and a different product mix. As a percentage of total products revenues, our total cost of revenues attributable to our Products Segment for the year ended December 31, 2006 was 69.7% compared with 74.6% in the year ended December 31, 2005. Such 4.9% decrease was primarily attributable to the product mix.

Research and Development Expenses

Net research and development expenses for the year ended December 31, 2006 were \$2.98 million, as compared with \$3.04 million for the year ended December 31, 2005, which represented a 1.7% decrease in research and development expenses. Such decrease reflects fluctuations in the period in which actual expenses were incurred. Research and development expenses in the years ended December 31, 2006 and 2005 also include activity related to geothermal resource drillings. Grants received from the U.S. Department of Energy are offset against the related research and development expenses. Such grants amounted to \$0.3 million and \$1.3 million during the years ended December 31, 2006 and 2005, respectively.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2006 were \$10.4 million, as compared with \$7.9 million for the year ended December 31, 2005, which represented a 31.6% increase in selling and marketing expenses. The increase was due primarily to the increase in revenues in our Products Segment and an increase in personnel expenses and other administrative expenses as a result of the hiring of additional personnel to support our continued growth, and an increase in salaries. Selling and marketing expenses for the year ended December 31, 2006 constituted 3.9% of total revenues for such year, as compared with 3.3% for the year ended December 31, 2005. Such increase is principally attributable to an increase in personnel expenses and other administrative expenses, as described above, offset by the fixed cost nature of certain of our selling and marketing expenses against a larger total revenue base. Selling and marketing expenses for the year ended December 31, 2006 includes stock-based compensation related to stock options of \$0.3 million.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2006 were \$18.1 million, as compared with \$14.3 million for the year ended December 31, 2005, which represented a 26.4% increase in general and

administrative expenses. Such increase was primarily attributable to: (i) an increase in professional services fees, additional personnel expenses and other administrative expenses, all as a result of our initial implementation of internal controls and procedures required to comply with Section 404 of the Sarbanes-Oxley Act of 2002; (ii) an increase in personnel expenses and other administrative expenses as a result of the hiring of additional personnel to support our continued

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growth and as a result of an increase in salaries; and (iii) an increase in insurance expenses of \$0.6 million mainly related to political risk coverage of the Amatitlan project, which was under construction. General and administrative expenses for the year ended December 31, 2006 increased to 6.7% of total revenues for such period, from 6.0% for the year ended December 31, 2005. General and administrative expenses for the year ended December 31, 2006 includes stock-based compensation related to stock options of \$0.6 million.

Interest Expense

Interest expense for the year ended December 31, 2006 was \$31.0 million, as compared with \$55.3 million for the year ended December 31, 2005, which represented a 44.0% decrease in such interest expense. The net decrease of \$24.3 million was primarily due to a \$16.6 million one-time charge relating to the early repayment of the Beal Bank loan, following the issuance of the OrCal Senior Secured Notes on December 8, 2005. Without the impact of the one-time charge, interest expense decreased by \$7.7 million, which resulted from: (i) an increase of \$4.6 million in interest capitalized to projects due to the higher volume of construction in this year compared with last year; (ii) a decrease of \$2.3 million in interest expense to our parent; (iii) a decrease of \$2.9 million in interest expense due to the refinancing of the Beal Bank loan with the OrCal Senior Secured Notes at a lower interest rate as described above; and (iv) a decrease of \$0.6 million in interest expense in respect of the OFC Senior Secured Notes due to principal repayments. The decrease in interest expense was partially offset by an increase of \$1.8 million in interest expense for the year ended December 31, 2006 attributable to the consolidation of interest expense from the Zunil project, which was consolidated as of March 13, 2006, and by a decrease of \$0.6 million for the year ended December 31, 2006, in the fair value of interest rate caps, which as of December 8, 2005 are no longer qualified for hedge accounting due to the repayment of the Beal Bank loan.

Income Taxes

Income taxes for the year ended December 31, 2006 were \$6.4 million, as compared with \$4.7 million for the year ended December 31, 2005. The effective tax rates for the years ended December 31, 2006 and 2005 were 17.1% and 36.2%, respectively. Our effective tax rate decreased in the year ended December 31, 2006 compared with the year ended December 31, 2005 due to: (i) a production tax credit of \$4.7 million in respect of our Burdette, Gould and Desert Peak 2 projects; (ii) the absence of income tax expense in respect of our Zunil project, due to our utilization of a tax credit in the amount of \$1.1 million; (iii) a decrease of 3% in the tax rate in Israel commencing January 1, 2006, which decreased the tax provision by \$0.5 million; and (iv) an Israeli Investment Law amendment and the resulting ruling from the Israeli Tax Authorities granted in April 2006 to Ormat Systems according to which Ormat Systems was subject to lower income tax rates effective as of January 1, 2004, which resulted in a tax benefit of \$1.0 million.

Equity in Income of Investees

Our participation in the income generated from our investees for the year ended December 31, 2006 was \$4.1 million, as compared with \$6.9 million for the year ended December 31, 2005. Such decrease of \$2.8 million was due to our 50% equity interest in the Mammoth project, whose revenues decreased because of lower generation as a result of temperatures higher than the average for the summer season and whose cost of revenues increased mainly as a result of unplanned major maintenance. In addition, the decrease in our equity in income of investees was attributable to the shutdown of the Zunil project in the first quarter of 2006, due to damage from a hurricane and the consolidation of Orzunil as of March 13, 2006, which decreased our equity income of investees by \$0.7 million.

Net Income

Net income for the year ended December 31, 2006 was \$34.4 million, as compared with \$15.2 million for the year ended December 31, 2005, which represented an increase of 127.0% in our net income. Net income as a percentage of our total revenues for the year ended December 31, 2006

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was 12.8%, as compared with 6.4% for the year ended December 31, 2005. Such increase in net income was principally attributable to: (i) a \$16.6 million (\$10.3 million after-tax) impact of the one-time charge from the repayment of the Beal Bank loan in the year ended December 31, 2005; (ii) a \$4.2 million increase in gross margin primarily due to the increase in total revenues; and (iii) a decrease in our net interest expense of \$10.0 million, offset by: (i) a decrease of \$2.8 million in equity in income of investees; (ii) a \$6.2 million increase in operating expenses; (iii) a \$1.7 million increase in our income tax provision; and (iv) a \$0.8 increase in minority interest in earnings of subsidiaries, due to the consolidation of the Zunil project. Net income for the year ended December 31, 2006 includes stock-based compensation related to stock options of \$1.5 million.

Comparison of the Year Ended December 31, 2005 and the Year Ended December 31, 2004

Total Revenues

Total revenues for the year ended December 31, 2005 were \$238.0 million, as compared with \$219.2 million for the year ended December 31, 2004, which represented an 8.6% increase in total revenues. This increase is attributable primarily to the growth of our Electricity Segment, whose revenues in the year ended December 31, 2005 increased by 11.7% over the year ended December 31, 2004.

Electricity Segment

	Year Ended December 31,	
	2005	2004
	(in millions)	
Steamboat Project	\$ 17.6	\$ 15.4
Puna Project	36.2	15.5
Steamboat Hills Project	4.2	1.8
Other Projects	119.4	126.1

Explanation of Responses:

Total	\$ 177.4	\$ 158.8
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Revenues attributable to our Electricity Segment for the year ended December 31, 2005 were \$177.4 million, as compared with \$158.8 million for the year ended December 31, 2004, which represented an 11.7% increase in such revenues. This increase is primarily attributable to the inclusion for a full year of the additional revenues being generated from the Steamboat 2/3 project, which we acquired on February 11, 2004, the Steamboat Hills project, which we acquired on May 20, 2004, and the Puna project, which we acquired on June 3, 2004. In addition, revenues from the Puna project in the year ended December 31, 2005 increased by \$5.2 million due to higher energy rates, by \$1.1 million due to increased generating capacity and by \$1.4 million due to lease income resulting from the Puna operating lease. The decrease in revenues from Other Projects is primarily due to the deconsolidation of the Leyte project as of April 1, 2004, which represented \$3.1 million of our revenues in the first quarter of 2004, a \$3.1 million decrease due to lower availability of the well field at the Ormesa project and a \$1.9 million decrease in the Heber project primarily due to our increased use of the power generated by the project for auxiliary purposes rather than purchasing this power from a third party, and a decrease in the ‘‘adder’’, an additional energy rate, paid under the Heber 2 power purchase agreement.

Products Segment

Revenues attributable to our Products Segment for the year ended December 31, 2005 were \$60.6 million, as compared with \$60.4 million for the year ended December 31, 2004, which represented a 0.4% increase in such revenues. The portion of our Products Segment revenues attributable to the supply of remote power units increased in the year ended December 31, 2005 due to a large order from the Sakhalin project, which amounted to \$18.9 million. In the year ended December 31, 2004, a significant portion of our Products Segment revenues was attributable to two large geothermal projects in New Zealand, which amounted to \$49.5 million. The revenues from those projects in the year ended December 31, 2005 amounted to \$10.6 million.

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Total Cost of Revenues

Total cost of revenues for the year ended December 31, 2005 was \$148.9 million, as compared with \$136.1 million for the year ended December 31, 2004, which represented a 9.4% increase in total cost of revenues. As a percentage of total revenues, our total cost of revenues for the years ended December 31, 2005 and December 31, 2004 were 62.5% and 62.1%, respectively. The increase is principally attributable to increased costs in our Electricity Segment during the year ended December 31, 2005.

Electricity Segment

Total cost of revenues attributable to our Electricity Segment for the year ended December 31, 2005 was \$103.6 million, as compared with \$89.7 million for the year ended December 31, 2004, which represented a 15.5% increase in cost of revenues for such segment. This increase is primarily due to the inclusion for a full year of the additional costs of revenues attributable to the Steamboat 1/1A and Steamboat 2/3 project (we acquired the Steamboat 2/3 project on February 11, 2004), the Steamboat Hills project (which we acquired on May 20, 2004) and the Puna project (which we acquired on June 3, 2004) for the year ended December 31, 2005 were \$9.8 million, \$3.0 million and \$17.0 million, respectively, as compared with \$7.7 million, \$2.0 million and \$6.6 million, respectively, for the year ended December 31, 2004. The remainder of the increase is mainly due to the increased costs in the amount of \$3.0 million

within the Ormesa project due to a significant increase in the geothermal field costs and maintenance costs of such project due to a higher-than-average rate of failure of production pumps and wells (including abandonment of one production well), which resulted in a lower availability of the well field. These costs included the replacement of a relatively large number of pumps and injection pipeline repairs. We also had increased costs in the amount of \$0.8 million in the Steamboat project. The increase in total cost of revenues in our Electricity Segment was partially offset by the cancellation of accruals in the aggregate amount of \$2.5 million due to the resolution of contingencies. As a percentage of total electricity revenues, the total cost of revenues attributable to our Electricity Segment for the year ended December 31, 2005 (58.4%) was higher than the percentage for the year ended December 31, 2004 (56.5%). Such increase is due in part to a lease expense in the amount of \$3.1 million in the Puna project from May 19, 2005 to December 31, 2005. The increase is also attributable to the deconsolidation of the Leyte project as of April 1, 2004, whose total cost of revenues as a percentage of the project's revenues in 2004 was 46.3%, which is lower than the average cost of revenues for this segment.

Products Segment

Total cost of revenues attributable to our Products Segment for the year ended December 31, 2005 was \$45.2 million, as compared with \$46.3 million for the year ended December 31, 2004, which represented a 2.4% decrease in cost of revenues related to such segment. Such \$1.1 million decrease in cost of revenues during the year ended December 31, 2005 resulted from a different product mix. As a percentage of total products revenues, our total cost of revenues attributable to our Products Segment for the year ended December 31, 2005 was 74.6% and for the year ended December 31, 2004 was 76.7%.

Research and Development Expenses

Net research and development expenses for the year ended December 31, 2005 were \$3.0 million, as compared with \$2.2 million for the year ended December 31, 2004, which represented a 39.6% increase in research and development expenses. Such increase reflects fluctuations in the period in which actual expenses were incurred and includes also an increase in activity related to geothermal resource drillings. Grants received from the U.S. Department of Energy are offset against the related research and development expenses. Such grants amounted to \$1.3 million and \$0.1 million during the years ended December 31, 2005 and 2004, respectively.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2005 were \$7.9 million, as compared with \$7.8 million for the year ended December 31, 2004. Selling and marketing expenses for

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the year ended December 31, 2005 constituted 3.3% of total revenues for such year, as compared with 3.5% for the year ended December 31, 2004. Such decrease is principally attributable to the fixed cost nature of certain of our selling and marketing expenses against a larger total revenue base.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2005 were \$14.3 million, as compared with \$11.6 million for the year ended December 31, 2004, which represented a 23.4% increase in general and

Explanation of Responses:

administrative expenses. Such increase was principally attributable to an increase in professional services fees, additional personnel expenses and other administrative expenses, all as a result of being a public company whose shares are traded on the New York Stock Exchange. General and administrative expenses for the year ended December 31, 2005 constituted 6.0% of total revenues for such period, as compared with 5.3% for the year ended December 31, 2004. In addition, the general and administrative expenses for the year ended December 31, 2004 did not fully reflect the increase in such expenses that was required as a result of the increased activity that occurred in connection with the acquisitions made in 2004.

Interest Expense

Interest expense for the year ended December 31, 2005 was \$55.3 million, as compared with \$42.8 million for the year ended December 31, 2004, which represented a 29.3% increase in such interest expense. The net increase of \$12.5 million was primarily due to a \$16.6 million one-time charge relating to the early repayment of the Beal Bank loan, which followed the issuance of the OrCal Senior Secured Notes. The charge is comprised of an \$11.5 million prepayment premium, a \$4.2 million write-off of deferred financing costs and a \$0.9 million loss from a hedge transaction previously included in other comprehensive loss. Without the impact of the one-time charge, interest expense decreased by \$4.1 million, which resulted from (i) \$3.5 million in interest capitalized to projects due to a higher volume of construction as compared with \$0.6 million last year, (ii) a decrease in interest expenses of \$2.2 million as a result of the repayment of the Ormesa loan on December 31, 2004, (iii) the payment of an interest expense of \$1.6 million for the year ended December 31, 2004 related to the decrease in the fair value of the interest rate caps in respect of the Beal Bank financing; beginning in October 2004 the caps qualified for hedge accounting under SFAS No. 133, and as such we have recorded the decrease in the value of the caps in respect of such transactions in other comprehensive income. As a result of the repayment of the Beal Bank loan on December 8, 2005, these caps are no longer qualified for hedge accounting and for the period from December 8, 2005 to December 31, 2005, \$0.3 million were included in interest expense related to the decrease in the fair value for such period. In addition, the decrease in the fair value from October 1, 2004 to December 8, 2005 in the amount of \$0.9 million was included in the prepayment charge as described above, and (iv) the elimination of interest expenses of the loan from Export-Import Bank used to finance the Leyte project in the amount of \$0.2 million as a result of the deconsolidation of the Leyte project in April 1, 2004 (as a result of the application of FIN No. 46R). Such decreases were offset by: a \$1.9 million increase in interest expense in respect of the \$190.0 million of the OFC Senior Secured Notes, a \$0.9 million increase in interest payments to our parent, and a \$0.8 million increase in the applicable LIBOR rate for the Beal Bank financing.

Income Taxes

Income taxes for the year ended December 31, 2005 were \$4.7 million, as compared with \$6.6 million for the year ended December 31, 2004. The effective tax rates for the years ended December 31, 2005 and 2004 were 36.2% and 31.6%, respectively. Our effective tax rate increased in the year ended December 31, 2005 compared with the year ended December 31, 2004 primarily due to utilization of carry-forward tax losses in Israel during the first half of 2004, for which a full valuation allowance has been recorded against deferred tax assets. No investment tax credit or production tax credits were claimed in the years ended December 31, 2005 and 2004.

During the year ended December 31, 2005, Ormat Momotombo Power Company paid the total amount of approximately \$1,700 in tax penalties, due mainly to the late filings of tax withholding reports.

Equity in Income of Investees

Our participation in the income generated from our investees for the year ended December 31, 2005 was \$6.9 million, as compared with \$3.6 million for the year ended December 31, 2004, which represented a 93.3% increase. Such increase was principally attributable to the income generated in connection with our 80% equity interest in the Leyte project, which was deconsolidated as of April 1, 2004 (as a result of the application of FIN No. 46R), which accounted for \$4.9 million, and our collection of an insurance claim, that had not been insured until collected, related to that project in the second quarter of 2005. In the third quarter of 2004, the Leyte Project had a net loss as a result of equipment damage, which was recovered by insurance payments in the fourth quarter of 2004 and the second quarter of 2005.

Net Income

Net income for the year ended December 31, 2005 was \$15.2 million, as compared with \$17.8 million for the year ended December 31, 2004. Net income as a percentage of our total revenues for the year ended December 31, 2005 was 6.4%, as compared with 8.1% for the year ended December 31, 2004. The \$2.6 million decrease in net income and the decrease in net income as a percentage of our total revenues were due to a \$10.3 million after-tax impact of the one-time charge from the repayment of the Beal Bank loan. The impact of the prepayment charge was partially offset by an increase in net income principally attributable to: (i) a \$6.0 million increase in gross margin, (ii) a decrease in our net interest expense of \$7.1 million, (iii) a \$1.9 million decrease in our income tax provision, and (iv) an increase of \$3.3 million in equity in income of investees, offset by a \$4.5 million increase in operating expenses. Net income excluding the after-tax impact of the prepayment charge was \$25.5 million, an increase of \$7.7 million or 43.2% compared with the net income for the year ended December 31, 2004.

Stock-based Compensation

Effective January 1, 2006, we adopted SFAS No. 123(R), Share-Based Payments, (SFAS No. 123R), which establishes the accounting for employee stock-based awards. Under the provisions of SFAS No. 123R, stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). We adopted SFAS No. 123R using the modified prospective method. Under this method, prior periods are not restated and the amount of compensation cost recognized includes (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, and (ii) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Prior to January 1, 2006, we accounted for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees, and related interpretations. Under APB No. 25, compensation cost was recognized based on the difference, if any, on the date of grant between the fair value of our common stock and the amount an employee must pay to acquire the stock.

During the year ended December 31, 2006, we recognized net stock-based compensation expenses related to stock options of \$1.5 million. As of December 31, 2006, the unrecorded deferred stock-based compensation balance related to stock options was \$3.7 million and will be recognized over an estimated weighted average amortization period of 3.4 years.

Liquidity and Capital Resources

To date, our principal sources of liquidity have been derived from cash from operations, proceeds from parent company loans, third party debt in the form of borrowing under credit facilities, issuance by Ormat Funding and OrCal Geothermal of their Senior Secured Notes, project financing (including lease) and the issuance of our common stock in public offerings. We have utilized this cash to fund

Explanation of Responses:

our acquisitions, develop and construct power generation plants and meet our other cash and liquidity needs. Our management believes that the outstanding cash, cash equivalents, marketable securities and cash generated from our operations will address our liquidity and other investment requirements. In addition, our shelf registration statement on Form S-3, which was declared effective on January 31, 2006, provides us with the ability to raise additional capital through the issuance of securities pursuant to the terms and conditions of the shelf registration. As described below, since the capital note in the amount of \$50.7 million with our parent is payable upon demand at any time after November 30, 2007, it is presented in our balance sheet as of December 31, 2006 in current liabilities.

Loan Agreements with our Parent

In 2003, we entered into a loan agreement with Ormat Industries Ltd. (our parent company), which was further amended on September 20, 2004. Pursuant to this loan agreement, Ormat Industries agreed to make a loan to us in one or more advances not exceeding a total aggregate amount of \$150.0 million. The proceeds of the loan are to be used to fund our general corporate activities and investments. We are required to repay the loan and accrued interest in full and in accordance with an agreed-upon repayment schedule and in any event on or prior to June 5, 2010. Interest on the loan is calculated on the balance from the date of the receipt of each advance until the date of payment thereof at a rate per annum equal to Ormat Industries' average effective cost of funds plus 0.3% in dollars, which represented a rate of 7.5% for the advances made during 2003. All computations of interest shall be made by Ormat Industries on the basis of a year consisting of 360 days. As of December 31, 2006, the outstanding balance of the loan was approximately \$89.5 million compared to \$121.1 million as of December 31, 2005.

In addition to the above loan, pursuant to the terms of a capital note, as amended on September 20, 2004, Ormat Industries converted outstanding balances owed by us to Ormat Industries into a subordinated non-interest bearing loan in an amount equal to New Israeli Shekels (NIS) 240.0 million. At any time after November 30, 2007 upon demand by Ormat Industries, we will be required to repay the loan in full. The final maturity of the loan is December 30, 2009. In accordance with the terms of such note, we will not be required to repay any amount in excess of \$50.7 million (using the exchange rate existing on the date of such note). As of December 31, 2006 and 2005 the ceiling of \$50.7 million is effective. Since the note is payable upon demand at any time after November 30, 2007 it is presented in our balance sheet as of December 31, 2006 in current liabilities.

Third Party Debt

Our third-party debt is composed of two principal categories. The first category consists of project finance debt or acquisition financing that we or our subsidiaries have incurred for the purpose of developing and constructing, refinancing or acquiring our various projects. The second category consists of debt incurred by us or our subsidiaries for general corporate purposes.

OrCal Geothermal Senior Secured Notes — Non-Recourse

On December 8, 2005, OrCal Geothermal Inc (OrCal), one of our subsidiaries, issued \$165.0 million, 6.21% Senior Secured Notes (OrCal Senior Secured Notes) in an offering subject to Rule 144A and Regulation S of the Securities Act of 1933, as amended, for the purpose of refinancing the acquisition cost of the Heber projects. The OrCal Senior Secured Notes have been rated BBB- by Fitch. The OrCal Senior Secured Notes have a final maturity date of December 30, 2020. Principal and interest on the OrCal Senior Secured Notes are payable in semi-annual payments

that commenced on June 30, 2006. The OrCal Senior Secured Notes are collateralized by substantially all of the assets of OrCal and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OrCal. There are various restrictive covenants under the OrCal Senior Secured Notes, which include limitations on additional indebtedness and payment of dividends. As of December 31, 2006, we were in compliance with the covenants under the OrCal Senior Secured Notes.

The proceeds from this issuance were used to prepay in full OrCal's outstanding loan with Beal Bank and to pay for transaction costs. As a result of the prepayment of the Beal Bank loan, we

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recorded in the fourth quarter of 2005 a net charge of approximately \$10.3 million, net of related taxes of approximately \$6.3 million. As of December 31, 2006, there were \$160.7 million of OrCal Senior Secured Notes outstanding.

Ormat Funding Senior Secured Notes — Non-Recourse

On February 13, 2004, Ormat Funding Corp. (OFC), one of our subsidiaries, issued \$190.0 million, 8¼% Senior Secured Notes (OFC Senior Secured Notes) in an offering subject to Rule 144A and Regulation S of the Securities Act of 1933, as amended, for the purpose of refinancing the acquisition cost of the Brady, Ormesa and Steamboat 1/1A projects, and the financing of the acquisition cost of the Steamboat 2/3 project. The OFC Senior Secured Notes have a final maturity date 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 Ormat Funding 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 and payment of dividends. On June 30 and December 31, 2006, OFC did not meet the "debt service coverage ratio" and therefore it was restricted from payment of dividends until it meets such ratio. As of December 31, 2006, there were \$178.7 million of OFC Senior Secured Notes outstanding.

We have not yet granted a security interest over the new unit of the Desert Peak 2 project to the OFC Senior Secured Noteholders which is required under the indenture for the OFC Senior Secured Notes. We are evaluating an alternative approach to replacing the Desert Peak 1 plant with one of the new units of the Desert Peak 2 project. Implementing such an alternative would require the consent of the OFC Senior Secured Noteholders in order to ensure continued compliance with the covenants of the indenture governing the OFC Senior Secured Notes. We expect to launch a consent solicitation in order to amend and/or waive certain provisions of the indenture to obtain such consent from the OFC Senior Secured Noteholders. Any such solicitation will be made by means of and subject to appropriate documentation and only to the OFC Senior Secured Noteholders.

A registration statement on Form S-4 relating to the OFC Senior Secured Notes was filed with and declared effective by the SEC on February 9, 2005. On March 16, 2005, we exchanged these unregistered notes for senior secured notes with substantially identical terms that have been registered under the Securities Act of 1933, as amended.

On April 26, 2006, OFC successfully consummated a consent solicitation relating to the OFC Senior Secured Notes that was launched on April 17, 2006. On that same date, OFC executed a supplement to the Indenture governing the OFC Senior Secured Notes to amend and/or waive certain provisions in the indenture dealing with public reporting

and information requirements of OFC. On May 1, 2006, OFC filed with the SEC a Form 15 notification of the suspension of its obligation to file reports with the SEC under the Securities Act of 1934.

Senior Loans from International Finance Corporation (IFC) and Commonwealth Development Corporation (CDC) — Non-Recourse

Orzunil, a wholly owned subsidiary which was consolidated as of March 13, 2006, has senior loan agreements with IFC and CDC, which were minority shareholders of Orzunil (see “Recent Developments” regarding our acquisition of the minority interest in Orzunil). The first loan from IFC, of which \$7.0 million was outstanding as of December 31, 2006, has a fixed annual interest rate of 11.775%, and matures on November 15, 2011. The second loan from IFC, of which \$3.9 million was outstanding as of December 31, 2006, has a fixed annual interest rate of 11.730%, and matures on May 15, 2008. The loan from CDC, of which \$8.5 million was outstanding as of December 31, 2006, has a fixed annual interest rate of 10.3%, and matures on August 15, 2010. There are various restrictive covenants under the Senior Loans, which include limitations on Orzunil’s ability to make distributions to its shareholders.

Due to hurricane activity, access roads and piping from the wells to the power plant in the Zunil Project were damaged and as a result, the Project was not in operation from October 14, 2005 to

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March 10, 2006. As a result, Orzunil did not meet the historical “debt service coverage ratio” required and therefore distributions from the Project are restricted. Currently, Orzunil is in compliance with the required debt service coverage ratio and with all other covenants.

Other Limited and Non-Recourse Debt

The Bank Hapoalim project finance debt, of which \$11.3 million was outstanding as of December 31, 2006, bearing an interest rate of 3-month LIBOR plus 2.375% per annum on tranche one of the loan and 3-month LIBOR plus 3.0% per annum on tranche two of the loan, and the Export-Import Bank of the United States project finance debt, of which \$3.8 million was outstanding as of December 31, 2006, bearing an interest rate of 6.54% per annum, were entered into by our relevant subsidiaries to finance the Momotombo project and the Leyte project (which was deconsolidated as of April 1, 2004), respectively.

Our management believes that we are currently in compliance with our covenants with respect to our third-party debt, except as described above regarding the OFC Senior Secured Notes and the Orzunil Senior Loans.

New Financing of our Projects

Financing of the Amatitlan Project

Currently, we intend to refinance our equity investment in the construction cost of the Amatitlan project during the third quarter of 2007. In connection with such refinancing, we signed a mandate letter with a local bank in Guatemala containing proposed terms for a construction loan with a term of up to two years and a 10-year term loan in the total amount of approximately \$41.0 million.

Financing of Phase II of Olkaria III Project

Explanation of Responses:

We have engaged a financial institution and received an indicative proposal to arrange long-term financing for the Olkaria III project. We expect negotiations and preparation of loan documentation to follow shortly.

Full-Recourse Debt

Our full-recourse third party debt includes an \$8 million medium term loan from Bank Hapoalim, of which \$2.0 million was outstanding as of December 31, 2006, bearing an interest rate of 12-month LIBOR plus 1.7% per annum.

In connection with our acquisition through Ormat Systems Ltd. of the power generation business from our parent, we entered into certain agreements with various banks, of which only those with each of Bank Hapoalim, Bank Leumi and Mizrahi Tefahot Bank remain. Under these agreements, in exchange for such banks' release of our parent's guarantee and a release of their security interest over the assets of our subsidiary, Ormat Systems, we and Ormat Systems have agreed to certain negative covenants, including, but not limited to, a prohibition on: (i) creating any floating charge or any permanent pledge, charge or lien over our assets without obtaining the prior written approval of the lender; (ii) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (iii) selling, assigning, transferring, conveying or disposing of all or substantially all of our assets. In some cases, we and Ormat Systems have agreed to maintain certain financial ratios such as a debt service coverage ratio and a debt to equity ratio. We do not expect that these covenants or ratios, which apply to us on a consolidated basis, will materially limit our ability to execute our future business plans or our operations. The failure to perform or observe any of the covenants set forth in such agreements, subject to various cure periods, would result in the occurrence of an event of default and would enable the lenders to accelerate all amounts due under each such agreement.

We do not expect that any third party debt that we, or any of our subsidiaries, will incur in the future will be guaranteed by our parent.

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Most of the loan agreements to which we or our subsidiaries are a party contain cross-default provisions with respect to other material indebtedness owed by us to any third party.

On February 15, 2006, our subsidiary, Ormat Nevada, entered into a \$25.0 million credit agreement with Union Bank of California (UBOC). Under the credit agreement, Ormat Nevada can request extensions of credit in the form of loans and/or the issuance of one or more letters of credit. UBOC 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, we have entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which we 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 any of its subsidiaries') assets.

Loans and draws under the letters of credit (if any) under the credit agreement will bear interest at the floating rate based on the Eurodollar plus a margin. There are various restrictive covenants under the credit agreement, which include maintaining certain levels of tangible net worth, leverage ratio, minimum coverage ratio, and a distribution coverage ratio. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios.

As of December 31, 2006, three letters of credit, with an aggregate stated amount of \$21.9 million, have been issued and are outstanding under this credit agreement with UBOC.

Our management believes that we are currently in compliance with our covenants with respect to our third-party debt, except as described above regarding the OFC Senior Secured Notes and the Orzunil Senior Loans.

Letters of Credit and Off-balance Sheet Arrangements

As described above under ‘‘Full Recourse Debt’’, on February 15, 2006, our subsidiary Ormat Nevada, entered into a credit agreement with Union Bank of California.

On June 30, 2004, our subsidiary, Ormat Nevada, entered into a Letter of Credit Agreement with Hudson United Bank, pursuant to which Hudson United Bank agreed to issue one or more letters of credit in an aggregate face amount of up to \$15.0 million. Under this Letter of Credit Agreement in the event that the bank is required to pay on a letter of credit drawn by the beneficiary thereof, such letter of credit converts to a loan, bearing interest at one-month LIBOR plus 4.0%, and matures on the next expiration date of the Letter of Credit Agreement. There are various restrictive covenants under the Letter of Credit Agreement, which include maintaining certain levels of tangible net worth, leverage ratio, and minimum coverage ratio. Some of our customers require our project subsidiaries to post letters of credit in order to guarantee their respective performance under relevant contracts. We are also required to post letters of credit to secure our obligations under various leases and licenses and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. In addition, our subsidiary, Ormat Systems, is required from time to time to post performance letters of credit in favor of our customers with respect to orders of products. As of December 31, 2006 and 2005, no letters of credit were outstanding under the Letter of Credit Agreement.

Bank Leumi and Bank Hapoalim have issued such performance letters of credit in favor of our customers from time to time. Initially, our parent, Ormat Industries, was the obligor in respect of any reimbursement obligation on such letters of credit and we paid our parent a guarantee fee and were responsible to reimburse our parent for any draw under these letters of credit. In connection with the acquisition transaction of the power generation business by Ormat Systems from our parent, we have assumed such letters of credit and are now the direct obligor of Bank Leumi and Bank Hapoalim on such letters of credit. As of December 31, 2006, Bank Leumi and Bank Hapoalim have agreed to make available to us letters of credit totaling \$25.6 million and \$7.9 million, respectively. As of such date, Bank Leumi and Bank Hapoalim have issued letters of credit in the amount of \$10.7 million and \$6.6 million, respectively.

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As of the date hereof, we have not had a draw presented against any letter of credit issued or provided on our behalf.

Puna Project Lease Transactions

On May 19, 2005, our 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 transaction was concluded with financing parties by means of a leveraged lease transaction. A secondary stage of the lease transaction relating to two new geothermal wells that PGV drilled in the second half of 2005 (for production and injection) was completed on December 30, 2005. Pursuant to a 31-year head lease, PGV leased its geothermal power plant to the abovementioned financing parties in return for a deferred lease income in the amount of \$83.0 million. Transaction costs amounted to

\$4.3 million. The proceeds from the transactions are being used for future capital expenditures and for general corporate purposes.

Dividend

The following are the dividends we declared during the past two years:

Date Declared	Dividend Amount per Share	Record Date	Payment Date
March 22, 2005	\$ 0.03	April 4, 2005	April 18, 2005
May 10, 2005	\$ 0.03	May 23, 2005	June 6, 2005
August 11, 2005	\$ 0.03	August 22, 2005	September 1, 2005
November 9, 2005	\$ 0.03	November 29, 2005	December 6, 2005
March 7, 2006	\$ 0.03	March 28, 2006	April 4, 2006
May 9, 2006	\$ 0.04	May 23, 2006	May 30, 2006
August 6, 2006	\$ 0.04	August 23, 2006	August 30, 2006
November 7, 2006	\$ 0.04	November 30, 2006	December 13, 2006
February 27, 2007	\$ 0.07	March 21, 2007	March 29, 2007

Historical Cash Flows

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

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Net cash provided by operating activities	\$ 73,035	\$ 134,938	\$ 63,458
Net cash used in investing activities	(249,147)	(83,408)	(310,583)
Net cash provided by (used in) financing activities	169,390	(61,304)	275,002
Net increase (decrease) in cash and cash equivalents	(6,722)	(9,774)	27,877

For the Year Ended December 31, 2006

Net cash provided by operating activities for the year ended December 31, 2006 was \$73.0 million, as compared with net cash provided by operating activities of \$134.9 million for the year ended December 31, 2005. Such net decrease of \$61.9 million resulted primarily from: (i) the increase in net income from \$15.2 million to \$34.4 million as a result of additional revenues being generated from the increase of our generating capacity in the United States and from the Zunil project which was consolidated as of March 13, 2006; (ii) the prepaid lease payment of \$83.0 million in the year ended December 31, 2005 pursuant to the leverage lease transaction of the Puna project (less \$3.3 million deferred costs related to such lease transaction); and (iii) an increase of \$12.1 million in accounts payable and accrued expenses for the year ended December 31, 2006 as compared with an increase of \$7.2 million for the year ended December 31, 2005 mainly due to interest accrued on the OFC and OrCal Senior Secured Notes (which was paid on January 2, 2007), offset by a decrease in trade payables as a result of the timing of payments to suppliers and service providers.

Net cash used in investing activities for the year ended December 31, 2006 was \$249.1 million, as compared with \$83.4 million used in investing activities for the year ended December 31, 2005. The principal factors that affected our cash flow used in investing activities during the year ended December 31, 2006 were: (i) capital expenditures of \$159.5 million utilized primarily for our power facilities under construction; (ii) \$22.8 million used in the acquisition of an additional 79% of the Zunil project in Guatemala; and (iii) a net increase of \$52.7 million in our investment of excess cash in marketable securities.

Net cash provided by financing activities for the year ended December 31, 2006 was \$169.4 million, as compared with \$61.3 million used in financing activities for the year ended December 31, 2005. The principal factors that affected the cash flow used in financing activities during the year ended December 31, 2006 were the receipt of proceeds from the follow-on offering of \$135.1 million and the \$92.4 million net proceeds from our sale of shares in a block trade, offset by: (i) the repayment of short-term and long-term debt in the amount of \$20.7 million, (ii) the repayment of debt to our parent in the amount of \$31.6 million; and (iii) the payment of a dividend to our shareholders in the amount of \$5.2 million.

For the Year Ended December 31, 2005

Net cash provided by operating activities for the year ended December 31, 2005 was \$134.9 million, as compared with net cash provided by operating activities of \$63.5 million for the year ended December 31, 2004. Such net increase of \$71.5 million resulted primarily from a prepaid lease payment of \$83.0 million pursuant to the leverage lease transaction of Puna (less \$3.3 million transaction costs related to such lease transaction) offset mainly by a decrease of \$2.6 million in net income due to the prepayment charge relating to the Beal Bank Loan, net of an increase in the operating activities as a result of the inclusion for a full year of the additional revenues being generated from the Steamboat 2/3 project, which we acquired on February 11, 2004, the Steamboat Hills project, which we acquired on May 20, 2004, and the Puna project, which we acquired on June 3, 2004.

Net cash used in investing activities for the year ended December 31, 2005 was \$83.4 million, as compared with \$310.6 million used in investing activities for the year ended December 31, 2004. The principal factor that affected our cash flow used in investing activities during the year ended December 31, 2005 was capital expenditures of \$116.7 million primarily for our power facilities under construction. Such cash used in investing activities was offset by a decrease of \$45.6 million in marketable securities of which \$13.7 million was allocated to restricted cash.

Net cash used in financing activities for the year ended December 31, 2005 was \$61.3 million, as compared with \$275.0 million provided by financing activities for the year ended December 31, 2004. The principal factors that affected the cash flow used in financing activities during the year ended December 31, 2005 were the repayment of short-term and long-term debt in the amount of \$184.0 million (including the Beal Bank loan), repayment of debt to our parent in the amount of \$40.2 million, and the payment of a dividend to our shareholders in the amount of \$6.3 million. This decrease was partially offset by the \$165.0 million in proceeds (less \$3.9 million in debt issuance costs) from the issuance of OrCal Senior Secured Notes, which were used to repay the Beal Bank loan.

Capital Expenditures

Our capital expenditures primarily relate to two principal components: the enhancement of our existing power plants and the construction and development of new power plants. In addition, we have budgeted approximately \$16.0 million for the next two years for investment in buildings, machinery and equipment, including drilling equipment.

To the extent not otherwise described below, we expect that the following enhancements of our existing power plants and the construction of new power plants will be funded initially from internally generated cash or other available corporate resources, which we expect to subsequently refinance with limited or non-recourse debt at the project level. We currently do not contemplate obtaining any new loans from our parent company.

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Amatitlan Project. We completed the construction of the Amatitlan project, and expect to declare commercial operation in the first half of 2007.

Ormesa Project. We completed the drilling of additional wells at the Ormesa project. We are in the process of adding additional OEC units, and increasing the output of the project by an estimated 10 MW. We estimate that such enhancements will be completed by the end of the first quarter of 2007. We are currently in negotiations with Southern California Edison for the sale of this additional estimated 10 MW.

Galena 2 Project (formerly Desert Peak 3 Project). We are in the final construction stage of the Galena 2 power plant in the Steamboat complex, which will supply electricity under the Galena 2 power purchase agreement. We estimate that the construction of the Galena 2 project will be completed in the first half of 2007.

Phase II of Olkaria III Project. In connection with Phase II of the Olkaria III project, we completed the drilling of the wells and have recently released the construction of the 35 MW power plant.

OrSumas Project. This recovered energy 5 MW project was scheduled to be completed in the last quarter of 2007 or the first quarter of 2008. The environmental issues identified in this project and described elsewhere in this report may delay or terminate its completion.

Steamboat Hills Project. We plan to add 5 MW to the Steamboat Hills project through the construction of OEC Units. Construction has been completed and the project is in its start up phase.

Puna Project. An enhancement program for the Puna project is currently planned and is intended to increase the output of the project by an estimated 8 MW through the construction of OEC Units. We expect that such enhancement program will be completed in 2008 and are currently negotiating the power purchase agreement for that addition.

Heber South Project (formerly Imperial Valley). We commenced construction of the Heber South project, a 10 MW power plant, which will be located in the Heber known geothermal resource area. The construction activity is expected to include the drilling of production and injection wells and the construction of an OEC unit. We expect the construction to be completed by the end of 2007 or the beginning of 2008.

Galena 3 Project. We are currently constructing the Galena 3 project, which will deliver 17 MW of power generation under a 20-year power purchase agreement with Sierra Pacific Power Company. We expect the construction to be completed by the end of 2007 or the beginning of 2008.

Brawley Phase I Project. We are currently constructing the Brawley Phase I project, which will deliver approximately 50 MW of power generation. We expect the construction to be completed by the end of 2008.

We have budgeted approximately \$520 million through the end of 2008 for the above-described projects and have invested \$150 million of such budget as of December 31, 2006.

In addition to the above projects, our operating projects have capital and expenditures budgets of approximately \$16.7 million and we also plan to start other construction and enhancement of additional projects, including exploration work, for a total investment amount of approximately \$17.0 million.

Other than the enhancements and new projects described above, and new projects that we may develop under new bids, we do not anticipate any other material capital expenditures in the near term for any of our operating projects, other than ordinary maintenance requirements and major maintenance, which we typically fund with internally generated cash.

Exposure to Market Risks

One market risk to which power plants are typically exposed is the volatility of electricity prices. However, our exposure to such market risk is currently limited because our long-term power purchase

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agreements have fixed or escalating rate provisions that limit our exposure to changes in electricity prices. However, beginning in May 2012, the energy payments under the power purchase agreements of the Heber 1 and 2 projects, the Ormesa project and the Mammoth project will be determined by reference to the relevant power purchaser's short run avoided costs. The Puna project is currently benefiting from energy prices which are higher than the floor under the Puna power purchase agreement, as a result of the high fuel costs that impact Hawaii Electric Light Company's avoided costs. In addition, under certain of the power purchase agreements for our projects in Nevada, the price that Sierra Pacific Power Company pays for energy and capacity is based upon California-Oregon border power market pricing.

As of December 31, 2006, 97.4% of our consolidated long-term debt (including amounts owed to our parent) was in the form of fixed rate securities and therefore not subject to interest rate volatility risk. As of such date, 2.6% of our debt was in the form of a floating rate instrument, exposing us to changes in interest rates in connection therewith. As of December 31, 2006, \$13.3 million of our debt remained subject to some floating rate risk. As such, our exposure to changes in interest rates with respect to our long-term obligations is immaterial.

Another market risk to which we are exposed is primarily related to potential adverse changes in foreign currency exchange rates, in particular the fluctuation of the U.S. dollar versus the new Israeli shekel (NIS). Risks attributable to fluctuations in currency exchange rates can arise when any of our foreign subsidiaries borrows funds or incurs operating or other expenses in one type of currency but receives revenues in another. In such cases, an adverse change in exchange rates can reduce such subsidiary's ability to meet its debt service obligations, reduce the amount of cash and income we receive from such foreign subsidiary or increase such subsidiary's overall expenses. Risks attributable to fluctuations in foreign currency exchange rates can also arise when the currency-denomination of a particular contract is not the U.S. dollar. All of our power purchase agreements in the international markets are either U.S. dollar-denominated or linked to the U.S. dollar. Our construction contracts from time to time contemplate costs which are incurred in local currencies. The way we often mitigate such risk is to receive part of the proceeds from the sale contract in the currency in which the expenses are incurred. In the past, we have not used any material foreign currency exchange contracts or other derivative instruments to reduce our exposure to this risk. In the future, we may

use such foreign currency exchange contracts and other derivative instruments to reduce our foreign currency exposure to the extent we deem such instruments to be the appropriate tool for managing such exposure. We do not believe that our exchange rate exposure has or will have a material adverse effect on our financial condition, results of operations or cash flows.

We currently maintain our surplus cash in short-term, interest-bearing bank deposits and auction rate securities, which we refer to as PARS (deposits of entities with a minimum investment grade rating of AA by Standard & Poor's Ratings Services).

Effects of Inflation

We do not expect that the low inflation environment of recent years in most of the countries in which we operate will continue. To address rising inflation, some of our contracts include certain mitigating factors against any inflation risk. In connection with the Electricity Segment, inflation may directly impact an expense incurred for the operation of our projects, hence increasing the overall operating cost to us. The negative impact of inflation may be partially offset by price adjustments built into some of our power purchase agreements that could be triggered upon such occurrences. Energy payments pursuant to the power purchase agreements for the Mammoth project (after April 2012), Ormesa project (after April 2012), Heber 1 and 2 projects (after April 2012) and Steamboat 1/1A project will change because of our power purchasers' underlying short run avoided costs. To the extent that inflation causes an increase in those short run avoided costs, higher energy payments could have an offsetting impact to any inflation-driven increase in our expenses. Similarly, the energy payments pursuant to the power purchase agreements for the Brady project, Steamboat 2/3 project, the Steamboat Hills project and the Burdette project increase every year through the end of the relevant terms of such agreements, though such increases are not directly linked to the CPI. Lease

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payments are generally fixed, while royalty payments are generally determined as a percentage of revenues and therefore are not significantly impacted by inflation.

Overall, we believe that the impact of inflation on our business will not be significant.

Contractual Obligations and Commercial Commitments

The following table sets forth our material contractual obligations as of December 31, 2006, excluding interest (in thousands):

	Remaining Total	Payment of Principal Due By Period					
		2007	2008	2009	2010	2011	Thereafter
Long-Term non-recourse and limited recourse debt	\$ 30,639	\$ 8,482	\$ 7,667	\$ 6,676	\$ 6,101	\$ 1,713	\$ —
Long-Term recourse debt	2,000	1,000	1,000	—	—	—	—
Senior secured notes due 2020	339,370	40,054	25,476	20,183	20,334	21,110	212,213

Explanation of Responses:

Ormat Industries notes payable	140,153	82,312	31,641	16,600	9,600	—	—
Total	\$ 512,162	\$ 131,848	\$ 65,784	\$ 43,459	\$ 36,035	\$ 22,823	\$ 212,213

The following table sets forth our interest payments payable in connection with our contractual obligations as of December 31, 2006 (in thousands):

	Remaining Total	Payment of Interest Due By Period					
		2007	2008	2009	2010	2011	Thereafter
Long-Term non-recourse and limited recourse debt	\$ 6,575	\$ 2,778	\$ 1,905	\$ 1,215	\$ 548	\$ 129	\$ —
Long-Term recourse debt	216	144	72	—	—	—	—
Senior secured notes due 2020	187,871	35,730	21,554	19,924	18,483	16,997	75,183
Ormat Industries notes payable	10,977	5,982	3,549	716	730	—	—
Total	\$ 205,639	\$ 44,634	\$ 27,080	\$ 21,855	\$ 19,761	\$ 17,126	\$ 75,183

Interest on the OFC Senior Secured Notes due in 2020 is fixed at a rate of 8.25%. Interest on the OrCal Senior Secured Notes due in 2020 is fixed at a rate of 6.21%. Interest on the Orzunil Senior Loans due in 2008, 2010 and 2011 is fixed at rates of 11.730%, 10.300% and 11.775%, respectively. Interest on Ormat Industries notes payable in the amount of \$89.5 million is fixed at the rate of 7.50%, while a capital note in the amount of NIS 240 million (\$50.7 million, using the exchange rate existing on the date of such note) is interest free. Interest on the remaining debt is variable (based primarily on changes in LIBOR rates). Accordingly, for purposes of the above calculation of interest payments pertaining to variable rate debt, the methodology used to determine future LIBOR rates was the use of Constant Maturity Swaps.

The following table sets forth our future minimum lease payments under the Puna project's lease, as of December 31, 2006 (in thousands):

	Remaining Total	Future Minimum Lease Payments Due By Period					
		2007	2008	2009	2010	2011	Thereafter
Operating lease payments	\$ 113,082	\$ 9,742	\$ 7,573	\$ 8,013	\$ 7,567	\$ 8,061	\$ 72,126

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The following table sets forth our future payment of benefits to our employees in Israel upon their reaching normal retirement age, as of December 31, 2006 (in thousands):

Benefit Payments Upon Retirement Due By Period						
	2007	2008	2009	2010	2011	Thereafter

Explanation of Responses:

	Remaining Total						
Benefits payments upon retirement	\$ 7,126	\$ 794	\$ 624	\$ 702	\$ 42	\$ 668	\$ 4,296

The above amounts were determined based on the employees' current salary rates and the number of years' service that will have been accumulated at their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with us before reaching their normal retirement age.

Concentration of Credit Risk

Our credit risk is currently concentrated with a limited number of major customers: Sierra Pacific Power Company, Southern California Edison and Hawaii Electric Light Company. If any of these electric utilities fails to make payments under its power purchase agreements with us, such failure would have a material adverse impact on our financial condition.

Southern California Edison accounted for 30.0%, 36.1% and 41.4% of our total revenues for the three years ended December 31, 2006, 2005 and 2004, respectively. Southern California Edison is also the power purchaser and revenue source for our Mammoth project, which we account for separately under the equity method of accounting.

Sierra Pacific Power Company accounted for 12.8%, 14.1% and 12.9% of our total revenues for the three years ended December 31, 2006, 2005 and 2004, respectively.

Hawaii Electric Light Company accounted for 15.1%, 15.2% and 7.1% of our total revenues for the years ended December 31, 2006, 2005 and 2004, respectively.

Government Grants and Tax Benefits

The U.S. government encourages production of electricity from geothermal resources through certain tax subsidies. We are permitted to claim approximately 10% of the cost of each new geothermal power plant in the United States as an investment tax credit against our federal income taxes. Alternatively, we are permitted to claim a "production tax credit," which in 2006 was 1.9 cents per kWh and which is adjusted annually for inflation. The production tax credit may be claimed on the electricity output of new geothermal power plants put into service by December 31, 2008. Credit may be claimed for ten years on the output from any new geothermal power plants put into service prior to December 31, 2008. The owner of the project must choose between the production tax credit and the 10% investment tax credit described above. In either case, under current tax rules, any unused tax credit has a 1-year carry back and a 20-year carry forward. Whether we claim the production tax credit or the investment credit, we are also permitted to depreciate most of the plant for tax purposes over five years on an accelerated basis, meaning that more of the cost maybe deducted in the first few years than during the remainder of the depreciation period. If we claim the investment credit, our "tax base" in the plant that we can recover through depreciation must be reduced by half of the tax credit; if we claim a production tax credit; there is no reduction in the tax basis for depreciation.

Our subsidiary, Ormat Systems, received from Israel's Investment Center "Approved Enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959 (the Investment Law), with respect to two of its investment programs. One such approval was received in 1996 and the other was received in May 2004. In respect of the approval from 1996, Ormat Systems has utilized all the tax benefits it was entitled to. Recently, due to a broad legislative amendment in the Investment Law, Ormat Systems replaced the certificate approval received in May 2004 from Israel's Investment Center with a ruling from the Israeli Tax Authorities. The ruling was obtained in April 2006. By replacing the approval with a ruling, Ormat Systems maximized the tax benefits it is entitled to under the

Investment Law. As an Approved Enterprise and according to the ruling, Ormat Systems is exempt from Israeli income taxes with respect to income derived from the approved investment for the years 2004 and 2005 and thereafter such income is subject to reduced Israeli income tax rates of 25% for an additional five years. These benefits are subject to certain conditions set forth in the ruling, including among other things, that all transactions between Ormat Systems and our affiliates are at arms length, and that the management and control of Ormat Systems will be from Israel during the whole period of the tax benefits. A change in control should be reported to the Israeli Tax Authorities in order to maintain the tax benefits. In addition, as an industrial company, Ormat Systems is entitled to accelerated depreciation on equipment used for its industrial activities.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information responding to Item 7A is included in Item 7, ‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’, of this annual report.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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⁽¹⁾As the Company's 80% ownership interest in Ormat Leyte Co. Ltd. is accounted for by the equity method, separate financial statements of Ormat Leyte Co. Ltd. have been included pursuant to Rule 3-09 of Regulation S-X.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Ormat Technologies, Inc.:

We have completed integrated audits of Ormat Technologies, Inc.'s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Ormat Technologies, Inc. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 12 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of

the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

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only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
March 9, 2007

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Explanation of Responses:

	December 31,	
	2006	2005
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,254	\$ 26,976
Marketable securities	96,486	43,560
Restricted cash, cash equivalents and marketable securities	56,425	36,732
Receivables:		
Trade	36,463	33,515
Related entities	879	524
Other	5,277	2,629
Due from Parent	1,459	—
Inventories, net	7,403	5,224
Costs and estimated earnings in excess of billings on uncompleted contracts	11,216	8,883
Deferred income taxes	1,819	1,663
Prepaid expenses and other	4,911	3,256
Total current assets	242,592	162,962
Unconsolidated investments	37,207	47,235
Deposits and other	15,081	13,489
Deferred income taxes	6,172	5,376
Property, plant and equipment, net	624,089	491,835
Construction-in-process	169,075	128,256
Deferred financing and lease costs, net	15,800	17,412
Intangible assets, net	50,086	47,915
Total assets	\$ 1,160,102	\$ 914,480
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term bank credit	\$ —	\$ 3,996
Accounts payable and accrued expenses	70,445	50,048
Billings in excess of costs and estimated earnings on uncompleted contracts	5,803	12,657
Current portion of long-term debt:		
Limited and non-recourse	8,482	2,888
Full recourse	1,000	1,000
Senior secured notes (non-recourse)	40,054	23,754
Due to Parent, including current portion of notes payable to Parent	82,379	32,003
Total current liabilities	208,163	126,346
Long-term debt, net of current portion:		
Limited and non-recourse	22,157	11,252
Full recourse	1,000	2,000
Senior secured notes (non-recourse)	299,316	324,645
Notes payable to Parent, net of current portion	57,841	140,162
Other liabilities	—	1,309
Deferred lease income	78,883	81,569
Deferred income taxes	21,674	22,004
Liabilities for severance pay	13,378	11,409
Asset retirement obligation	16,832	11,461
Total liabilities	719,244	732,157
Minority interest in net assets of a subsidiary	64	64
Commitments and contingencies (Notes 5, 6, 10, 11, 13, 17 and 18)		
Stockholders' equity:		

Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 38,101,888 and 31,562,496 shares issued and outstanding, respectively	38	31
Additional paid-in capital	353,399	124,008
Unearned stock-based compensation	—	(153)
Retained earnings	85,053	55,824
Accumulated other comprehensive income	2,304	2,549
Total stockholders' equity	440,794	182,259
Total liabilities and stockholders' equity	\$1,160,102	\$914,480

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31,		
	2006	2005	2004
	(in thousands, except per share amounts)		
Revenues:			
Electricity:			
Energy and capacity	\$106,682	\$104,975	\$100,281
Lease portion of energy and capacity	86,115	70,963	58,550
Lease income	2,686	1,431	—
Total electricity	195,483	177,369	158,831
Products:			
Related party	3,503	7,959	—
Other	69,951	52,664	60,399
Total products	73,454	60,623	60,399
Total revenues	268,937	237,992	219,230
Cost of revenues:			
Electricity:			
Energy and capacity	77,768	70,328	63,300
Lease portion of energy and capacity	41,345	30,215	26,442
Lease expense	5,243	3,072	—
Total electricity	124,356	103,615	89,742
Products	51,215	45,236	46,336
Total cost of revenues	175,571	148,851	136,078
Gross margin	93,366	89,141	83,152
Operating expenses:			
Research and development expenses	2,983	3,036	2,175
Selling and marketing expenses	10,361	7,876	7,769
General and administrative expenses	18,094	14,320	11,609

Explanation of Responses:

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Gain on sale of geothermal resource rights	—	—	(845)
Operating income	61,928	63,909	62,444
Other income (expense):			
Interest income	6,560	4,308	1,316
Interest expense:			
Parent	(8,367)	(10,635)	(9,723)
Other	(30,674)	(48,186)	(33,690)
Less — amount capitalized	8,080	3,504	628
Foreign currency translation and transaction losses	(704)	(439)	(146)
Other non-operating income	694	512	112
Income before income taxes, minority interest, and equity in income of investees	37,517	12,973	20,941
Income tax provision	(6,403)	(4,690)	(6,609)
Minority interest in earnings of subsidiaries	(813)	—	(108)
Equity in income of investees	4,146	6,894	3,567
Net income	34,447	15,177	17,791
Other comprehensive income (loss), net of related taxes:			
Gain (loss) in respect of derivative instruments designated for cash flow hedge (net of related tax of \$0, \$1,518,000 and \$(198,000), respectively)	—	2,295	(322)
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of (\$224,000), \$347,000 and \$0, respectively)	(362)	563	—
Change in unrealized gains or losses on marketable available-for-sale securities available-for-sale (net of related tax of \$100,000, \$8,000 and \$0, respectively)	117	13	—
Comprehensive income	\$ 34,202	\$ 18,048	\$ 17,469
Earnings per share:			
Basic	\$ 1.00	\$ 0.48	\$ 0.72
Diluted	\$ 0.99	\$ 0.48	\$ 0.72
Weighted average number of shares used in computation of earnings per share:			
Basic	34,593	31,563	24,806
Diluted	34,707	31,609	24,806

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Total

Explanation of Responses:

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	Common Shares	Stock Amount	Additional Paid-in Capital	Divisional Deficit	Unearned Stock-based Compensation	Retained Earnings	Accumulated Other Comprehensive Income(Loss)		
	(in thousands, except per share data)								
Balance at December 31, 2003	23,214	23	7,002	(11,263)	(86)	41,299	—	36,975	
Unearned stock-based compensation	—	—	52	—	(52)	—	—	—	
Amortization of unearned stock-based compensation	—	—	—	—	61	—	—	61	
Conversion of note payable to Parent to equity	1,161	1	19,999	—	—	—	—	20,000	
Reclassification of divisional deficit	—	—	—	10,236	(167)	(10,069)	—	—	
Distribution to Parent for purchase of OSL (net of related tax of \$3,747,000)	—	—	—	—	—	(1,053)	—	(1,053)	
Cash dividend declared, \$0.1025 per share	—	—	—	—	—	(2,500)	—	(2,500)	
Issuance of common stock in initial public offering	7,188	7	96,955	—	—	—	—	96,962	
Net income	—	—	—	1,027	—	16,764	—	17,791	
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax benefit of \$198,000)	—	—	—	—	—	—	(322)	(322)	
Balance at December 31, 2004	31,563	31	124,008	—	(244)	44,441	(322)	167,914	
Amortization of unearned stock-based compensation	—	—	—	—	91	—	—	91	
Cash dividend declared, \$0.12 per share	—	—	—	—	—	(3,794)	—	(3,794)	
Net income	—	—	—	—	—	15,177	—	15,177	
Other comprehensive income, net of related taxes:									
Gain in respect of derivative instruments designated for cash flow hedge (net of related tax of \$1,518,000)	—	—	—	—	—	—	2,295	2,295	
Amortization of unrealized losses in respect of derivative instruments designated for cash flow hedge (net of related tax benefit of \$347,000)	—	—	—	—	—	—	563	563	
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of \$8,000)	—	—	—	—	—	—	13	13	
Balance at December 31, 2005	31,563	\$31	\$124,008	\$	—	\$(153)	\$ 55,824	\$2,549	\$182,259
Reversal of deferred stock based compensation	—	—	(153)	—	153	—	—	—	
Share based compensation	—	—	1,706	—	—	—	—	1,706	

Explanation of Responses:

Cash dividend declared, \$0.15 per share	—	—	—	—	(5,218)	—	(5,218)	
Issuance of shares of common stock in a follow-on public offering	4,025	4	135,049				135,053	
Issuance of shares of common stock in a Block Trade transaction	2,500	3	92,408				92,411	
Exercise of options by employees	14	—	215				215	
Tax benefit on exercise of options by employees			166				166	
Net income	—	—	—	—	34,447	—	34,447	
Other comprehensive income, net of related taxes:								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax benefit of \$224,000)	—	—	—	—	—	(362)	(362)	
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of \$100,000)	—	—	—	—	—	117	117	
Balance at December 31, 2006	38,102	\$38	\$353,399	\$ —	\$ —	\$ 85,053	\$2,304	\$440,794

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2006	2005	2004
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 34,447	\$ 15,177	\$ 17,791
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	43,439	36,006	34,695
Accretion of asset retirement obligation	971	774	588
Share-based compensation	1,706	—	—

Explanation of Responses:

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Amortization of deferred lease income	(2,686)	(1,431)	—
Extinguishment of deferred financing costs	—	4,180	776
Minority interest in earnings of subsidiaries	813	—	108
Equity in income of investees	(4,146)	(6,894)	(3,567)
Distributions from unconsolidated investments	4,503	5,694	3,996
Realization of loss related to interest rate cap transactions	—	910	1,637
Gain on sale of geothermal resource rights	—	—	(845)
Unrealized loss in respect of derivative instruments, net	559	—	—
Loss (gain) on severance pay fund asset	(1,095)	302	122
Deferred income tax provision (benefit)	(1,528)	(2,182)	3,785
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(2,502)	(7,415)	3,004
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,333)	(5,719)	(1,242)
Inventories	(2,179)	822	(2,334)
Prepaid expenses and other	(1,573)	(879)	(334)
Deposits and other	(184)	(335)	1,576
Accounts payable and accrued expenses	12,094	7,171	5,099
Due from/to related entities, net	(609)	1,889	(627)
Billings in excess of costs and estimated earnings on uncompleted contracts	(6,854)	6,518	(1,704)
Other liabilities	(20)	(80)	(80)
Proceeds from operating lease transaction	—	83,000	—
Deferred lease transaction costs	—	(3,266)	—
Liabilities for severance pay	1,969	696	1,014
Due from Parent	(1,757)	—	—
Net cash provided by operating activities	73,035	134,938	63,458
Cash flows from investing activities:			
Distributions from unconsolidated investments	2,794	2,844	2,500
Marketable securities, net	(52,654)	45,606	(90,916)
Net change in restricted cash, cash equivalents and marketable securities	(16,285)	(13,696)	(9,039)
Capital expenditures	(159,497)	(116,749)	(38,122)
Decrease of cash resulting from deconsolidation of OLCL	—	—	(1,801)
Proceeds from sale of geothermal resource rights	—	—	2,420
Cash paid for acquisitions, net of cash received	(22,760)	—	(175,950)
Intangible asset acquired	—	(1,800)	—
Increase in severance pay fund asset, net	(872)	(503)	(463)
Repayment from unconsolidated investment	127	890	788
Net cash used in investing activities	(249,147)	(83,408)	(310,583)
Cash flows from financing activities:			
Due to Parent, net	(31,647)	(40,175)	50,836
Proceeds from public offerings, net of issuance costs	227,464	—	96,962
Proceeds from exercise of options by employees	215	—	—
Proceeds from interest rate lock transactions	—	4,334	—
Proceeds from short term bank credit	—	3,996	—
Proceeds from issuance of long-term debt	—	165,000	210,000
Repayments of short-term and long-term debt	(20,736)	(183,975)	(68,194)
Deferred debt issuance costs	(688)	(4,190)	(10,782)
Payment for interest rate caps	—	—	(3,820)
Cash dividends paid	(5,218)	(6,294)	—

Explanation of Responses:

Net cash provided by (used in) financing activities	169,390	(61,304)	275,002
Net increase (decrease) in cash and cash equivalents	(6,722)	(9,774)	27,877
Cash and cash equivalents at beginning of period	26,976	36,750	8,873
Cash and cash equivalents at end of period	\$ 20,254	\$ 26,976	\$ 36,750
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of interest capitalized	\$ 14,406	\$ 24,266	\$ 28,531
Income taxes	\$ 7,417	\$ 2,690	\$ 9
Supplemental non-cash investing and financing activities:			
Conversion of note payable to Parent to equity	\$ —	\$ —	\$ 20,000
Increase in accounts payable related to purchases of property, plant and equipment	\$ 7,146	\$ 7,527	\$ 1,306
Accrued liabilities for deferred debt issuance and lease costs	\$ —	\$ 285	\$ —
Increase in asset retirement cost and asset retirement obligation	\$ 4,400	\$ 22	\$ 2,210
Cash dividend declared	\$ —	\$ —	\$ 2,500
Acquisitions — See Notes 2 and 5			

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Business

Ormat Technologies, Inc. (the “Company”), a subsidiary of Ormat Industries Ltd. (the “Parent”), is engaged in the geothermal and recovered energy business, including the supply of equipment that is manufactured by the Company and the design and construction of power plants for projects owned by the Company or for third parties. The Company owns and operates geothermal and recovered energy-based power plants in various countries, including the United States of America (“U.S.”), Kenya, Nicaragua, the Philippines and Guatemala. The Company’s equipment manufacturing operations are located in Israel.

Most of the Company’s domestic power plant facilities are Qualifying Facilities under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The power purchase agreements for certain of such facilities are dependent upon their maintaining Qualifying Facility status. Management believes that all of the facilities were in compliance with Qualifying Facility status as of December 31, 2006.

Recapitalization

On June 29, 2004, the Company amended and restated its certificate of incorporation, pursuant to which the authorized capital stock of the Company was increased from 754 shares of \$1.00 par value common stock to 155,892,833 authorized shares, comprised of 150,892,833 shares of \$0.001 par value common stock and 5,000,000

shares of \$0.001 par value preferred stock, of which 500,000 shares have been designated as Series A Preferred Stock. The Company's Board of Directors has the authority to issue the undesignated preferred stock in one or more series and to establish the rights, preferences, privileges and restrictions thereof. On October 21, 2004, the Company further amended and restated its certificate of incorporation, pursuant to which the authorized capital stock of the Company was increased from 150,892,833 shares of \$0.001 common stock immediately following the split (see below) to 200,000,000 authorized shares of \$0.001 par value common stock.

Additionally, on June 29, 2004, the issued and outstanding 151 shares of \$1.00 par value common stock were divided and converted (stock split) to 23,214,281 shares of \$0.001 par value common stock.

Further, on June 29, 2004, \$20.0 million outstanding pursuant to the note payable to the Parent was converted to 1,160,714 shares of \$0.001 par value common stock of the Company. Such conversion reduced the amounts payable pursuant to the Parent Loan Agreement and increased the stockholder's equity by \$20.0 million. No gain or loss was recognized as a result of the conversion.

On October 21, 2004, the Board of Directors approved a 1-for-1.325444 reverse stock split of the Company's common stock. Accordingly, all common share and per common share amounts in these consolidated financial statements have been restated to give retroactive effect to the reverse stock split for all years presented. The par value of the common stock remained at \$0.001 per share.

Cash dividend

On October 21, 2004, the Company's Board of Directors declared, approved and authorized the payment of a cash dividend in the aggregate amount of \$2.5 million (\$0.1025 per share). Such dividend was paid on March 2, 2005 and was presented in the balance sheet as of December 31, 2004, in the "Due to Parent" balance.

During the year ended December 31, 2005, the Company's Board of Directors declared, approved and authorized the payment of cash dividends in the aggregate amount of \$3.8 million (\$0.12 per share). Such dividends were paid during the year ended December 31, 2005.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the year ended December 31, 2006, the Company's Board of Directors declared, approved and authorized the payment of cash dividends in the aggregate amount of \$5.2 million (\$0.15 per share). Such dividends were paid during the year ended December 31, 2006.

Initial public offering

In November 2004, the Company completed an initial public offering ("IPO") of 7,187,500 shares of common stock. Net proceeds to the Company after deducting underwriting fees and offering related expenses, were approximately \$97.0 million.

Shelf Registration statement, Follow-On Public Offering and Sale of Shares in a Block Trade

On January 17, 2006, the Company filed a universal shelf registration statement on Form S-3, which was declared effective by the SEC on January 31, 2006. The shelf registration statement provides the Company with the opportunity to issue various types of securities, including debt securities, common stock, warrants and units of the Company, from time to time, in one or more offerings up to a total dollar amount of \$1 billion. Pursuant to the shelf registration statement, the Company may periodically offer one or more of the registered securities in amounts, at prices, and on terms to be announced when, and if, the securities are offered. At the time any offering is made under the shelf registration statement, the offering specifics will be set out in a prospectus supplement.

On April 10, 2006, the Company completed a follow-on public offering of 3,500,000 shares of common stock at a price of \$35.50 per share, under the shelf registration statement mentioned above. In addition, on April 17, 2006, 525,000 additional shares of common stock were sold at the abovementioned price pursuant to the exercise of the underwriters' over-allotment option. Net proceeds to the Company after deducting underwriting fees and commissions and estimated offering expenses associated with the offering were approximately \$135.1 million.

On December 19, 2006, the Company completed a sale of 2,500,000 shares of common stock to Lehman Brothers in a block trade at a price of \$37.50 per share, under the shelf registration statement mentioned above. Net proceeds to the Company after deducting underwriting fees and commissions and estimated offering expenses associated with the offering were approximately \$92.4 million.

Rounding

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

Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation.

Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company has an 85% interest in OrYunnan Geothermal Co. Ltd. ("OrYunnan") that is accounted for under the consolidation method of accounting and an 80% interest in Ormat Leyte Co. Ltd. ("OLCL") that was accounted for under the consolidation method of accounting until March 31, 2004 and under the equity method of accounting thereafter. The Company's investment in Orzunil I de Electricidad, Limitada ("Orzunil") was consolidated beginning March 13, 2006 when the Company increased its ownership interest to 71.8%. On August 16, 2006, the Company increased its ownership interest to 100% (see Note 5). Prior to March 13, 2006, this investment was accounted for using the equity method of accounting. Intercompany accounts and transactions have been eliminated in the consolidation.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In November 1999, the Company, through a wholly owned subsidiary, entered into an agreement with Yunnan Province Geothermal Development Co. (“YPGD”) to form OrYunnan, a limited liability joint venture, whereby the Company is to contribute, for an 85% ownership interest, \$2,550,000 and YPGD is to contribute, for the remaining 15% ownership interest, \$450,000. Pursuant to such agreement, 15% of the capital contribution was made in April 2000, and the remaining portion is to be paid within 60 days after the date on which a power purchase agreement is executed. OrYunnan is currently in the process of negotiating a power purchase agreement. OrYunnan was formed for the purpose of utilizing, for electric power generation, all of the geothermal resources of Teng Chong County of the Yunnan Province in the People’s Republic of China.

OLCL is a limited partnership established for the purpose of developing, financing, constructing, owning, operating, and maintaining geothermal power plants in Leyte Province, the Philippines.

The Company accounts for its interests in partnerships and companies in which it has equal to or less than a 50% ownership interest under the equity method. Under the equity method, original investments are recorded at cost and adjusted by the Company’s share of undistributed earnings or losses of such companies. The Company’s earnings in investments accounted for under the equity method have been reflected as “Equity in income of investees” on the Company’s consolidated statements of operations and comprehensive income.

Adoption of FIN No. 46R

In January 2003, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB 51 (“FIN No. 46”), and amended it by issuing FIN No. 46R in December 2003. Among other things, FIN No. 46R generally deferred the effective date of FIN No. 46 to the quarter ended March 31, 2004. The objectives of FIN No. 46R are to provide guidance on the identification of Variable Interest Entities (“VIEs”) for which control is achieved through means other than ownership of a majority of the voting interest of the entity, and how to determine which company (if any), as the primary beneficiary, should consolidate the VIE. A variable interest in a VIE, by definition, is an asset, liability, equity, contractual arrangement or other economic interest that absorbs the entity’s economic variability.

Effective as of March 31, 2004, the Company adopted FIN No. 46R. In connection with the adoption of FIN No. 46R, the Company concluded that OLCL, in which the Company has an 80% ownership interest, should be deconsolidated. OLCL’s operating results continued to be accounted for using the consolidation method of accounting for the three month period ended March 31, 2004. Effective April 1, 2004, the Company’s ownership interest in OLCL is accounted for using the equity method of accounting. The Company’s maximum exposure to loss as a result of its involvement with OLCL is estimated to be \$5.3 million, which is the Company’s net investment at December 31, 2006.

The Company also has variable interests in certain other consolidated wholly owned VIEs that will continue to be consolidated because the Company is the primary beneficiary. Further, the Company has concluded that the Company’s remaining significant equity investments do not require consolidation as they are not VIEs.

Purchase of the power generation business from the Parent

As of July 1, 2004, a wholly owned subsidiary of the Company, Ormat Systems Ltd. (“OSL”), an Israeli company, acquired from the Parent for \$11.0 million the power generation business which includes the manufacturing and sale of energy-related products pertaining mainly to the geothermal and recovered energy industry.

The Company considers this business to be synergistic with its ownership and operation of geothermal power plants as well as to the construction of the projects (on a turnkey basis). In addition

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

to acquiring the tangible net assets of the power generation business, OSL assumed the title and interest to: (i) certain related contracts; and (ii) liabilities and rights under agreements with employees and consultants, and obtained a perpetual license of all intellectual property pertaining to the power generation business from the Parent.

In connection with the acquisition, OSL and the Parent have entered into an agreement whereby OSL will provide to the Parent, for a monthly fee of \$10,000 (adjusted annually partially for changes in the Israeli Consumer Price Index), certain corporate administrative services, including the services of executive officers. In addition, OSL has agreed to provide the Parent with services of certain skilled engineers at OSL's cost plus 10%. Such agreements may be terminated by either party after the initial term which ends in 2009.

Also in connection with the acquisition, OSL entered into a rental agreement with the Parent for the use of office and manufacturing facilities in Yavne, Israel, for a monthly rent of \$52,000, adjusted annually for changes in the Israeli Consumer Price Index, plus tax and other costs to maintain the properties. The term of the rental agreement is 59 months and it expires in June 2009, which term has been extended by a consent of the Israeli Land Administration for a period the shorter of: (i) 25 years (including the initial term) or (ii) the remaining period of the underlying lease agreement with the Israel Land Administration (which terminates between 2018 and 2047).

The Company has recorded the purchase of the power generation business at historical net book value, and has accounted for the purchase as a transfer of assets between entities under common control in a manner similar to the pooling of interests; accordingly, all prior period consolidated financial statements of the Company have been restated to include the results of operations, financial position, and cash flows of the power generation business.

The financial statements for all years presented include the historical financial information of the Company prior to the acquisition of the power generation business, combined with the historical financial information of the acquired power generation business which was carved out of the Parent for all years presented. The difference between the assets and liabilities of the power generation business consists of accumulated retained earnings (deficit) as well as amounts due to/from Parent resulting from cash transfers. Such amounts have been aggregated and presented in the statements of stockholders' equity as "divisional deficit" because it is not possible to distinguish the beginning balance as the records were not available to accurately break out the two components. On July 1, 2004, the effective date of the transaction, the divisional deficit was reclassified to retained earnings and unearned stock-based compensation. Retained earnings in the statements of stockholders' equity for all years prior to the year ended December 31, 2004 represent the retained earnings of the Company prior to the acquisition of the power generation business.

The preparation of these financial statements included the use of "carve out" accounting procedures wherein certain assets, liabilities, revenues and expenses historically recorded or incurred at the Parent level, which were related to OSL, have been identified and allocated as appropriate to present the financial position, operating results, and cash flows of OSL for the years presented.

The statements of operations for OSL for the period from January 1, 2004 to June 30, 2004 were carved out using specific identification for revenues and cost of revenues, research and development expense, selling and marketing

expenses, general and administrative expenses and interest income and expense. The income tax provision was recalculated based on the separate return method pursuant to Statement of Financial Accounting Standards (“SFAS”) No. 109, Accounting for Income Taxes.

Of the \$11.0 million purchase price, the Company paid \$4.8 million in cash and assumed \$6.2 million in debt and other liabilities. The excess of the consideration paid over the historical net book value of the purchased business has been recorded as a distribution to the Parent, which reduced stockholders’ equity by approximately \$4.8 million at July 1, 2004. Because the deferred income taxes

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

at June 30, 2004 had a full valuation allowance, there was no tax effect for the difference between the book and tax basis of the purchased assets and liabilities.

Cash and cash equivalents

The Company considers all highly liquid instruments, with an original maturity of three months or less, to be cash equivalents.

Marketable securities

Marketable securities consist of debt securities (mainly auction rate securities and commercial papers). The Company accounts for such securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company determines the appropriate classification of all marketable securities as held-to-maturity, available-for-sale or trading at the time of the purchase and re-evaluates such classification at each balance sheet date. At December 31, 2006 and 2005 all of the Company’s investments in marketable securities were classified as available-for-sale securities and as a result, were reported at their fair value based upon the quoted market prices of such securities at year end. Net unrealized gains or losses are reported as a component of accumulated other comprehensive income (loss) in stockholders’ equity. Net realized gains or losses are reported in interest income.

The marketable securities are included in the balance sheets at December 31, 2006 and 2005, as follows:

	December 31,	
	2006	2005
	(dollars in thousands)	
Marketable securities	\$ 96,486	\$ 43,560
Amount presented among short-term restricted cash, cash equivalents and marketable securities	16,921	14,645
Total	\$ 113,407	\$ 58,205

The cost of the marketable securities at December 31, 2006 and 2005 was \$113,232,000 and \$58,224,000, respectively.

Restricted cash, cash equivalents and marketable securities

Under the terms of certain long-term debt agreements, the Company is required to maintain certain debt service reserve, cash collateral and operating fund accounts that have been classified as restricted cash, cash equivalents and marketable securities. Funds that will be used to satisfy obligations due during the next twelve months are classified as current restricted cash, cash equivalents and marketable securities, with the remainder classified as non-current restricted cash, cash equivalents and marketable securities. Such amounts are invested primarily in money market accounts, auction rate securities and commercial papers with a minimum investment grade of "AA". Auction rate securities are classified as available-for-sale.

Certain of the restricted cash accounts can be replaced by a letter of credit, and as further described in Note 18, as of December 31, 2006, three letters of credit aggregating \$21.9 million were issued by the Company to release restriction on funds that were used as collateral for OFC's 8¼% Senior Secured Notes ("OFC Senior Secured Notes") and OrCal's 6.21% Senior Secured Notes ("OrCal Senior Secured Notes").

Concentration of credit risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments, marketable securities and accounts receivable.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company places its temporary cash investments and marketable securities with high credit quality financial institutions located in the U.S. and in foreign countries. At December 31, 2006 and 2005, the Company had deposits totaling \$13,068,000 and \$9,889,000, respectively, in six and four, respectively, U.S. financial institutions that were federally insured up to \$100,000 per account. At December 31, 2006 and 2005, the Company's deposits in foreign countries of approximately \$15,321,000 and \$11,935,000, respectively, were not insured.

At December 31, 2006 and 2005, accounts receivable related to operations in foreign countries amounted to approximately \$16,957,000 and \$11,017,000, respectively. At December 31, 2006 and 2005, accounts receivable from the Company's major customers that have generated 10% or more of its revenues (see Note 15) amounted to approximately 49% and 59%, respectively, of the Company's accounts receivable.

Southern California Edison Company ("SCE") accounted for 30.0%, 36.1% and 41.4% of the Company's total revenues for the years ended December 31, 2006, 2005 and 2004, respectively. SCE is also the power purchaser and revenue source for the Mammoth project, which is accounted for separately under the equity method.

Sierra Pacific Power Company accounted for 12.8%, 14.1% and 12.9% of the Company's total revenues for the years ended December 31, 2006, 2005 and 2004, respectively.

Explanation of Responses:

Hawaii Electric Light Company accounted for 15.1%, 15.2% and 7.1% of the Company's total revenues for the years ended December 31, 2006, 2005 and 2004, respectively.

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

Inventories

Inventories consist primarily of raw material parts and sub assemblies for power units, and are stated at the lower of cost or market value, using the moving-average cost method and are stated net of provision for slow-moving and obsolescence, which was not significant at December 31, 2006 and 2005.

Deposits and other

Deposits and other consist primarily of performance bonds for construction projects, a long-term insurance contract and derivative instruments.

Property, plant and equipment

Property, plant and equipment are stated at cost. All costs associated with the acquisition, development and construction incurred as part of the construction of power plants operated by the Company are capitalized. Major improvements are capitalized and repairs and maintenance (including major maintenance) costs are expensed. Power plants operated by the Company are depreciated using the straight-line method over the term of the relevant power purchase agreement, which range from 12 to 25 years (see Note 13). The geothermal power plant in Nicaragua is to be fully depreciated over the period that the plants are owned by the Company. The other assets are depreciated using the straight-line method over the following estimated useful lives of the assets:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leasehold improvements	15-20 years
Machinery and equipment — manufacturing	10 years
Machinery and equipment — computers	3-5 years
Office equipment — furniture and fixtures	5-15 years
Office equipment — other	5-10 years
Automobiles	5-7 years

The cost and accumulated depreciation of items sold or retired are removed from the accounts. Any resulting gain or loss is recognized currently and is recorded in operating income.

The Company capitalizes interest costs as part of constructing power plant facilities. Such capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Capitalized interest costs amounted to \$8,080,000, \$3,504,000 and \$628,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Asset retirement obligation

As required by SFAS No. 143, Accounting for Obligations Associated with the Retirement of Long-Lived Assets, which was amended by FASB Interpretation ("FIN") No. 47, Accounting for Conditional Retirement Obligations, an Interpretation of FASB Statement No. 143, the Company records the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. The Company's legal liabilities include plugging wells and post-closure costs of geothermal power producing sites. When a new liability for asset retirement obligations is recorded, the Company capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. At retirement, the obligation is settled for its recorded amount at a gain or loss.

Deferred financing and lease transaction costs

Deferred financing costs are amortized over the term of the related obligation using the effective interest method. Amortization of deferred financing costs is presented as interest expense in the statement of operations. Accumulated amortization related to deferred financing costs amounted to \$4,342,000 and \$2,422,000 at December 31, 2006 and 2005, respectively. Amortization expense for the years ended December 31, 2006, 2005 and 2004 amounted to \$1,920,000, \$6,087,000 and \$2,705,000, respectively. Amortization expense for the year ended December 31, 2005 includes \$4,180,000 relating to the write-off of the remaining deferred financing costs when the Beal Bank loan was repaid (see Note 9).

Deferred transaction costs relating to the Puna operating leases (see Note 10) in the amount of \$4,333,000 are amortized, using the straight-line method over the 23-year term of the lease. Amortization of deferred transaction costs is presented in cost of revenues in the statement of operations. Accumulated amortization related to deferred lease costs amounted to \$301,000 and \$117,000 at December 31, 2006 and 2005, respectively. Amortization expense for the years ended December 31, 2006 and 2005 amounted to \$184,000 and \$117,000, respectively.

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Intangible assets

Intangible assets consist of allocated acquisition costs of power purchase agreements, which are amortized over the 13 to 25-year terms of the agreements using the straight-line method.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets which consist of property, plant and equipment, power purchase agreements and unconsolidated investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no impairment exists for long-lived assets; however, future estimates as to the recoverability of such assets may change based on revised circumstances.

Derivative instruments

Derivative instruments (including certain derivative instruments embedded in other contracts) are measured at their fair value and recorded as either assets or liabilities unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of derivatives are recognized currently in earnings unless specific hedge criteria are met, which requires a company to formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The Company maintains a risk management strategy that incorporates the use of interest rate swaps and interest rate caps to minimize significant fluctuation in cash flows and/or earnings that are caused by interest rate volatility. Gains or losses on contracts that initially qualify for cash flow hedge accounting, net of related taxes, are included as a component of other comprehensive income or loss and are subsequently reclassified into earnings when interest on the related debt is paid. Gains or losses on contracts that are not designated to qualify as a cash flow hedge are included as a component of interest expense.

Foreign currency translation

The functional currency of all foreign entities is the reporting currency (U.S. dollar). For these entities, monetary assets and liabilities are translated at the current exchange rate, while non-monetary items are translated at historical rates. Income and expense items are translated at the average exchange rate for the year, except for depreciation, which is translated at historical rates. Translation adjustments and transaction gains or losses are included in results of operations.

Comprehensive income reporting

Comprehensive income includes net income plus other comprehensive income, which for the Company consists of unrealized gain or loss on marketable securities available-for-sale and the mark-to-market gains or losses on derivative instruments designated as a cash flow hedge.

Revenues and cost of revenues

Revenues are primarily related to: (i) sale of electricity from geothermal and recovered energy power plants owned and operated by the Company; and (ii) geothermal and recovered energy power plant equipment engineering, sale, construction and installation and operating services.

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Revenues related to the sale of electricity from geothermal and recovered energy power plants and capacity payments are recorded based upon output delivered and capacity provided at rates specified under relevant contract terms. For power purchase agreements (“PPAs”) agreed to, modified or acquired in business combinations on or after July 1, 2003 (effective date of Emerging Issues Task Force Issue (“EITF”) No. 01-08, Determining whether an Arrangement Contains a Lease), revenues related to the lease element of the PPAs are included as “lease portion of energy and capacity” revenues, with the remaining revenues related to the production and delivery of energy presented as “energy and capacity”. Lease income and expense are recognized ratably over the lease periods.

Revenues from engineering, operating services, and parts and product sales are recorded upon providing the service or delivery of the products and parts. Revenues from the supply and/or construction of geothermal and recovered energy power plant equipment and other equipment on behalf of others are recognized on the percentage completion method. Revenue is based on the percentage relationship that incurred costs bear to total estimated costs. Costs include direct material, labor, and indirect costs. Selling, marketing, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined.

Warranty on products sold

The Company generally provides a one-year warranty against defects in workmanship and materials related to the sale of products for electricity generation. Estimated future warranty obligations are included in operating expenses in the period in which the related revenue is recognized. Such charges are immaterial for the years ended December 31, 2006, 2005 and 2004.

Research and development

Research and development costs incurred by the Company for the development of existing and new geothermal, recovered energy and remote power technologies are expensed as incurred. Grants received from the U.S. Department of Energy are offset against the related research and development expenses. Such grants amounted to \$252,000, \$1,275,000 and \$86,000 during the years ended December 31, 2006, 2005, and 2004, respectively.

Advertising expense

Advertising costs are expensed as incurred and totaled \$96,000, \$180,000 and \$74,000 for the years ended December 31, 2006, 2005, and 2004, respectively.

Patent expense

Patents are internally developed, and therefore costs are expensed as incurred and totaled \$122,000, \$252,000 and \$290,000 for the years ended December 31, 2006, 2005, and 2004, respectively.

Income taxes

Income taxes are accounted for using the asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company’s financial statements or tax returns. The measurement of current and deferred

tax assets and liabilities are based on provisions of the enacted tax law. The effects of future changes in tax laws or rates are not

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

anticipated. The Company accounts for investment tax credits and production tax credits as a reduction to income taxes in the year in which the credit arises. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are more likely than not expected to be realized.

Earnings per share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding for the year. The Company does not have any equity instruments that are dilutive, except for employee stock options which were granted in the years ended December 31, 2006, 2005 and 2004 and whose dilutive effect on the earnings per share for the years ended December 31, 2005 and 2004 is immaterial. The stock options granted to employees of the Company in the Parent's stock are not dilutive to the Company's earnings per share.

Fair value of financial instruments

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. Marketable securities are presented at fair value. The fair value of long-term debt is estimated based on the current borrowing rates for similar issues, which approximates carrying amount for long-term debt, except for the following debt:

	Fair Value		Carrying Amount	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
	(dollars in millions)		(dollars in millions)	
Senior loans:				
International Finance Corporation Loan A	\$ 7.5	\$ —	\$ 7.0	\$ —
International Finance Corporation Loan B	4.0	—	3.9	—
Commonwealth Development Corporation Loan	8.7	—	8.5	—
Senior Secured Notes:				
Ormat Funding Corp. ("OFC")	182.3	185.2	178.7	183.4
OrCal Geothermal Inc. ("OrCal")	151.5	165.0	160.7	165.0
Parent's Loan	90.8	125.2	89.5	121.1
Parent's Note	47.8	45.3	50.7	50.7

Accounting estimates

Explanation of Responses:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of such financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

New accounting pronouncements

New accounting pronouncements effective in the year ended December 31, 2006

SFAS No. 123R — Share-Based Payments

Effective January 1, 2006, the Company adopted SFAS No. 123(R), Share-Based Payments, (“SFAS No. 123R”), which establishes the accounting for employee stock-based awards. Prior to

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January 1, 2006, the Company accounted for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25 (“APB No. 25”), Accounting for Stock Issued to Employees, and related interpretations. Under APB No. 25, compensation cost was recognized based on the difference, if any, on the date of grant between the fair value of the Company’s stock and the amount an employee must pay to acquire the stock (see Note 12).

SFAS No. 151 — Inventory Costs

In November 2004, the FASB issued SFAS No. 151, Inventory Costs — An Amendment of ARB 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. SFAS No. 151 requires that those items be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS No. 151 are applied prospectively to inventory costs incurred beginning January 1, 2006. The adoption by the Company of SFAS No. 151, effective January 1, 2006, did not have any impact on its results of operations or financial position.

SFAS No. 154 — Accounting Changes and Error Corrections

In June 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented based on the new accounting principle. SFAS No. 154 also requires that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed a restatement. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after

Explanation of Responses:

December 15, 2005 (January 1, 2006 for the Company). The adoption by the Company of SFAS No. 154, effective January 1, 2006, did not have any impact on its results of operations or financial position.

EITF Issue No. 04-5 — Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights

In June 2005, the FASB issued EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights. EITF Issue No. 04-5 provides guidance in determining whether a general partner controls a limited partnership and therefore should consolidate the limited partnership. EITF Issue No. 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership and that the presumption may be overcome if the limited partners have either: (i) the substantive ability to dissolve or liquidate the limited partnership or otherwise remove the general partner without cause, or (ii) substantive participating rights. The effective date for applying the guidance in EITF No. 04-5 was: (i) June 29, 2005 for all new limited partnerships and existing limited partnerships for which the partnership agreement was modified after that date, and (ii) no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005 (January 1, 2006 for the Company), for all other limited partnerships. The adoption by the Company of EITF Issue No. 04-5, effective January 1, 2006, did not have any impact on the Company's consolidated financial statements.

SAB No. 108 — Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (“SAB

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No. 108”). SAB No. 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year's misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in a misstatement that, when all relevant quantitative and qualitative factors are considered, is material and therefore must be quantified. SAB No. 108 is effective for fiscal years ending on or after November 15, 2006 (December 31, 2006 for the Company). The adoption by the Company of SAB No. 108, effective December 31, 2006, did not have any impact on its results of operations and financial position.

New accounting pronouncements effective in future years

SFAS No. 155 — Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments. SFAS No. 155 replaces certain provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS

No. 155 permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133. SFAS No. 155 also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after January 1, 2007. The Company does not expect that the adoption of SFAS No. 155 will have a material impact on its results of operations or financial position in future periods.

FIN No. 48 — Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109

In June 2006, the FASB issued FIN No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective January 1, 2007. The Company is currently assessing the impact of FIN No. 48 and has not yet determined the impact that its adoption will have on its results of operations and financial position.

EITF Issue No. 06-3 — How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)

In June 2006, the FASB issued EITF Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation). The requirements of EITF Issue No. 06-3 apply to any tax assessed by a governmental authority that is imposed concurrently on a specific revenue-producing transaction between a seller and a customer. Examples of taxes subject to Issue No. 06-3 include sales, use, value added, and some excise taxes. EITF Issue No. 06-3 excludes taxes that are assessed on gross receipts or that are imposed during the process of obtaining inventory. Companies will be required to disclose

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their accounting policy regarding the presentation of taxes subject to EITF Issue No. 06-3, and the amounts of such taxes that are included in income on a gross basis, if those amounts are significant. EITF Issue No. 06-3 is effective January 1, 2007. The Company does not expect EITF Issue No. 06-3 to have an impact on its financial statements in future periods.

SFAS No. 157 — Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (January 1, 2008 for the Company) and interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact of SFAS No. 157, and has not yet determined the impact that its adoption will have on its results of operations or financial position.

NOTE 2 — BUSINESS ACQUISITIONS

The Steamboat 2/3 Project and Meyberg Property

On February 11, 2004, the Company acquired 100% of the outstanding shares of capital stock of Steamboat Development Corp. (“SDC”) and certain real property (“Meyberg Property”) from an unrelated party. SDC owned certain leasehold interests as a lessee in the two Steamboat 2/3 geothermal power plants and certain related geothermal leases. On February 13, 2004, the Company acquired all of the beneficial rights, title, and interest in the Steamboat 2/3 geothermal power plants from the lessor. The Company acquired SDC and the Meyberg Property to increase its geothermal power plant operations in the U.S. The Company acquired the lessee and lessor positions of the Steamboat 2/3 geothermal power plants for a combined purchase price of approximately \$82.0 million, plus transaction cost of approximately \$0.8 million. The results of SDC’s operations have been included in the consolidated financial statements since February 11, 2004.

The Steamboat Hills Project

On May 20, 2004, the Company completed the acquisition of 100% of the equity interests of Yankee Caithness Joint Venture, L.P. (“Yankee”), which was subsequently renamed as Steamboat Hills, from unrelated parties for a purchase price of approximately \$20.3 million, including acquisition costs of approximately \$0.1 million. Yankee owns and operates a geothermal electric generation plant, located in Steamboat Springs, Nevada. The Company purchased Yankee in order to increase its geothermal power plant operations. The results of Steamboat Hills’ operations have been included in the consolidated financial statements since May 20, 2004.

The Puna Project

On June 3, 2004, the Company completed the acquisition of 100% of the equity interests of Puna Geothermal Venture (“PGV”) from an unrelated party for a purchase price of \$72.9 million, including acquisition costs of approximately \$0.2 million. PGV operates a geothermal power plant (“Puna Project”) located on the Big Island of Hawaii. The Company purchased PGV in order to increase its geothermal power plant operations in the U.S. The results of PGV’s operations have been included in the consolidated financial statements since June 3, 2004.

The Steamboat 2/3 Project, the Meyberg Property, the Steamboat Hills Project and the Puna Project acquisitions have been accounted for under the purchase method of accounting and the

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Explanation of Responses:

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NOTE 3 — INVENTORIES

Inventories consist of the following:

	December 31,	
	2006	2005
	(dollars in thousands)	
Raw materials and purchased parts for assembly	\$ 3,397	\$ 1,521
Self-manufactured assembly parts and finished products	4,006	3,703
Total	\$ 7,403	\$ 5,224

NOTE 4 — COST AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

	December 31,	
	2006	2005
	(dollars in thousands)	
Costs and estimated earnings incurred on uncompleted contracts	\$ 18,967	\$ 39,142
Less billings to date	13,554	42,916
Total	\$ 5,413	\$ (3,774)

These amounts are included in the balance sheets under the following captions:

	December 31,	
	2006	2005
	(dollars in thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 11,216	\$ 8,883
Billings in excess of costs and estimated earnings on uncompleted contracts	(5,803)	(12,657)
Total	\$ 5,413	\$ (3,774)

The completion costs of the Company's construction contracts are subject to estimation. Due to uncertainties inherent in the estimation process, it is reasonably possible that estimated contract earnings will be further revised in the near term.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 — UNCONSOLIDATED INVESTMENTS

Unconsolidated investments in power plant projects consist of the following:

	December 31,	
	2006	2005
	(dollars in thousands)	
Orzunil:		
Investment	\$ —	\$ 3,807
Advances	—	3,712
	—	7,519
Mammoth	31,913	34,240
OLCL	5,294	5,476
Total	\$ 37,207	\$ 47,235

From time to time, the unconsolidated power plants make distributions to their owners. Such distributions are deducted from the investments in such power plants.

The Zunil Project

Prior to March 13, 2006, the Company had a 21.0% ownership interest in Orzunil I de Electricidad, Limitada (“Orzunil”), a limited responsibility company incorporated in Guatemala and established for the purpose of generating power by means of a geothermal power plant in the Province of Quetzaltenango in Guatemala. The Company operates and maintains the geothermal power plant and the power purchaser supplies geothermal fluid to the power plant.

On March 13, 2006, the Company acquired a 50.8% ownership interest in Orzunil and increased its then existing 21.0% ownership interest to 71.8%. The purchase price of this acquisition was \$15.4 million, including acquisition costs of approximately \$0.6 million.

The Company’s 21.0% ownership interest in Orzunil prior to the abovementioned acquisition was accounted for under the equity method of accounting as the Company had the ability to exercise significant influence, but not control, over Orzunil. As a result of the acquisition of the additional 50.8% interest in Orzunil, the financial statements of Orzunil were consolidated with the Company’s financial statements effective March 13, 2006.

On August 16, 2006, the Company completed the acquisition from each of CDC Group plc (“CDC”) and International Finance Corporation (“IFC”), both of which are the Zunil Project’s senior lenders, a 14.1% ownership interest in Orzunil (for a total of 28.2%), thereby increasing the Company’s then existing 71.8% ownership interest to 100%. The total purchase price of both acquisitions was \$7.4 million, including acquisition costs of approximately \$0.9 million.

The abovementioned acquisitions have been accounted for under the purchase method of accounting and the acquired assets are being depreciated over their estimated useful lives of 13.5 years. The purchase prices of all the abovementioned acquisitions (\$22.8 million) have been allocated to the fair value of assets and liabilities based on an independent valuation and management's estimates as follows:

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	(dollars in thousands)
Cash and cash equivalents	\$ 8
Restricted cash	3,408
Accounts receivable assumed	3,176
Property, plant and equipment	42,621
Intangibles (power purchase agreement)	5,250
Accounts payable and other liabilities assumed	(1,241)
Long-term loans assumed (including current portion)	(23,210)
	30,012
Less: the Company's investment prior to acquisition	(7,244)
Total purchase price allocation	\$ 22,768

The revenues of Orzunil and the Company's share in the net income of Orzunil were \$10,343,000 and \$3,018,000, respectively, for the period from March 13, 2006 to December 31, 2006.

The Company's equity in income of Orzunil was not significant for each of the years presented in these financial statements.

The Mammoth Project

On December 18, 2003, the Company acquired a 50% interest in the Mammoth Project, which is comprised of three geothermal power plants located near the city of Mammoth, California. The purchase price was less than the underlying net equity of Mammoth by approximately \$9.3 million. As such, the basis difference will be amortized over the remaining useful life of the property, plant and equipment and the power purchase agreements, which range from 12 to 17 years. Effective December 18, 2003, the Company operates and maintains the geothermal power plants under an operating and maintenance ("O&M") agreement. The Company's 50% ownership interest in Mammoth is accounted for under the equity method of accounting as the Company has the ability to exercise significant influence, but not control, over Mammoth.

The condensed financial position and results of operations of Mammoth are summarized below:

	December 31,	
	2006	2005
	(dollars in thousands)	
Condensed balance sheets:		
Current assets	\$ 3,425	\$ 7,430
Non-current assets	79,942	82,550
Current liabilities	667	1,114
Non-current liabilities	3,130	3,708
Partners' Capital	79,570	85,158

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	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Condensed statements of operations:			
Revenues	\$ 15,339	\$ 15,782	\$ 15,815
Gross margin	1,657	4,021	3,830
Net income	1,412	3,824	3,251
Company's equity in income of Mammoth:			
50% of Mammoth net income	\$ 706	\$ 1,912	\$ 1,761
Plus amortization of basis difference	593	593	593
	1,299	2,505	2,354
Less income taxes	(493)	(952)	(894)
Total	\$ 806	\$ 1,553	\$ 1,460

The Mammoth project sells its electrical output to Southern California Edison Company ("SCE") under three separate power purchase agreements. Under the G-1 power purchase agreement, in certain circumstances, SCE or its affiliates has a right of first refusal to acquire the plant.

The Leyte Project ("OLCL")

The Company holds an 80% interest in OLCL (which owns the Leyte Project); however, as further discussed in Note 1, upon the adoption of FIN No. 46R, the balance sheet of OLCL was deconsolidated as of March 31, 2004, and the income and cash flow statements have been deconsolidated effective April 1, 2004.

The condensed financial position and results of operations of OLCL are summarized below:

	December 31,	
	2006	2005
	(dollars in thousands)	
Condensed balance sheets:		
Current assets	\$ 7,548	\$ 7,972
Non-current assets	4,632	11,267
Current liabilities	4,782	6,083
Non-current liabilities	—	3,810
Stockholders' equity	7,398	9,346

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December		Period from
	31,	31,	April 1, 2004
	2006	2005	to December
	(dollars in thousands) 31,		
	2004		
Condensed statements of operations:			
Revenues	\$ 13,715	\$ 13,134	\$ 8,217
Gross margin	6,417	6,246	2,592
Net income	2,787	5,271	838
Company's equity in income of OLCL:			
80% of OLCL net income	\$ 2,230	\$ 4,217	\$ 670
Plus amortization of deferred revenue on intercompany profit (\$0.8 million unamortized balance at December 31, 2006)	1,384	708	789
Total	\$ 3,614	\$ 4,925	\$ 1,459

OLCL's operating results for all periods prior to March 31, 2004 have been accounted for on the consolidated method of accounting, and effective April 1, 2004, the Company's ownership interest in OLCL is accounted for using the equity method of accounting.

In 1996, OLCL entered into a Build, Operate, and Transfer ("BOT") agreement with PNOC-Energy Development Corporation ("PNOC") in connection with the four geothermal power generation plants, with a total capacity of 49MW, located in Leyte, Philippines. The BOT agreement calls for OLCL to design, construct, own, and operate geothermal electricity generating plants, utilizing the geothermal resources of the Leyte Geothermal Power Optimization Project Area. During 1997, the power plants started commercial operations and began selling power to PNOC under a ten year power purchase agreement (tolling arrangement). OLCL receives capacity and energy fees from PNOC established by the BOT agreement. Fees are paid each month through the term of the BOT agreement and vary based on plant performance. OLCL owns the plants for a ten-year period ending September 2007, at which time they will be transferred to PNOC for no further consideration. The Company does not anticipate any material financial loss as a

result of such transfer, although going forward this will reduce the Company's foreign generation capacity by 49 MW.

In connection with the construction of the four geothermal power generation plants, OLCL obtained a term loan ("Term Loan") amounting to approximately \$44.5 million from the Export-Import Bank of the government of the United States ("Eximbank"). Principal is payable in equal quarterly installments through July 2007. Interest on the Term Loan is at a fixed rate of 6.54% and is payable quarterly. The balance of the Term Loan as of December 31, 2006 and 2005 is \$3,810,000 and \$8,890,000, respectively. The Term Loan is collateralized by a mortgage on all real property, an assignment of revenues, and the pledge of partnership interests in OLCL. There are various covenants under the Term Loan, which include maintaining minimum levels of equity ratio, as defined, and limitations on additional indebtedness and payment of dividends. As of December 31, 2006, Management believes that OLCL was in compliance with the covenants under the Term Loan.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net, consist of the following:

	December 31,	
	2006	2005
	(dollars in thousands)	
Land	\$ 11,503	\$ 11,521
Leashold improvements	1,114	966
Machinery and equipment	15,401	13,558
Office equipment	3,058	2,840
Automobiles	1,720	1,278
Geothermal and recovered energy generation power plants, including geothermal wells:		
United States of America	582,567	471,886
Foreign countries	120,852	68,547
Asset retirement cost	14,078	9,678
	750,293	580,274
Less accumulated depreciation	(126,204)	(88,439)
Property, plant and equipment, net	\$ 624,089	\$ 491,835

Depreciation expense for the years ended December 31, 2006, 2005 and 2004 amount to \$38,659,000, \$31,210,000 and \$31,729,000, respectively.

U.S. operations:

Explanation of Responses:

The net book value of the property, plant and equipment, including construction in process, located in the United States is approximately \$636,332,000 and \$514,176,000 as of December 31, 2006 and 2005, respectively.

Foreign operations:

During 1998, the Company entered into a power purchase agreement with Kenya Power and Lighting Co. Ltd. (“KPLC”), the Kenyan parastatal electricity transmission and distribution company. Under the agreement, the Company agreed to design, construct and operate geothermal power plants in Kenya in several phases. Upon the completion of construction of each phase, KPLC is committed to purchase the electricity generated by the power plants for a minimum of 20 years under the terms of the power purchase agreement. Phase I of the Olkaria III project, which generates 13 MW, has been completed and the net book value of the assets related to the generation power plant and the related wells amounted to approximately \$28,813,000 and \$30,591,000 at December 31, 2006 and 2005, respectively. As of December 31, 2006 and 2005, the Company had incurred approximately \$21,556,000 (included in construction-in-process), in connection with construction of Phase II of the power plant. On January 19, 2007, the Company entered into an Amended and Restated Power Purchase Agreement and a Project Security Agreement, with KPLC with respect to Phase II of Olkaria III project. These agreements were executed after receipt of appropriate regulatory approvals from the Kenyan authorities. The construction of the second phase of the project is expected, upon completion, to add approximately 35 MW to the existing facility, bringing the project’s total capacity to approximately 48 MW. Under the Amended and Restated Power Purchase Agreement, the parties agreed to shorten the construction period for Phase II to approximately twenty-one months commencing from the deposit of agreed collateral by KPLC, which occurred on February 7, 2007 and to reduce the tariff payable by KPLC on the total capacity of the plant upon completion of Phase II. Management believes that the project will be completed in the required timeframe. If the Company does not complete the construction of Phase II by the required date, the Company may lose some or all of its investment in the construction-in-process relating to Phase II.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

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In June 1999, the Company entered into an agreement with Nicaraguan Electricity Company (“NEC”), a Nicaraguan power utility, whereby the Company will rehabilitate existing wells, drill new wells, and operate the geothermal facilities. The Company owns the plants for a fifteen-year period ending in 2014, at which time they will be transferred to NEC at no cost. The Company sells the power from the facilities to two power companies who are assignees of NEC at the agreed upon price and terms of the “take or pay” power purchase agreement. The net book value of the assets related to the constructed plant and wells and rehabilitated existing wells amounted to approximately \$21,019,000 and \$21,060,000 at December 31, 2006 and 2005, respectively. Additionally, as of December 31, 2005, the Company has incurred approximately \$1,215,000 (included in construction-in-process) to drill an additional well.

As described in Note 5, during 2006, the Company increased its share in Orzunil from 21% to 100% through acquisitions. In December 1993, Orzunil entered into a twenty-year power purchase agreement (“PPA”) with Instituto Nacional de Electrificación (“INDE”). The Zunil project is located in Zunil, Guatemala. The Zunil project is comprised of one plant which commenced commercial operations in 1999 and has a generating capacity of 24 MW. According to the PPA, the geothermal resources used by the power plant are owned by INDE, which only granted the use of these resources to Orzunil for the period of the PPA. The net book value of the assets related to the power plant amounted to

approximately \$40,258,000 at December 31, 2006.

The Company is engaged in the construction of several geothermal power plants in other foreign countries. At December 31, 2006 and 2005, such projects were in the various stages of construction and the related costs totaling approximately \$36,368,000 and \$22,367,000, respectively, are included in construction-in-process.

NOTE 7 — INTANGIBLE ASSETS

Intangible assets consist mainly of all of the Company's power purchase agreements acquired in business combinations and amounted to \$50,086,000 (including royalty rights in the amount of \$1,800,000) and \$47,915,000 (including royalty rights in the amount of \$1,800,000), net of accumulated amortization of \$9,327,000 and \$6,248,000 as of December 31, 2006 and 2005, respectively. Amortization expense for the years ended December 31, 2006, 2005 and 2004 amount to \$3,079,000, \$2,815,000 and \$2,523,000, respectively.

Estimated future amortization expense for the intangible assets as of December 31, 2006 is as follows:

Year ending December 31:	(dollars in thousands)
2007	\$ 3,097
2008	3,053
2009	3,053
2010	3,053
2011	3,053
Thereafter	34,777
Total	\$ 50,086

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2006	2005
	(dollars in thousands)	
Trade payables	\$ 38,524	\$ 32,641
Scheduling and transmission charges	841	1,192
Royalties	595	1,143

Explanation of Responses:

Salaries and other payroll costs	6,514	6,186
Accrued interest	12,860	883
VAT payable	869	471
Income tax payable	5,215	4,352
Other	5,027	3,180
Total	\$ 70,445	\$ 50,048

NOTE 9 — LONG-TERM DEBT

Long-term debt consists of notes payable under the following agreements:

	December 31,	
	2006	2005
	(dollars in thousands)	
Limited and non-recourse agreements:		
Non-recourse agreement:		
Senior loans:		
International Finance Corporation Loan A	\$ 6,973	\$ —
International Finance Corporation Loan B	3,883	—
Commonwealth Development Corporation Loan	8,530	—
Limited recourse agreement:		
Credit facility agreement	11,253	14,140
	30,639	14,140
Less current portion	(8,482)	(2,888)
Total	\$ 22,157	\$ 11,252
Full recourse agreements with a bank	\$ 2,000	\$ 3,000
Less current portion	(1,000)	(1,000)
Total	\$ 1,000	\$ 2,000
Senior Secured Notes (non recourse):		
Ormat Funding Corp. (“OFC”)	\$ 178,693	\$ 183,399
OrCal Geothermal Inc. (“OrCal”)	160,677	165,000
	339,370	348,399
Less current portion	(40,054)	(23,754)
Total	\$ 299,316	\$ 324,645

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Senior Loans

International Finance Corporation (“IFC”) Loan A

Explanation of Responses:

Orzunil, a wholly owned subsidiary of the Company, has a senior loan agreement with IFC, which was a minority shareholder of Orzunil (see also Note 5). The loan matures on November 15, 2011, and is payable in 47 quarterly installments ranging from \$192,000 to \$430,000. The loan has a fixed annual interest rate of 11.775%.

International Finance Corporation (“IFC”) Loan B

Orzunil has another senior loan agreement with IFC. The loan matures on May 15, 2008, and is payable in 32 quarterly installments ranging from \$436,000 to \$690,000. The loan has a fixed annual interest rate of 11.730%.

Commonwealth Development Corporation (“CDC”) Loan

Orzunil has a senior loan agreement with CDC, which was also a minority shareholder of Orzunil (see also Note 5). The loan matures on August 15, 2010, and is payable in 42 quarterly installments ranging from \$348,000 to \$675,000. The loan has a fixed annual interest rate of 10.300%.

There are various restrictive covenants under these Senior Loans, which include limitations on Orzunil’s ability to make distributions to its shareholders. Due to hurricane activity, access roads and piping from the wells to the power plant in the Zunil Project were damaged and, consequently, the Project was not in operation from October 14, 2005 to March 10, 2006. As a result, Orzunil did not meet the historical “debt service coverage ratio” required and therefore, at present, distributions from the Project are restricted. As of December 31, 2006, management believes that Orzunil is in compliance with the required debt service coverage ratio and with all other covenants.

Credit Facility Agreement (the Momotombo Project)

In September 2000, Ormat Momotombo Power Company (“OMPC”), a wholly owned subsidiary of the Company, entered into a credit facility agreement with Bank Hapoalim B.M. pursuant to which OMPC executed a two-phase loan with the bank in the amounts of \$11,435,000 (“Phase I Loan”) and \$36,800,000 (“Phase II Loan”) (collectively the “Credit Facility Agreement”). In March 2003, OMPC signed an amendment to the Credit Facility Agreement changing the amount of the Phase II Loan from \$36,800,000 to \$15,000,000. Principal and interest payments on the Phase I Loan are payable in 32 equal quarterly payments that commenced upon completion of Phase I of the project in December 2001. Interest on the Phase I Loan is variable based on 3-month LIBOR plus 2.375%. Principal and interest payments on the Phase II Loan are payable in equal 28 quarterly payments that commenced in March 2004. Interest on the Phase II Loan is variable based on 3-month LIBOR plus 3.0%, and is added to the outstanding balances of the Phase II Loan until the commencement of the principal and interest payments. At December 31, 2006 and 2005, \$4,476,000 and \$5,666,000, respectively, was outstanding under the Phase I Loan and \$6,777,000 and \$8,474,000, respectively, was outstanding under the Phase II Loan. The Credit Facility Agreement is collateralized by liens over all real and personal property comprising the Momotombo Project and the Company’s ownership interest in OMPC. There are various restrictive covenants under the Credit Facility Agreement, which include maintaining certain levels of debt to equity ratio and debt service coverage ratio, and limitations on additional indebtedness and payment of dividends. As of December 31, 2006, management believes that OMPC was in compliance with the covenants under the Credit Facility Agreement.

Full Recourse Agreements with a Bank

The Company has an \$8.0 million loan agreement, with principal payable in \$1 million annual installments that commenced in May 2001 and continue through May 2008. Interest is computed at 12-month LIBOR plus 1.7%, and is payable annually.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

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Future minimum payments

Future minimum payments under long-term obligations, excluding the senior secured notes and notes payable to Parent, as of December 31, 2006 are as follows:

Year ending December 31:	(dollars in thousands)
2007	\$ 9,482
2008	8,667
2009	6,676
2010	6,101
2011	1,713
Total	\$ 32,639

OFC Senior Secured Notes

On February 13, 2004, OFC, a wholly owned subsidiary, completed the issuance of \$190.0 million, 8¼% Senior Secured Notes (the "OFC Senior Secured Notes") in an offering subject to Rule 144A and Regulation S of the Securities Act of 1933, as amended, and received net cash proceeds of approximately \$179.7 million, after deduction of issuance costs of approximately \$10.3 million, which have been included in deferred financing costs in the balance sheet. The OFC Senior Secured Notes 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 and payment of dividends. On June 30, 2006 and December 31, 2006, OFC did not meet the "debt service coverage ratio" and, therefore, it is restricted from payment of dividends until it meets such ratio.

The Company has not yet granted a security interest over the new unit of the Desert Peak 2 project to the OFC Senior Secured Noteholders which is required under the indenture for the OFC Senior Secured Notes. The Company is evaluating an alternative approach to replacing the Desert Peak 1 plant with one of the new units of the Desert Peak 2 project. Implementing such an alternative would require the consent of the OFC Senior Secured Noteholders in order to ensure continued compliance with the covenants of the indenture governing the OFC Senior Secured Notes. The Company expects to launch a consent solicitation in order to amend and/or waive certain provisions of the indenture to obtain such consent from the OFC Senior Secured Noteholders. Any such solicitation will be made by means of and subject to appropriate documentation and only to the OFC Senior Secured Noteholders.

Management believes that except as described above, as of December 31, 2006, OFC is in compliance with all other covenants contained in the indenture governing the OFC Senior Secured Notes.

OFC may redeem the OFC Senior Secured Notes, in whole or in part, at any time at a 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.

A registration statement on Form S-4 relating to the OFC Senior Secured Notes was filed with and declared effective by the SEC on February 9, 2005. Pursuant to the registration statement, OFC

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made an offer to the holders of the OFC Senior Secured Notes to exchange them for publicly registered exchange notes with substantially identical terms until March 11, 2005. On March 16, 2005 the exchange offer was completed.

On April 26, 2006, OFC successfully consummated a consent solicitation relating to the OFC Senior Secured Notes that was launched on April 17, 2006. On that same date, OFC executed a supplement to the indenture governing the OFC Senior Secured Notes to amend and/ or waive certain provisions in the indenture dealing with public reporting and information requirements of OFC. On May 1, 2006, OFC filed with the SEC Form 15 notification of the suspension of its obligation to file reports with the SEC under the Securities Act of 1934.

Debt service reserve

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 (see below) 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 on the balance sheet. As of December 31, 2006 and 2005, the balance of such account was \$13.3 million and \$12.3 million, respectively. In addition, as of December 31, 2006, part of the restricted cash accounts was funded by two letters of credit in the total amount of approximately \$12.2 million (see Note 18).

Future minimum payments under the OFC Senior Secured Notes, as of December 31, 2006 are as follows:

Year ending December 31:	(dollars in thousands)
2007	\$ 13,836
2008	7,835
2009	9,140
2010	10,118
2011	11,410

Explanation of Responses:

Thereafter	126,354
Total	\$ 178,693

OrCal Senior Secured Notes

On December 8, 2005, OrCal, a wholly owned subsidiary, completed the issuance of \$165.0 million, 6.21% Senior Secured Notes (the “OrCal Senior Secured Notes”) in an offering subject to Rule 144A and Regulation S of the Securities Act of 1933, as amended, and received net cash proceeds of approximately \$161.1 million, after deduction of issuance costs of approximately \$3.9 million, which have been included in deferred financing costs in the balance sheet. The OrCal Senior Secured Notes have been rated BBB– by Fitch. The OrCal Senior Secured Notes 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 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. There are various restrictive covenants under the OrCal Senior Secured Notes, which include limitations on additional indebtedness and payment of dividends. Management believes that as of December 31, 2006, OrCal was in compliance with the covenants under the OrCal Senior Secured Notes.

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

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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.

Debt service reserve

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 balance sheet. As of December 31, 2006 and 2005, the balance of such account was \$14.8 million and \$9.5 million, respectively. In addition, as of December 31, 2006, part of the restricted cash accounts was funded by a letter of credit in the amount of approximately \$9.7 million (see Note 18).

Future minimum payments under the OrCal Senior Secured Notes, as of December 31, 2006 are as follows:

Year ending December 31:

Explanation of Responses:

	(dollars in thousands)
2007	\$ 26,218
2008	17,641
2009	11,043
2010	10,216
2011	9,700
Thereafter	85,859
Total	\$ 160,677

In anticipation of the OrCal Offering, on September 9, 2005, the Company entered into a rate lock agreement with a financial institution (the “counterparty”), at a locked-in rate of 4.047%, with a notional amount of \$175.0 million, which terminated on December 5, 2005. The rate lock was based on a 7-year treasury security that matures in November 2012. On December 5, 2005, the Company received from the counterparty to the rate lock agreement an amount of \$4,488,000. A gain of \$2,624,000, net of related taxes of \$1,608,000, is recorded as “Gain in respect of derivative instruments designated for cash flow hedge, net of related taxes” under “Other comprehensive income (loss)” and is amortized over the term of the OrCal Senior Secured Notes using the effective interest method. The remaining gain of \$159,000, net of related taxes of \$97,000, has been charged to the consolidated statement of operations (\$256,000 has been recorded as interest income and \$97,000 has been recorded as income tax expense).

In December 2003, in connection with the acquisition of the Heber power plants, OrCal entered into a loan agreement with Beal Bank (“Beal Bank Credit Agreement”) to provide a loan in the amount of \$154.5 million. On December 8, 2005, in connection with the issuance of the OrCal Senior Secured Notes, OrCal repaid the loan in its entirety. This repayment resulted in a one-time charge to interest expense of approximately \$16.6 million, comprised of: (i) prepayment premium of \$11.5 million associated with payment of the Beal Bank loan, (ii) write-off of certain deferred financing costs amounting to \$4.2 million associated with the incurrence of the Beal Bank loan, and (iii) loss of \$0.9 million associated with the interest rate caps transaction described below. The tax effect of such one time charge is \$6.3 million, bringing the net effect of it to \$10.3 million.

During the second quarter of 2004, the Company entered into two separate interest rate cap agreements (“Cap Transactions”) with two different financial institutions to mitigate the interest rate

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risk associated with the Beal Bank Credit Agreement. Pursuant to the Cap Transactions, the Company paid an aggregate of \$3,820,000 to the financial institutions. The Cap Transactions are effective as of March 30, 2007 and terminate on March 31, 2011. Pursuant to the terms of the Cap Transactions, the financial institutions providing the cap are required to pay to the Company the difference between the 3-month LIBOR rate and 6.0%, (if LIBOR is greater than 6.0%), times the notional amount, which for each of the contracts will be \$67,401,000 on the effective date and reduces each payment period down to \$49,633,000 upon termination. From October 1, 2004 to December 8, 2005 (the date of the repayment of the Beal Bank Loan), the Cap Transactions qualified for cash flow hedge accounting. The fair value of the Cap Transactions at December 31, 2005 and 2004 amounted to \$1,034,000 and

\$1,663,000, respectively. The decrease in the fair value for the period from the initiation of the Cap Transactions through September 30, 2004 of \$1,637,000 has been recorded in the consolidated statement of operations as interest expense, while the decrease in the fair value for the period from October 1, 2004 to December 31, 2004 of \$322,000, net of related taxes of \$198,000 was included as "Loss in respect of derivatives instruments designated for cash flow hedge, net of related taxes" under "Other comprehensive income (loss)". The decrease in the fair value for the period from January 1, 2005 to December 8, 2005 (the date of the repayment of the Beal Bank loan) of \$241,000, net of related taxes of \$149,000, was included in "Other comprehensive income (loss)". As a result of the early repayment of the Beal Bank loan, the aggregate amount of \$563,000, net of related taxes of \$347,000, which was included in "Other comprehensive income (loss)", has been charged to the consolidated statement of operations (\$910,000 have been recorded as interest expense and \$347,000 have been recorded as income tax benefit), and the decrease in the fair value for the period from December 8, 2005 to December 31, 2005 of \$239,000 has been recorded in the consolidated statement of operations as interest expense. The decrease in the fair value for the year ended December 31, 2006 of \$559,000 has been recorded in the consolidated statement of operations as interest expense. The fair value of the Cap Transactions is the estimated amount that the Company would currently pay to terminate the transactions at the reporting date, taking into account current interest rates and the current creditworthiness of the counterparties to the agreements.

NOTE 10 — PUNA PROJECT LEASE TRANSACTIONS

On May 19, 2005, the Company's 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 Project"), which was acquired in June 2004. A similar transaction relating to two new geothermal wells that PGV drilled in the second half of 2005 (for production and injection) was completed on December 30, 2005.

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"). The carrying value of the leased assets as of December 31, 2006 and 2005 amounted to \$56.0 million and \$58.3 million, net of accumulated depreciation of \$6.4 million and \$3.7 million, respectively. The unrelated company (the "Lessor") simultaneously leased back the Puna Project to PGV under a 23-year lease (the "Project Lease"). PGV's rent obligations under the Project Lease will be paid solely from revenues generated by the Puna Project under a power purchase agreement that PGV has with Hawaii Electric Light Company ("HELCO"). The Head Lease and the Project Lease are non-recourse lease obligations to the Company. PGV's rights in the geothermal resource and the related power purchase agreement have not been leased to the Lessor as part of the Head Lease but are part of the Lessor's security package.

The Head Lease and the Project Lease are being accounted for separately. Each was classified as an operating lease in accordance with SFAS No. 13, Accounting for Leases. 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 \$4.3 million are being amortized, using the straight-line method, over the 23-year term of the Project Lease.

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Explanation of Responses:

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Future minimum lease payments under the Project Lease, as of December 31, 2006, are as follows:

Year ending December 31:	(dollars in thousands)
2007	\$ 9,742
2008	7,573
2009	8,013
2010	7,567
2011	8,061
Thereafter	72,126
Total	\$ 113,082

Depository accounts

As required under the terms of the lease agreements, there are certain reserve funds that need to be managed by the indenture trustee in accordance with certain balance requirements. Such reserve funds are included in the balance sheet as of December 31, 2006 and 2005 in restricted cash accounts and are classified as current as they are used for current payments.

Revenue account

PGV deposits all revenues received into the revenue account. Such amounts are used to pay operating expenses and fund the depository accounts as describe below, but the funds are only available to PGV upon submission of draw requests by PGV to the bank. As such amounts are fully restricted to use by PGV, they have been classified as current restricted assets as the amounts are used to pay current operating expenses. As of December 31, 2006 and 2005, the balance of such account was \$2.7 million and \$3.5 million, respectively.

Lease rent reserve accounts

PGV maintains accounts to fund the full amount of the next rent payment according to the payment schedule. As of December 31, 2006 and 2005, the balance of such accounts was \$6.2 million and \$2.3 million, respectively.

Well maintenance reserve account

PGV maintains a reserve account to fund well field works including the drilling of new wells. The reserve should be met on a monthly basis, in amounts equal to 1/12 of a scheduled annual contribution. As of December 31, 2006 and 2005, the balance of such account was \$0.2 million and \$0.5 million, respectively.

Capital expenditure account

PGV maintains an account to fund its capital expenditures. Deposits to this account are at PGV's sole discretion, but no distributions are allowed to Ormat Nevada Inc., a wholly owned subsidiary of the Company that is the indirect parent of PGV, if the balance is less than \$0.5 million. As of December 31, 2006 and 2005, the balance in this account was \$0.5 million and \$0, respectively.

Distribution account

PGV maintains an account 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 Ormat Nevada Inc. The distributions are

allowed only if PGV maintains various restrictive covenants

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under the lease agreements, which include limitations on additional indebtedness. As of December 31, 2006 and 2005, the balance of such account was \$11.3 million and \$6.8 million, respectively. This amount can be distributed to Ormat Nevada Inc. currently and has been classified as current restricted assets.

In anticipation of the above lease transactions, on February 25, 2005, the Company entered into a treasury rate lock agreement with a financial institution, at a locked-in treasury rate of 4.31%, with a notional amount of \$52.0 million, which terminated on March 31, 2005. The rate lock was based on a 10-year treasury security that matures on February 15, 2015. On March 31, 2005, the Company received from the counterparty to the rate lock agreement an amount of \$658,000. This amount, net of related taxes of \$250,000, is recorded as “Gain in respect of derivative instruments designated for cash flow hedge, net of related taxes” under “Other comprehensive income (loss)” and is amortized over the 23-year term of the Project Lease.

On April 20, 2005, the Company entered into a new treasury rate lock agreement with the same financial institution, at a locked-in treasury rate of 4.22%, with a notional amount of \$52.0 million and originally scheduled to terminate on May 2, 2005. The new rate lock agreement’s termination date was extended until May 18, 2005 at a new locked-in treasury rate of 4.25%. The rate lock was based on a 10-year treasury security that matures on February 15, 2015. There was no consideration paid by either party as a result of the extension. On May 18, 2005, the Company paid the counterparty to the new rate lock agreement the amount of \$762,000. This amount, net of related taxes of \$290,000, is recorded in “Other comprehensive income (loss)” and is amortized over the 23-year term of the Project Lease.

NOTE 11 — ASSET RETIREMENT OBLIGATION

The following table presents a reconciliation of the beginning and ending aggregate carrying amount of asset retirement obligation for the years presented below:

	December 31,	
	2006	2005
	(dollars in thousands)	
Balance at beginning of period	\$ 11,461	\$ 10,665
Changes in price estimates	4,400	22
Accretion expense	971	774
Balance at end of period	\$ 16,832	\$ 11,461

During the fourth quarters of 2006 and 2005, the Company increased the aggregate carrying amount of its asset retirement obligation by \$4,400,000 and \$22,000, respectively. The net increase is a result of increased costs associated with drilling rigs, cement and cement services, general manpower, engineering fees and other outside

services since the adoption of SFAS No. 143.

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NOTE 12 — STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted SFAS No. 123R which establishes the accounting for employee stock-based awards. Under the provisions of SFAS No. 123R, stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). The Company adopted SFAS No. 123R using the modified prospective method. Under this method, prior periods are not restated and the amount of compensation cost recognized includes (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, and (ii) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. SFAS No. 123R requires unrecognized cost, based on the amounts previously disclosed in the Company's pro forma footnote disclosure, related to options vesting after the date of initial adoption to be recognized in the financial statements over the remaining requisite service period. The provisions of SFAS No. 123R apply to new stock awards and stock awards outstanding, but not yet vested, on the effective date. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB No. 107") relating to SFAS No. 123R. The Company has applied the provisions of SAB No. 107 in its adoption.

Impact of the adoption of SFAS No. 123R

Upon adoption of SFAS No. 123R, the Company recognizes share-based compensation expenses associated with share awards on a straight-line basis over the requisite service period using the fair value method. The incremental share-based compensation expense recognized due to the adoption of SFAS 123R was \$1.7 million for the year ended December 31, 2006.

As required by SFAS No. 123R, the Company made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. The cumulative effect of initially adopting SFAS No. 123R is not material. As of December 31, 2006, the total future compensation cost related to unvested stock options that are expected to vest is \$4,023,503 which will be recognized over a weighted average period of 2.94 years.

During the year ended December 31, 2006 the Company recorded stock-based compensation related to stock options as follows:

(In
thousands,
except per

Explanation of Responses:

	share data)
Cost of Revenues	\$ 798
Selling and marketing expenses	287
General and administrative expenses	621
Total stock-based compensation expense	1,706
Tax effect on stock-based compensation expense	239
Net effect on stock-based compensation expense	\$ 1,467
Effect on basic and diluted earnings per share	\$ 0.04

Pro forma information for periods prior to the adoption of SFAS No. 123R

Prior to January 1, 2006, the Company accounted for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (“APB No. 25”), and related interpretations. Under APB No. 25, compensation cost was

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recognized based on the difference, if any, on the date of grant between the fair value of the Company’s stock and the amount an employee must pay to acquire the stock.

SFAS No. 123R requires disclosure of pro forma information for periods prior to the adoption. The pro forma disclosures are based on the fair value of awards at the grant date, amortized to expense over the service period. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 for the period prior to the adoption of SFAS No. 123R and the actual effect on net income and earnings per share for the period after the adoption of SFAS No. 123R.

	Year ended December 31,		
	2006	2005	2004
	(dollars in thousands, except per share data)		
Net income, as reported	\$ 34,447	\$ 15,177	\$ 17,791
Add: Total stock-based employee compensation expense included in reported net income, net of tax	1,467	91	61
Deduct: Total stock-based employee compensation expense in respect of the Company’s stock options determined under fair value based method, net of tax	(1,166)	(65)	(6)
Deduct: Total stock-based employee compensation expense in respect of the Parent’s stock options determined under fair value based	(301)	(307)	(685)

Explanation of Responses:

method, net of tax			
Pro forma net income	\$ 34,447	\$ 14,896	\$ 17,161
Earnings per share:			
Basic, as reported	\$ 1.00	\$ 0.48	\$ 0.72
Basic, pro forma	\$ 1.00	\$ 0.47	\$ 0.69
Diluted, as reported	\$ 0.99	\$ 0.48	\$ 0.72
Diluted, pro forma	\$ 0.99	\$ 0.47	\$ 0.69

The fair value of each option grant is estimated using the Black-Scholes valuation model and the assumptions noted in the following table. The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding. In the absence of enough historical information, the expected term was determined using the simplified method'' defined in SAB No. 107, giving consideration to the contractual term and vesting schedule. Since the Company does not have any traded stock options and was listed for trading on the New York Stock Exchange beginning in November 2004, the Company's expected volatility was calculated based on the Company's historical volatility and for the period of time prior to the Company's listing, the historical volatility of the Parent. There is a high correlation between the stock behavior of the Company and its Parent. The dividend yield forecast is expected to be 20% of the Company's yearly net profit, which is equivalent to a 0.55% yearly dividend rate. The risk free interest rate was based on the yield from U.S. constant treasury maturities bonds with an equivalent term. The forfeiture rate of 5% is based on trends in actual option forfeitures.

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The Company calculated the fair value of each option on the date of grant based on the following assumptions:

	Year Ended December 31,		
	2006	2005	2004
For stock options issued by the Company:			
Risk-free interest rates	4.9%	4.5%	3.6%
Expected lives (in years)	6.4	5.0	5.0
Dividend yield	0.55%	0.9%	4.0%
Expected volatility	40.5%	32.0%	40.0%
Forfeiture rate	5.0%	—	—
For stock options issued by the Parent:			
Risk-free interest rates	—	—	4.7%
Expected lives (in years)	—	—	5.0
Dividend yield	—	—	0%
Expected volatility	—	—	28%

Stock Option Plans

The 2004 Incentive Compensation Plan

On October 21, 2004, the Company's Board of Directors adopted the 2004 Incentive Compensation Plan ("2004 Incentive Plan"), which provides for the grant of the following types of awards: incentive stock options, non-qualified stock options, restricted stock, stock appreciation rights, stock units, performance awards, phantom stock, incentive bonuses and other possible related dividend equivalents to employees of the Company, directors and independent contractors. Under the 2004 Incentive Plan, a total of 1,250,000 shares of the Company's common stock have been reserved for issuance, all of which could be issued as options or as other forms of awards. Options granted to employees under the 2004 Incentive Plan cliff vest and are exercisable from the grant date as follows: 25% after 24 months, 25% after 36 months, and the remaining 50% after 48 months. Options granted to non-employee directors under the 2004 Incentive Plan cliff vest and are exercisable one year after the grant day. Vested shares may be exercised for up to ten years from the date of grant. On November 9, 2005, the Company filed a registration statement on Form S-8 with the SEC with respect to the shares of common stock underlying such grants. The shares of common stock will be issued upon exercise of options from the Company's authorized share capital.

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On February 27, 2006 the Company's Board of Directors approved an increase of the total number of shares of the Company's common stock which have been reserved for issuance to 3,750,000, subject to stockholder approval. The following table summarizes the status of the 2004 Incentive Plan as of and for the periods presented below (shares in thousands):

	Year Ended December 31, 2006		Year Ended December 31, 2005		Year Ended December 31, 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	236	\$ 15.54	223	\$ 15.00	—	\$ —
Granted, at fair value	329	34.47	25	20.10	223	15.00
Exercised	(14)	15.00	—	—	—	—
Forfeited	(12)	20.25	(12)	15.00	—	—
Outstanding at end of year	539	27.03	236	15.54	223	15.00
Options exercisable at end of year	72	16.76	15	15.00	—	—
Weighted-average fair value of options granted during the year		\$ 15.77		\$ 6.62		\$ 0.96

As of December 31, 2006, 696,900 shares of the Company's common stock are available for future grants.

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The following table summarizes information about stock options outstanding at December 31, 2006 (shares in thousands):

Exercise Price	Options Outstanding			Number of Shares Exercisable	Options Exercisable	
	Number of Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)		Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)
\$15.00	188	7.8	\$ 4,094	47	7.8	\$ 1,035
20.10	25	7.8	418	25	7.8	418
34.13	296	9.3	797	—	—	—
37.90	30	6.8	—	—	—	—
	539	8.6	\$ 5,309	72	7.8	\$ 1,453

The following table summarizes information about stock options outstanding at December 31, 2005 (shares in thousands):

Exercise Price	Options Outstanding			Number of Shares Exercisable	Options Exercisable	
	Number of Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)		Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)
\$15.00	211	8.8	\$ 2,348	15	8.8	\$ 167
20.10	25	8.8	151	—	—	—
	236	8.8	\$ 2,499	15	8.8	\$ 167

The aggregate intrinsic value in the above tables represents the total pretax intrinsic value, based on the Company's stock price of \$36.82 as of December 31, 2006, which would have potentially been

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received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options exercisable as of December 31, 2006 was 72,426.

Explanation of Responses:

The total pretax intrinsic value of options exercised during the year ended December 31, 2006 was \$331,000 based on the Company's average stock price of \$38.12 during the year ended December 31, 2006.

The Parent's Stock Option Plans

The Parent has four stock option plans: the 2001 Employee Stock Option Plan, the 2002 Employee Stock Option Plan, the 2003 Employee Stock Option Plan, and the 2004 Employee Stock Option Plan (collectively "the Parent's Plans"). Options under the 2004 Employee Stock Option Plan were granted in April 2004. Under the Parent's Plans, employees of the Company were granted options in the Parent's ordinary shares, which are registered and traded on the Tel-Aviv Stock Exchange. Options under the Parent's Plans cliff vest and are exercisable from the grant date as follows: 25% after 24 months, 25% after 36 months, and the remaining 50% after 48 months. Vested shares may be exercised for up to five years from the date of grant. The maximum aggregate number of shares that may be optioned and sold under the Parent's Plans is determined each year by the board of directors of the Parent, and is equal to the number of options granted during each plan year. None of the options are exercisable or convertible into shares of the Company.

As of December 31, 2006, no shares of the Parent's ordinary shares are available for future grants.

The following table summarizes the status of the Parent's Plans as of and for the periods presented below (shares in thousands):

	Year Ended December 31, 2006		Year Ended December 31, 2005		Year Ended December 31, 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,747	\$ 2.42	2,362	\$ 2.32	1,930	\$ 1.81
Granted, below fair value	—	—	—	—	651	3.78
Exercised	(560)	1.81	(554)	1.97	(192)	1.97
Expired	(32)	2.26	—	—	—	—
Forfeited	(57)	2.96	(61)	2.62	(27)	2.00
Outstanding at end of year	1,098	2.70	1,747	2.42	2,362	2.32
Options exercisable at end of year	322	\$ 2.23	296	1.79	215	1.88
Weighted-average fair value of options granted during the year		\$ —		\$ —		\$ 1.73

The Company recorded in the year ended December 31, 2004, deferred stock compensation of \$52,000 for options granted below fair market value. This balance represents the difference between the exercise price of the options and the fair market value of the Parent's shares on the date of grant. Prior to January 1, 2006, the deferred stock compensation has been amortized to expense over the vesting period. The amortization of deferred stock compensation for the years ended December 31, 2005 and 2004 is \$91,000 and \$61,000, respectively.

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The following table summarizes information about stock options outstanding at December 31, 2006 (shares in thousands):

Exercise Price	Number of Shares Outstanding	Options Outstanding			Options Exercisable		
		Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)	Number of Shares Exercisable	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)	
\$1.41	111	0.2	\$ 1,105	111	0.2	\$ 1,105	
1.75	453	1.2	4,357	116	1.2	1,118	
3.78	534	2.3	4,056	95	2.3	721	
	1,098	1.6	\$ 9,518	322	1.2	\$ 2,944	

The following table summarizes information about stock options outstanding at December 31, 2005 (shares in thousands):

Exercise Price	Number of Shares Outstanding	Options Outstanding			Options Exercisable		
		Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)	Number of Shares Exercisable	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (In thousands)	
\$1.41	379	1.2	\$ 2,282	67	1.2	\$ 405	
1.75	681	2.2	3,864	161	2.2	915	
2.26	68	0.1	349	68	0.1	349	
3.78	619	3.3	2,257	—	—	—	
	1,747	2.3	\$ 8,752	296	1.5	\$ 1,669	

The aggregate intrinsic value in the above tables represents the total pretax intrinsic value, based on the Parent's stock price of \$11.37 as of December 31, 2006, which would have potentially been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options exercisable as of December 31, 2006 was 322,179.

The total pretax intrinsic value of options exercised during the year ended December 31, 2006 was \$4,328,000 based on the Parent's average stock price of \$9.48 during the year ended December 31, 2006.

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NOTE 13 — POWER PURCHASE AGREEMENTS

U.S. operations:

The Company has various power purchase agreements in the U.S. as follows:

Southern California Edison Company (“SCE”) — California

The Company has two power purchase agreements (“PPAs”) with SCE related to the Ormesa Complex and two PPAs related to the Heber 1 and 2 projects. The PPAs provide for the sale of capacity and energy through their respective terms, with the following expiration dates: Ormesa PPAs expire in 2017 and 2018, and Heber 1 and 2 PPAs expire in 2015 and 2023, respectively. Under the PPAs, the Company receives a fixed energy payment through April 30, 2012, and thereafter an energy payment based on SCE’s short-run avoided cost (“SRAC”). The PPAs provide for firm capacity and bonus payments established by the contracts and are paid to the Company each month through the contracts’ term based on plant performance. Bonus capacity payments are earned based on actual capacity available during certain peak hours. In certain circumstances, SCE or its designee has a right of first refusal to acquire the OG I and OG II power plants in the Ormesa project and the Heber 1 power plant at fair market value. Upon satisfaction of certain conditions specified in the PPA and subject to receipt of requisite approvals and negotiations between the parties, the Company will have the right to demand that SCE purchase the Heber 1 power plant at fair market value.

In connection with the power purchase agreements for the Ormesa project, SCE has expressed its intent not to pay the contract rate for the power supplied by the GEM 2 and GEM 3 plants to the Ormesa project. SCE contends that California ISO real-time prices should apply, while management believes that SP-15 prices quoted by NYMEX should apply. According to SCE’s estimation, the amount under dispute is approximately \$2.5 million. The parties have signed an Interim Agreement; whereby SCE will continue to procure the GEM 2 and GEM 3 power at the current energy rate of 5.37 cents/kWh until May 1, 2007. In addition a long-term PPA is expected to be entered into for the GEM 2 and GEM 3 power. The negotiations of the long-term PPA are still under way and there is no guarantee that it will be successfully completed. Management believes that such settlement agreement will not have a material financial impact on the Company. Therefore, no provision is included in the financial statements in respect of the dispute.

Sierra Pacific Power Company (“SPPC”) — Nevada

The Company has seven PPAs with SPPC for operating projects; one related to the Brady power plant, two related to the Steamboat 1 and 1A power plants, one related to the Steamboat Hills power plant, two related to the Steamboat 2 and 3 power plants and one related to the Burdette power plant. The Burdette PPA provides for the sale of energy and will expire in 2026. All the other PPAs provide for the sale of energy, and for capacity for all power plants except Brady, through their respective terms, with the following expiration dates: Steamboat 1 and 1A expire in 2007 (see below) and 2018, Steamboat Hills expires in 2018, and Brady and Steamboat 2 and 3 expire in 2022. Energy payments under the Brady PPA are based on deliveries during specified winter and summer seasons for on-peak, mid-peak, and off-peak times. Energy payments under the Steamboat 1/1A PPAs are based on the monthly average of the California-Oregon Border power market pricing, which is SPPC’s adopted SRAC. The Steamboat 1 PPA expired at the end of 2006, but the Company continues to sell electricity by an automatic extension of the PPA on a year-by-year basis.

Explanation of Responses:

Hawaii Electric Light Company (“HELCO”) — Hawaii

The Company has a PPA with HELCO related to the Puna project. The PPA provides for monthly energy payments and capacity payments. The energy payments for a portion of the energy delivered are equal to the higher of the SRAC rates for energy in effect for the relevant billing period

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or a fixed rate. The energy payments for a smaller portion of energy to be delivered are equal to an amount based on a fuel rate and a variable operation and maintenance rate, as each are adjusted over the term of the agreement, but which rate will never go below a minimum floor. The Puna project also receives a payment for providing reactive power to HELCO.

Southern California Public Power Authority (“SCPPA”) — California

The Company has a 25-year PPA with SCPPA for the sale of energy from the Gould plant in the Heber complex. Under the Gould PPA, 10 MW of power will be delivered to SCPPA for a fixed price which will escalate annually at a rate of 1.5% and includes the value for the environmental attributes, known as renewable energy credits. Deliveries began in the second quarter of 2006.

Nevada Power Company (“Nevada Power”) — Nevada

The Company has a 25-year PPA with Nevada Power for the sale of energy from the Desert Peak 2 project for a fixed price. Commercial operation of the Desert Peak 2 project has not yet been declared.

Foreign operations:

The Company has power purchase agreements in various foreign countries as follows:

The Olkaria III Project (Kenya)

In connection with the agreement with KPLC (see Note 6), the subsidiary in Kenya, sells power to KPLC at the agreed upon price and terms of a 20-year PPA. Fees are paid each month through the term of the agreement and vary based on plant performance.

The Momotombo Project (Nicaragua)

In connection with the agreement with NEC (see Note 6), the subsidiary in Nicaragua sells power to two assignees of NEC at the agreed upon price and terms of a “take or pay” PPA. Fees are paid each month through the term of the PPA and vary based on plant performance.

The Zunil Project (Guatemala)

Explanation of Responses:

In connection with the agreement with INDE (see Note 6), the subsidiary in Guatemala sells power to INDE at the agreed upon price and terms of a 20-year “take or pay” PPA. The PPA provides for monthly minimum energy payments and capacity payments, based on demonstrated capacity. Fees are paid each month through the term of the PPA.

Additional information

Pursuant to the terms of certain of the power purchase agreements, the Company 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 threshold performance 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.

The Brady and Steamboat 2 and 3 PPAs provide that if the project does not maintain peak period capacity values of at least 85% of those listed in each of their respective contracts, the Company will be obligated to pay liquidated damages to SPPC in amounts ranging from \$1.0 million to \$1.5 million.

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If the Ormesa and Heber 1 and 2 projects fail to meet minimum performance requirements, as defined, the respective project may be placed on probation, the capacity of the relevant plant may be permanently reduced and, in such an instance, a refund would be owed from such project to SCE. Each of the projects may also reduce the capacity of the plants upon notice to SCE and after making a specified payment to it. During 2006, the Company experienced a relatively high rate of well and pump failure at the Ormesa project resulting in a lower availability of the Ormesa well field. As a result, the Ormesa project did not meet the required minimum capacity factor of 80% during the on-peak period for the month of September 2006. Consequently, the Ormesa project has been placed on probation for a period not to exceed 15 months. During the probation period, if the Ormesa project fails again to meet the minimum performance requirements, the capacity of the project may be permanently reduced, in which case SCE would be entitled to a refund. Management believes that the risk of not meeting the requirements during the probation period and in the future is very low.

If the Puna project does not meet its minimum capacity performance requirement, such project will be required to pay HELCO \$0.0214 per on-peak hour for each kilowatt of deficiency for the first 5 MW of deficiency and \$0.0339 per on-peak hour for each kilowatt of deficiency in excess of 5 MW of deficiency. In addition, for each contract year in which the on-peak availability of the facility is less than 95%, unless the deficiency is due to a catastrophic equipment failure, the Puna project is required to pay \$8,000 to HELCO for each full percentage point of the deficiency, and if such availability is less than 80%, the Puna project is required to pay \$12,000 for each full percentage point of the deficiency.

The Company has not and does not currently expect to be obligated to make any material payments under its power purchase agreements.

As required by EITF Issue No. 01-8 (see Note 1), the Company assessed all PPAs agreed to, modified or acquired in business combinations on or after July 1, 2003, and concluded that all such PPAs contained a lease element requiring lease accounting. Accordingly, revenue related to the lease element of the PPA is presented as “lease portion of energy and capacity” revenue, with the remaining revenue related to the production and delivery of the energy being presented as “energy and capacity” revenue in the consolidated statements of operations. Future minimum lease revenues under PPAs which contain a lease element as of December 31, 2006 were as follows:

Year ending December 31:	(dollars in thousands)
2007	\$ 109,695
2008	112,268
2009	105,830
2010	103,518
2011	101,965
Thereafter	1,276,085
Total	\$ 1,809,361

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NOTE 14 — INCOME TAXES

Income from continuing operations before provision for income taxes, minority interest, and equity in income of investees consisted of:

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
U.S	\$ 14,306	\$ 702	\$ 8,436
Non-U.S. (foreign)	23,211	12,271	12,505
	\$ 37,517	\$ 12,973	\$ 20,941

The components of income tax expense are as follows:

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		

Explanation of Responses:

Current:			
Federal	\$ —	\$ —	\$ —
Foreign	7,931	6,872	2,824
	\$ 7,931	\$ 6,872	\$ 2,824
Deferred:			
Federal	\$ 157	\$ 577	\$ 2,772
State	304	132	86
Foreign	(1,989)	(2,891)	927
	(1,528)	(2,182)	3,785
	\$ 6,403	\$ 4,690	\$ 6,609

The significant components of the deferred income tax expense are as follows:

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Deferred tax expense (exclusive of the effect of other components listed below)	\$ 8,272	\$ 10,089	\$ 6,433
Benefit of operating loss carryforwards — US	(4,341)	(1,923)	(3,575)
Utilization of operating loss carryforwards — Israel	—	—	796
Change in valuation allowance	—	—	(796)
Change in foreign income tax	(1,989)	(2,891)	927
Change in lease transaction	1,236	(7,457)	—
Benefit of production tax credits	(4,706)	—	—
	\$ (1,528)	\$ (2,182)	\$ 3,785

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The difference between the U.S. federal statutory tax rate and the Company's effective rate are as follows:

	Year Ended December 31,		
	2006	2005	2004
U.S. federal statutory tax rate	34.0%	34.0%	34.0%
State income tax, net of federal benefit	0.8	0.7	0.3
Effect of foreign income tax, net	(7.0)	(1.5)	(2.4)
Production tax credit	(12.5)	—	—
Other, net	1.8	3.0	(0.3)
Effective tax rate	17.1%	36.2%	31.6%

Explanation of Responses:

The net deferred tax assets and liabilities consist of the following:

	December 31,	
	2006	2005
	(dollars in thousands)	
Deferred tax assets (liabilities):		
Net foreign deferred taxes, primarily depreciation	\$ (3,574)	\$ (5,563)
Depreciation	(42,215)	(33,840)
Net operating loss carryforward — U.S.	17,184	12,843
Lease transaction	6,221	7,457
Investment tax credits	1,971	1,971
Production tax credits	4,706	—
Stock options amortization	239	—
Accrued liabilities and other	1,785	2,167
Total	\$ (13,683)	\$ (14,965)

Deferred taxes are included in the balance sheets as follows:

	December 31,	
	2006	2005
	(dollars in thousands)	
Among current assets	\$ 1,819	\$ 1,663
Among non-current assets	6,172	5,376
Among non-current liabilities	(21,674)	(22,004)
	\$ (13,683)	\$ (14,965)

Realization of the deferred tax assets and tax credits is dependent on generating sufficient taxable income prior to expiration of the net operating loss (“NOL”) carryforwards and tax credits. Although realization is not assured, management believes it is more likely than not that the deferred tax asset at December 31, 2006 will be realized.

At December 31, 2006, the Company had U.S. federal NOL carryforwards of approximately \$46.5 million and state NOL carryforwards of approximately \$39.3 million, available to reduce future taxable income, which expire between 2021 and 2025 for federal NOLs and between 2014 and 2016 for state NOLs. The investment tax credits in the amount of \$2.0 million at December 31, 2006 are available for a 20-year period and expire in 2022 and 2023. The production tax credits in the amount of \$4.7 million at December 31, 2006 are available for a 20-year period and expire in 2025.

Through June 30, 2004, the Company had NOL carryforwards related to its Israeli operations of approximately \$14.0 million available to reduce future taxable income, which could be carried over

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indefinitely until utilized. However, despite the fact that the NOL carryforward period was indefinite, there is currently uncertainty as to the Israeli tax laws related to establishing limitations on the use of NOLs. In addition, there are uncertainties as to the ability to transfer those losses from the Parent. Due to these uncertainties, management reached the conclusion that it was not likely that such NOL carryforwards will be utilized. Subsequent to July 1, 2004, it was determined that the losses could not be transferred; therefore, the deferred tax assets in respect of the Parent's NOL carryforwards and the valuation allowance relating to such deferred tax assets were removed.

The total amount of undistributed earnings of foreign subsidiaries for income tax purposes was approximately \$78.0 million at December 31, 2006. It is the Company's intention to reinvest undistributed earnings of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes or U.S. income taxes which may become payable if undistributed earnings of foreign subsidiaries were paid as dividends to the Company. The additional taxes on that portion of undistributed earnings which is available for dividends are not practicably determinable.

Tax benefits in the U.S.

The U.S. federal government encourages production of electricity from geothermal resources through certain tax subsidies. The Company is permitted to claim in its consolidated federal tax returns either an investment tax credit for approximately 10% of the cost of each new geothermal power plant or "production tax credits", which in 2006 were 1.9 cents per kWh and is adjusted annually for inflation, on the first ten years of electricity output, under the Energy Policy Act of 2005 that became law on August 8, 2005. (Production tax credits can only be claimed on new plants put into service between October 23, 2004 and December 31, 2008.) The Company, as the owner of any project that would be put in service during the period ending December 31, 2008, has to choose between the production tax credit and the investment tax credit.

Certain of the Company's power purchase agreements that were in effect as of December 31, 2006 provide that all or a portion of the production tax credits are to be shared with the utility once they are monetized from the federal government. The Company has the ability to elect investment tax credits rather than production tax credits in its federal tax returns. Given the existing power purchase agreements, the Company would be economically compelled to elect investment tax credits for certain facilities thereby eliminating any amounts that would be due to the utilities under the production tax credit sharing arrangement. As such, the Company has not deferred revenue for such arrangements. The Company is in the process of negotiating the elimination of the production tax credit sharing provisions in exchange for a prospective reduction in the energy rate. Subsequent to December 31, 2006, the Company finalized one such amendment. Based upon negotiations to date and the expectations of the Company, the Company believes it is likely that the remaining power purchase agreements will be similarly modified. As a result, the Company has not anticipated the investment tax credits for purposes of its 2006 tax provision.

Income taxes related to foreign operations

The Philippines — From OLCL's inception in 1996 to September 2003, OLCL, an 80% owned subsidiary (which was deconsolidated as of April 1, 2004) with operations in the Philippines, had an income tax holiday. Subsequent to September 2003, OLCL is subject to the Philippines regular corporate income tax rate of 32%.

Guatemala — The enacted tax rate is 31%. The Company was granted a benefit under a law which promotes development of renewable power sources. The law allows the Company to reduce the investment made in its geothermal project from income tax payable, which brings the effective tax rate to zero.

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Israel — The Company's operations in Israel through OSL are taxed at the regular corporate tax rate of 36% in 2003, 35% in 2004, 34% in 2005, 31% in 2006, 29% in 2007, 27% in 2008, 26% in 2009 and 25% in 2010 and thereafter. OSL received from Israel's Investment Center "Approved Enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959 (the "Investment Law"), with respect to two of its investment programs. One such approval was received in 1996 and the other was received in May 2004. In respect of the approval from 1996, OSL has utilized all the tax benefits it was entitled to. Recently, due to a broad legislative amendment in the Investment Law, OSL replaced the certificate approval received in May 2004 from Israel's Investment Center with a ruling from the Israeli Tax Authorities. The ruling was obtained in April 2006. By replacing the certificate of approval with a ruling, OSL maximized the tax benefits it is entitled to under the Investment Law. As an Approved Enterprise and according to the ruling, OSL was exempt from Israeli income taxes with respect to income derived from the approved investment for the years 2004 and 2005 and thereafter such income is subject to reduced Israeli income tax rates of 25% for an additional five years. These benefits are subject to certain conditions set forth in the ruling, including among other things, that all transactions between OSL and its affiliates are at arms length, and that the management and control of OSL will be from Israel during the whole period of the tax benefits. A change in control should be reported to the Israeli Tax Authorities in order to maintain the tax benefits. In addition, as an industrial company, OSL is entitled to accelerated depreciation on equipment used for its industrial activities.

Other significant foreign countries — The Company's operations in Nicaragua and Kenya are taxed at the rates of 25% and 37.5%, respectively.

NOTE 15 — BUSINESS SEGMENTS

The Company has two reporting segments that are aggregated based on similar products, market and operating factors: electricity and products segments. Such segments are managed and reported separately as each offers different products and serves different markets. The electricity segment is engaged in the sale of electricity pursuant to power purchase agreements. The products segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the associated construction of power plants utilizing the power units manufactured by the Company to supply energy from geothermal fields and other alternative energy sources. Transfer prices between the operating segments were determined on current market values or cost plus markup of the seller's business segment.

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

	Electricity	Products	Consolidated
	(dollars in thousands)		
Year Ended December 31, 2006			
Net revenues from external customers	\$ 195,483	\$ 73,454	\$ 268,937
Intersegment revenues	—	45,520	45,520
Depreciation and amortization expense	42,787	665	43,452
Operating income	50,314	11,614	61,928
Segment assets at year end*	1,104,326	55,776	1,160,102
Expenditures for long-lived assets	185,983	1,825	187,808
*Including unconsolidated investments	37,207	—	—
Year Ended December 31, 2005			
Net revenues from external customers	\$ 177,369	\$ 60,623	\$ 237,992
Intersegment revenues	—	52,679	52,679
Depreciation and amortization expense	39,557	629	40,186
Operating income	56,831	7,078	63,909
Segment assets at year end*	864,968	49,512	914,480
Expenditures for long-lived assets	112,990	3,759	116,749
*Including unconsolidated investments	47,235	—	—
Year Ended December 31, 2004			
Net revenues from external customers	\$ 158,831	\$ 60,399	\$ 219,230
Intersegment revenues	—	13,045	13,045
Depreciation and amortization expense	34,806	665	35,471
Operating income	55,895	6,549	62,444
Segment assets at year end*	812,816	37,272	850,088
Expenditures for long-lived assets	213,255	817	214,072
*Including unconsolidated investments	48,818	—	—

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

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Revenues:			
Total segment revenues	\$ 268,937	\$ 237,992	\$ 219,230
Intersegment revenues	45,520	52,679	13,045
Elimination of intersegment revenues	(45,520)	(52,679)	(13,045)
Total consolidated revenues	\$ 268,937	\$ 237,992	\$ 219,230
Operating income:			
Operating income	\$ 61,928	\$ 63,909	\$ 62,444
Interest expense, net	(24,401)	(51,009)	(41,469)
Non-operating income (expense) and other, net	(10)	73	(34)
	\$ 37,517	\$ 12,973	\$ 20,941

Total consolidated income before income taxes, minority interest, and equity in income of investees

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The Company sells electricity and products for power plants and others, mainly to the geographical areas according to location of the customers, as detailed below. The following tables present certain data by geographic area:

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Revenues from external customers attributable to: ⁽¹⁾			
North America	\$ 191,819	\$ 170,102	\$ 137,124
Pacific Rim	7,952	10,646	50,362
Latin America	23,353	13,741	13,548
Africa	10,636	10,553	10,142
Far East	6,174	1,127	4,569
Europe	29,003	31,823	3,485
Consolidated total	\$ 268,937	\$ 237,992	\$ 219,230

⁽¹⁾Revenues as reported in the geographic area in which they originate.

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Long-lived assets (primarily power plants and related assets) located in:			
North America	\$ 697,928	\$ 590,365	\$ 509,037
Latin America	105,332	38,682	26,938
Africa	49,570	51,311	53,423
Far East	—	—	571
Europe	6,220	5,060	1,837
Consolidated total	\$ 859,050	\$ 685,418	\$ 591,806

The following table presents revenues from major customers:

	Year Ended December 31,		
	2006	2005	2004

Explanation of Responses:

	Revenues (dollars in thousands)	%	Revenues (dollars in thousands)	%	Revenues (dollars in thousands)	%
Revenues from major customers:						
Customer A ⁽¹⁾	\$ 80,665	30	\$ 85,856	36	\$ 90,808	41
Customer B ⁽²⁾	—	—	5,281	2	31,058	14
Customer C ⁽¹⁾	34,320	13	33,583	14	28,298	13
Customer D ⁽¹⁾	40,517	15	36,207	15	15,470	7

⁽¹⁾Revenues reported in Electricity Segment.

⁽²⁾Revenues reported in Products Segment.

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NOTE 16 — TRANSACTIONS WITH RELATED ENTITIES

Transactions between the Company and the related entities during the years presented below and balances as of the dates presented below, other than those disclosed elsewhere in these financial statements, approximated:

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Transactions			
Revenues from an affiliate of the Parent	\$ 3,503	\$ 7,959	\$ —
Property rental fee expense paid to Parent	\$ 628	\$ 627	\$ 627
Interest expense on note payable to Parent	\$ 8,367	\$ 10,635	\$ 9,723
Guarantee fees to Parent	\$ 29	\$ 204	\$ 548
Corporate financial, administrative and executive services provided to Parent	\$ 123	\$ 120	\$ 120
License fees to and services rendered by companies controlled by a shareholder of the Parent	\$ 122	\$ 162	\$ —

	December 31,	
	2006	2005
	(dollars in thousands)	
Balances		
Due from Orzunil	\$ —	\$ 153
Due from subsidiary of Parent	\$ 120	\$ 167
Due from affiliate of Parent	\$ 566	\$ —

Explanation of Responses:

The Company has an agreement with the Parent whereby, for a fee, the Parent maintains certain standby letters of credit on behalf of the Company. During the years ended December 31, 2006, 2005 and 2004, the fees under the agreement totaled approximately \$29,000, \$204,000 and \$548,000, respectively.

The current liability due to (from) Parent at December 31, 2006 and 2005 of (\$1,459,000) and \$356,000, respectively, represents the net obligation resulting from ongoing operations and transactions with the Parent and is payable from available cash flow. Interest is computed on balances greater than 60 days at LIBOR plus 1%, however not less than the change in the Israeli Consumer Price Index plus 4%, compounded quarterly, and is accrued and paid to the Parent annually.

Notes payable to Parent

In 2003, the Company entered into a loan agreement with the Parent, which was further amended on September 20, 2004 ("Parent Loan Agreement") pursuant to which the Company may borrow from the Parent up to \$150 million in one or more advances. Interest accrues on the unpaid principal of the loan amount at a rate per annum of the Parent's average effective interest plus 0.3% (7.5% during 2004 and 2003). The principal and interest on the Parent Loan Agreement are payable in varying amounts through the loan due date of June 2010. The outstanding balance of such loan at December 31, 2006 and 2005 was \$89,488,000 (including current portion of \$31,647,000) and \$121,140,000 (including current portion of \$31,647,000), respectively. As further discussed in Note 1, on June 29, 2004, \$20.0 million outstanding under the Parent Loan Agreement was converted to 1,160,714 shares of \$0.001 par value common stock of the Company.

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In 2003, the Company entered into a NIS 240.0 million non-interest bearing note agreement with the Parent. Principal is payable upon demand at any time after November 30, 2007, but no later than December 30, 2009. The loan is subordinated to all other liabilities of the Company. In accordance with the terms of such note, the Company will not be required to repay any amount in excess of \$50,665,000 (using the exchange rate existing on the date of such note). As of December 31, 2006 and 2005, the ceiling of \$50,665,000 is effective. Since the note is payable upon demand at any time after November 2007 it is presented in the balance sheet as of December 31, 2006 in current liabilities.

Future minimum payments under the notes payable to Parent (excluding the non-interest bearing note) as of December 31, 2006 are as follows:

Year ending December 31:	(dollars in thousands)
2007	\$ 31,647
2008	31,641
2009	16,600

2010	9,600
	\$ 89,488

Reimbursement agreement

On July 15, 2004, the Company entered into a reimbursement agreement with its Parent pursuant to which the Company agreed to reimburse its Parent for: (i) any draws made on any standby letter of credits issued by the Parent for the benefit of the Company; and (ii) any payments made under any guarantee provided by the Parent for the benefit of the Company. Interest on any amounts owing pursuant to the reimbursement agreement is payable at a rate per annum equal to the Parent's average effective cost of funds plus 0.3% in U.S. dollars (see Note 16).

Registration rights agreement

Prior to the closing of the Company's initial public offering in November 2004, the Company and the Parent entered into a registration rights agreement pursuant to which the Parent may require the Company to register its common stock for sale on Form S-1 or Form S-3. The Company also agreed to pay all expenses that result from the registration of the Company's common stock under the registration rights agreement, other than underwriting commissions for such shares and taxes. The Company has also agreed to indemnify the parent, its directors, officer and employees against liability that may result from their sale of the Company's common stock, including Securities Act liabilities.

NOTE 17 — EMPLOYEE BENEFIT PLAN

401(k) Plan

On July 1, 2002 the Company established a 401(k) Plan (the "Plan") for the benefit of its U.S. employees. Employees of the Company and its U.S. subsidiaries who have completed one year of service or who had one year of service upon establishment of the Plan are eligible to participate in the Plan. Contributions are made by employees through pretax deductions up to 60% of their annual salary. Contributions made by the Company are matched up to a maximum of 2% of the employee's annual salary. The Company's contributions to the Plan were \$249,000, \$228,000 and \$185,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Severance plan

The Company, through OSL, provides limited non-pension benefits to all current employees in Israel who are entitled to benefits in the event of termination or retirement in accordance with the

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Israeli Government sponsored programs. These plans generally obligate the Company to pay one month's salary per year of service to employees in the event of involuntary termination. There is no limit on the number of years of service in calculation of the benefit obligation. The liabilities for these plans are accounted for under the guidance of EITF Issue No. 88-1, Determination of Vested Benefit Obligation for a Defined Benefit Pension Plan, using what is

commonly referred to as the “shut down” method, where a company records the undiscounted obligation as if it were payable at each balance sheet date. Such liabilities have been presented on the balance sheet as “Liabilities for severance pay”. The Company has an obligation to partially fund the liabilities through regular deposits in pension funds and severance pay funds. The amounts funded amounted to \$12,534,000 and \$10,567,000 at December 31, 2006 and 2005, respectively, of which \$10,981,000 and \$9,201,000 respectively, were restricted, and have been presented on the balance sheet as part of “Deposits and other”. The severance pay liability covered by the pension funds is not reflected in the financial statements as the severance pay risks have been irrevocably transferred to the pension funds. Under the Israeli severance pay law, restricted funds may not be withdrawn or pledged until the respective severance pay obligations have been met. As allowed under the program, earnings from the investment are used to offset severance pay costs. Severance pay expenses for the years ended December 31, 2006, 2005 and 2004 were \$2,454,000, \$771,000 and \$537,000, respectively, which includes income (loss) amounting to \$1,095,000, \$(302,000) and \$(122,000), respectively, generated from the regular deposits and amounts accrued in severance funds.

The Company expects the severance pay contributions in 2007 to be approximately \$1.2 million.

The Company expects to pay the following future benefits to its employees upon their reaching normal retirement age:

Year ending December 31:	(dollars in thousands)
2007	\$ 794
2008	624
2009	702
2010	42
2011	668
2012-2016	4,296
	\$ 7,126

The above amounts were determined based on the employees’ current salary rates and the number of years’ service that will have been accumulated at their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before reaching their normal retirement age.

NOTE 18 — COMMITMENTS AND CONTINGENCIES

Geothermal resources

The Company, through its project subsidiaries in the United States, controls certain rights to geothermal fluids through certain leases with the Bureau of Land Management (“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 \$7,567,000, \$6,910,000 and \$4,716,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Letters of credit

In the ordinary course of business with customers, vendors, and lenders, the Company is contingently liable for performance under letters of credit totaling \$17.4 million and \$25.4 million at

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December 31, 2006 and 2005, respectively (out of these amounts, letters of credit totaling \$0 and \$5.1 million, respectively, have been obtained by the Parent on behalf of the Company). Management does not expect any material losses to result from these letters of credit because performance is not expected to be required, and, therefore, is of the opinion that the fair value of these instruments is zero.

LOC Agreement

A subsidiary of the Company has a letter of credit and loan agreement (“LOC Agreement”) with Hudson United Bank (“HUB”) pursuant to which HUB agreed to issue one or more letters of credit for an aggregate amount of up to \$15.0 million. The LOC Agreement terminates on June 30, 2007, but is automatically extended for successive one-year periods unless notice is provided by either the Company or HUB to the contrary. In the event that HUB is required to pay on a letter of credit drawn by the beneficiary thereof, such letter of credit converts into a loan, bearing interest at 3-month LIBOR plus 4.0%, to be repaid in equal installments at the end of each of the next four quarters. There are various restrictive covenants in the LOC Agreement, which include maintaining certain levels of tangible net worth, leverage ratio, and minimum coverage ratio. Management believes that at December 31, 2006, the Company was in compliance with the covenants under the LOC Agreement. As of December 31, 2006 and 2005, no letters of credit were outstanding under the LOC Agreement.

Credit Agreement

On February 15, 2006, a subsidiary of the Company entered into a \$25.0 million credit agreement (“Credit Agreement”) with Union Bank of California (“UBOC”). Under the Credit Agreement, the Company can request extensions of credit in the form of loans and/or the issuance of one or more letters of credit. UBOC 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, the Company has entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which the Company agreed to guarantee the subsidiary’s obligations under the Credit Agreement. The subsidiary’s obligations under the Credit Agreement are otherwise unsecured by any of its (or any of its subsidiaries’) assets. There are various restrictive covenants under the Credit Agreement, which include maintaining certain levels of tangible net worth, leverage ratio, minimum coverage ratio, and a distribution coverage ratio. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios. Management believes that as of December 31, 2006, the Company was in compliance with the covenants under the Credit Agreement. As of December 31, 2006, three letters of credit with an aggregated stated amount of \$21.9 million were issued and outstanding under the Credit Agreement.

Restrictive covenants

The Company entered into certain agreements with Israeli Banks under which the Company and its Israeli subsidiary, Ormat Systems Ltd., have agreed to certain negative covenants, including, but not limited to, a prohibition on: (i) creating any floating charge or any permanent pledge, charge or lien over the Company’s assets without obtaining the prior written approval of the lender; (ii) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (iii) selling, assigning, transferring, conveying or disposing of all or substantially all of the Company’s assets. In some cases, the Company and Ormat Systems Ltd. have agreed to maintain certain

financial ratios such as a debt service coverage ratio and a debt to equity ratio. The Company does not expect that these covenants or ratios, which apply to the Company on a consolidated basis, will materially limit its ability to execute its future business plans or operations. The failure to perform or observe any of the covenants set forth in such agreements, subject to various cure periods, would result in the occurrence of an event of default and would enable the lenders to accelerate all amounts due under each such agreement.

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Grants and royalties

The Company, through OSL, has historically, through December 31, 2003, requested and received grants for research and development from the Office of the Chief Scientist of the Israeli Government. OSL is required to pay royalties to the Israeli Government at a rate of 3.5% to 5.0% of the revenues derived from products and services developed using such grants, and amounted to \$0, \$1,342,000 and \$1,833,000 for the years ended December 31, 2006, 2005 and 2004, respectively. The Company is not liable for royalties if the Company does not sell the respective products. Such royalties are capped at the amount of the grants received plus interest at LIBOR. The cap at December 31, 2006 and 2005, amounted to \$1,138,000 and \$4,723,000, respectively, of which approximately \$277,000 and \$244,000 of the cap, respectively, increases based on the LIBOR rate, as defined.

In addition, OSL is obligated to pay royalties to an unaffiliated entity at 2% of its domestic sales up to a cumulative amount of \$9.25 million, and royalties at a rate of 0.2% of revenues on the next \$5.4 million related to a certain technology that is not currently being utilized. However, no royalties will be paid after 30 years have elapsed from the completion of the related project. OSL has not derived any revenues from this technology to date, nor have any royalties been paid to date.

Employment agreements

The Company has employment agreements with four of its senior executive officers, the terms of which expire at various times through June 2008. Such agreements provide for monthly or annual base salary amounts, as well as for bonus and other benefits. The aggregate commitment for future salaries at December 31, 2006, excluding bonuses and benefits, was approximately \$0.8 million.

Three of such executives are also entitled to change in control payments, whereby, if within three years following the occurrence of a change in control, the Company terminates the employee or the employee terminates his or her employment for good reason, as defined, or if, within 180 days following a change in control, the employee terminates his or her employment, the Company is required to pay 24 months of such employee's monthly base salary at the time of the change in control, plus unpaid and accrued base salary and bonuses. The aggregate of 24 months of these executive's base salary, excluding bonuses and benefits, as of December 31, 2006 approximated \$0.9 million.

Contingencies

Steamboat Geothermal LLC (“SG”), a wholly owned subsidiary, is a party to a litigation related to a dispute over amounts owed to the plaintiffs under certain operating agreements. On December 31, 2005 and January 9, 2006, SG entered into a sales, settlement and release agreement and an assignment agreement, respectively, with an assignee of 37% of one of the plaintiffs’ right to net operating revenues, whereby SG was assigned such 37% of the net operating revenues of Steamboat 1 in partial settlement of the dispute with such plaintiff. The case is scheduled for mediation on April 10-11, 2007. The Company believes that any outcome of the dispute with regard to the remaining claims will not have a material impact on the Company’s results of operations.

One of the Company’s U.S. Subsidiaries is a party to a third-party complaint originally filed on November 15, 2005 by Lacy M. Henry and Judy B. Henry (the “Henrys”) in a bankruptcy proceeding in the United States Bankruptcy Court for the Eastern District of North Carolina. The Henrys are debtors in a Chapter 11 bankruptcy filed in the Bankruptcy Court. The Henrys were the sole shareholders of MPS Generation, Inc. (“MPSG”). The Company entered into a supply contract with MPSG dated as of December 29, 2003, under which the Company was retained as a subcontractor to produce four waste heat energy converters for a project for which MPSG had entered into a contract with Basin Electric Power Cooperative (“Basin”). Basin filed a lawsuit on February 24, 2005 against,

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among others, MPSG and the Henrys in the United States District Court for the District of North Dakota, alleging various causes of action including breach of contract, actual and constructive fraud, and conversion, and demanding the piercing of MPSG’s corporate veil to establish the personal liability of the Henrys for MPSG’s debts. On September 15, 2005, Basin filed a complaint commencing the bankruptcy adversary proceeding, seeking a determination that the claims which Basin alleged against the Henrys in the North Dakota lawsuit were not dischargeable. On November 15, 2005, the Henrys answered Basin’s complaint in the bankruptcy proceeding and also filed a third-party complaint against the subsidiary, alleging that to the extent the Henrys are found personally liable to Basin for MPSG’s debts, the Henrys have claims against the subsidiary for breach of contract/breach of warranty, tortious interference with contract, unfair or deceptive trade practices and fraud. The Henrys alleged damages in excess of \$100 million. On December 15, 2005, the subsidiary filed an answer denying the Henrys’ claims and asserting counterclaims against the Henrys. The subsidiary filed a motion to dismiss the Henrys’ claims on January 31, 2006. On March 21, 2006, Basin filed an Amended Complaint in the bankruptcy proceeding, consolidating the causes of action it brought in the North Dakota lawsuit. In their answer to Basin’s Amended Complaint, the Henrys raised the same third party claims against the subsidiary. On May 11, 2006, the Bankruptcy Court entered an order denying the subsidiary’s motion to dismiss the Henrys’ claims against it, but staying the Henrys’ litigation against the subsidiary pending the resolution of Basin’s alter ego claims against the Henrys. In its answer to Basin’s Amended Complaint, MPSG asserted third party claims against the subsidiary similar to those claims raised by the Henrys. A trial on all issues raised in the bankruptcy proceeding is scheduled to begin in September 2007 in the Bankruptcy Court. The Company believes that it has no liability to the Henrys or to MPSG and intends to defend vigorously against the Henrys’ and MPSG’s claims in the bankruptcy proceeding. Therefore, no provision is included in the financial statements in respect of the claim.

Certain of the Company’s projects are subject to contested Federal Energy Regulatory Commission (“FERC”) rulings whereby an adverse outcome could result in a refund of a portion of previous revenues and/or a reduction in future

revenues from those projects. The outcome of this matter cannot be predicted at this time.

As to the dispute with SCE regarding the supply of electricity the GEM 2 and GEM 3 plants to the Ormesa project, see Note 13.

The Company is a defendant in various other legal and regulatory proceedings in the ordinary course of business. It is the opinion of the Company's management that the expected outcome of these matters, individually or in the aggregate, will not have a material effect on the results of operations and financial condition of the Company.

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NOTE 19 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Three Months Ended							
	March 31, 2005	June 30, 2005	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006
	(dollars in thousands, except per share amounts)							
Revenues:								
Electricity Segment	\$ 40,452	\$42,394	\$51,385	\$ 43,138	\$43,733	\$48,767	\$56,402	\$46,581
Products Segment	13,444	13,631	17,905	15,643	16,588	15,319	21,446	20,101
	53,896	56,025	69,290	58,781	60,321	64,086	77,848	66,682
Cost of revenues:								
Electricity Segment	23,612	27,791	25,855	26,357	26,867	30,936	32,319	34,234
Products Segment	10,683	11,427	12,073	11,053	10,532	9,580	13,157	17,946
	34,295	39,218	37,928	37,410	37,399	40,516	45,476	52,180
Gross margin	19,601	16,807	31,362	21,371	22,922	23,570	32,372	14,502
Operating expenses (income):								
Research and development expenses	380	714	777	1,165	773	890	826	494
Selling and marketing expenses	2,208	1,651	1,934	2,083	2,695	2,826	2,410	2,430
General and administrative expenses	3,627	2,975	3,388	4,330	4,684	4,404	4,270	4,736
Gain on sale of geothermal resource rights	—	—	—	—	—	—	—	—
Operating income	13,386	11,467	25,263	13,793	14,770	15,450	24,866	6,842
Other income (expense):								
Interest income	810	1,075	1,370	1,053	1,115	2,347	1,443	1,655
Interest expense	(10,298)	(9,502)	(9,011)	(26,506)	(7,453)	(7,741)	(8,347)	(7,420)
Foreign currency translation and transaction gain (loss)	(83)	39	(21)	(374)	(8)	(69)	(933)	306

Explanation of Responses:

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Other non-operating income	40	72	53	347	103	204	65	322
Income (loss) before income taxes, minority interest and equity in income of investees	3,855	3,151	17,654	(11,687)	8,527	10,191	17,094	1,705
Income tax benefit (provision)	(1,480)	(1,154)	(6,977)	4,921	(1,914)	(2,156)	(4,342)	2,009
Minority interest in earnings of subsidiaries	—	—	—	—	—	(571)	(242)	—
Equity in income of investees	1,533	2,097	1,641	1,623	1,279	931	1,429	507
Net income (loss)	\$ 3,908	\$ 4,094	\$ 12,318	\$ (5,143)	\$ 7,892	\$ 8,395	\$ 13,939	\$ 4,221
Earnings (loss) per share — basic and diluted	\$ 0.12	\$ 0.13	\$ 0.39	\$ (0.16)	\$ 0.25	\$ 0.24	\$ 0.39	\$ 0.12
Weighted average number of shares — basic	31,563	31,563	31,563	31,563	31,563	35,105	35,588	36,056
Weighted average number of shares — diluted	31,572	31,579	31,579	31,579	31,697	35,254	35,609	36,175

Interest expense for the three months ended December 31, 2005 include a one-time charge of approximately \$16.6 million as a result of the prepayment on December 8, 2005 of the Beal Bank loan (see Note 9), comprised of: (i) prepayment premium of \$11.5 million associated with payment of the Beal Bank loan, (ii) write-off of certain deferred financing costs amounting to \$4.2 million associated with the incurrence of the Beal Bank loan, and (iii) loss of \$0.9 million associated with the interest rate caps transaction described below. The tax effect of such one time charge is \$6.3 million, bringing the net effect of it to \$10.3 million.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 — SUBSEQUENT EVENTS

As described in Note 6, on January 19, 2007, the Company entered into an Amended and Restated Power Purchase Agreement and a Project Security Agreement, with KPLC, the Kenyan parastatal electricity transmission and distribution company, with respect to Phase II of Olkaria III project.

On February 27, 2007, the Company's Board of Directors declared, approved and authorized payment of a quarterly dividend of \$2.7 million (\$0.07 per share) to all holders of the Company's issued and outstanding shares of common stock on March 21, 2007, payable on March 29, 2007.

On February 27, 2007, the Company granted to a non-employee director non-qualified stock options, under the 2004 Incentive Compensation Plan, to purchase 7,500 shares of common stock at an exercise price of \$38.85, which represented the fair value of the Company's common stock on such date. Such options will expire seven years from the date of grant and will vest on the first anniversary of the date of grant.

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ORMAT LEYTE CO. LTD.
A Limited Partnership

Financial Statements
December 31, 2005
(With Comparative Unaudited Figures
for 2006 and 2004)
(In United States Dollars)

and

Report of Independent Registered Public Accounting Firm
December 31, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Ormat Leyte Co. Ltd.

We have audited the accompanying balance sheet of Ormat Leyte Co. Ltd. (a Philippine limited partnership) (the Partnership) as of December 31, 2005, and the related statements of income, changes in partners' equity and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership's internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ormat Leyte Co. Ltd. as of December 31, 2005, and the results of its operations and its cash flows for the year ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

/s/ SyCip Gorres Velayo & Co.

Explanation of Responses:

A Member Practice of Ernst & Young Global

Makati City, Philippines

March 27, 2006

SGV & Co is a member practice of Ernst & Young Global

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

BALANCE SHEET

	December 31	
	2006	2005
	(Unaudited)	
Assets		
Current Assets		
Cash (Note 4)	\$ 1,268,147	\$ 1,316,091
Restricted cash (Notes 4 and 7)	3,570,920	3,781,222
Accounts receivable — net of allowance for doubtful debts of \$698,461 in 2006 and \$645,047 in 2005	1,779,104	1,725,143
Prepaid expenses	183,692	154,950
Due from related parties (Note 8)	1,899	—
Deferred income tax assets — net (Note 13)	744,274	994,965
Total Current Assets	7,548,036	7,972,371
Property, Plant and Equipment — net (Notes 2, 6, 7 and 14)	4,239,415	9,937,548
Deferred Income Tax Assets (Note 13)	—	587,248
Other Non-current Assets — net (Note 5)	392,529	741,893
	\$ 12,179,980	\$ 19,239,060
Liabilities and Partners' Equity		
Current Liabilities		
Accrued expenses (Note 12)	\$ 476,636	\$ 490,746
Income tax payable (Note 13)	495,044	512,393
Current portion of long-term loan payable (Notes 4, 6 and 7)	3,809,828	5,079,776
Total Current Liabilities	4,781,508	6,082,915
Long-term Loan Payable — net of current portion (Notes 4, 6 and 7)	—	3,809,828
Total Liabilities	4,781,508	9,892,743
Partners' Equity		
Limited Partners (Notes 7 and 9)		
Investment	158,000	395,000
Accumulated net income	5,677,283	6,988,589

Explanation of Responses:

	5,835,283	7,383,589
General Partner (Notes 7 and 9)		
Investment	42,000	105,000
Accumulated net income	1,509,153	1,857,728
	1,551,153	1,962,728
Other Comprehensive Income — net of tax (Notes 3 and 12)	12,036	—
Total Partners' Equity	7,398,472	9,346,317
	\$ 12,179,980	\$ 19,239,060

See accompanying Notes to Financial Statements.

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

STATEMENT OF INCOME

	Years Ended December 31		
	2006 (Unaudited)	2005	2004 (Unaudited)
Operating Revenue (Notes 2 and 14)	\$ 13,715,296	\$ 13,133,937	\$ 10,799,895
Costs and Expenses			
Costs of power plants operations (includes cost of services rendered by related parties amounting to \$219,000 in 2006, \$207,273 in 2005 and \$186,000 in 2004) (Notes 6, 8, 10 and 14)	6,937,736	6,887,775	7,361,469
General and administrative expenses (includes cost of services rendered by a related party amounting to \$99,000 in 2006, \$87,273 in 2005 and \$78,000 in 2004) (Notes 8 and 11)	360,086	256,825	212,199
	7,297,822	7,144,600	7,573,668
Recovery From Insurance (Note 14)	—	977,841	821,892
Income From Operations	6,417,474	6,967,178	4,048,119
Other Income (Charges)			
Interest expense and finance charges (Note 7)	(424,188)	(752,969)	(1,095,328)
Amortization of capitalized credit exposure fees (Notes 5 and 7)	(459,532)	(459,532)	(459,532)
Interest income (Note 4)	186,286	126,103	34,284
Foreign exchange gain (loss) — net	90,715	(24,677)	(32,790)
Gain from non-monetary exchange of fixed assets	13,590	—	—
	(593,129)	(1,111,075)	(1,553,366)
Income Before Tax	5,824,345	5,856,103	2,494,753

Income Tax Expense (Note 13)			
Current	2,117,817	2,132,474	1,149,495
Deferred	918,909	(1,547,781)	(12,325)
	3,036,726	584,693	1,137,170
Net Income	\$ 2,787,619	\$ 5,271,410	\$ 1,357,583
Allocation of Net Income			
Limited Partners	\$ 2,202,219	\$ 4,164,414	\$ 1,072,490
General Partner	585,400	1,106,996	285,093
	\$ 2,787,619	\$ 5,271,410	\$ 1,357,583

See accompanying Notes to Financial Statements.

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

STATEMENT OF CHANGES IN PARTNERS' EQUITY

	Years Ended December 31		
	2006 (Unaudited)	2005	2004 (Unaudited)
Limited Partners			
Investment:			
Balance at beginning of year	\$ 395,000	\$ 1,297,145	\$ 2,853,710
Return of equity (Note 9)	(237,000)	(902,145)	(1,556,565)
Balance at end of year	158,000	395,000	1,297,145
Accumulated net income:			
Balance at beginning of year	6,988,589	5,910,457	6,028,062
Net income for the year	2,202,219	4,164,414	1,072,490
Income distribution (Note 9)	(3,513,525)	(3,086,282)	(1,190,095)
Balance at end of year	5,677,283	6,988,589	5,910,457
	5,835,283	7,383,589	7,207,602
General Partner			
Investment:			
Balance at beginning of year	105,000	344,809	758,580
Return of equity (Note 9)	(63,000)	(239,809)	(413,771)
Balance at end of year	42,000	105,000	344,809
Accumulated net income:			
Balance at beginning of year	1,857,728	1,571,136	1,602,398
Net income for the year	585,400	1,106,996	285,093
Income distribution (Note 9)	(933,975)	(820,404)	(316,355)
Balance at end of year	1,509,153	1,857,728	1,571,136

Explanation of Responses:

	1,551,153	1,962,728	1,915,945
Other Comprehensive Income — Net of tax (Notes 3 and 12)	12,036	—	—
Total Partners' Equity	\$ 7,398,472	\$ 9,346,317	\$ 9,123,547

See accompanying Notes to Financial Statements.

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

STATEMENT OF CASH FLOWS

	Years Ended December 31		
	2006 (Unaudited)	2005	2004 (Unaudited)
Cash Flows From Operating Activities			
Net income	\$ 2,787,619	\$ 5,271,410	\$ 1,357,583
Adjustments for:			
Depreciation	5,734,837	5,725,805	5,738,408
Deferred income tax	918,909	(1,547,781)	(12,325)
Amortization of capitalized credit exposure fees	459,532	459,532	459,532
Unrealized foreign exchange loss (gain) — net	(90,008)	7,516	(5,017)
Write-off of uncollectible accounts receivable	36,918	—	—
Provision for separation benefits	23,264	30,050	30,050
Gain from non-monetary exchange of fixed assets	(13,590)	—	—
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(55,056)	934,220	(24,658)
Prepaid expenses	(28,742)	(23,108)	25,544
Due from related parties	(1,899)	—	—
Input value-added tax	(110,168)	(20,078)	(16,279)
Increase (decrease) in:			
Accrued expenses	(38,216)	34,697	68,269
Income tax payable	(39,521)	(49,279)	137,982
Net cash provided by operating activities	9,583,879	10,822,984	7,759,089
Cash Flows From Investing Activities			
Decrease in restricted cash	210,302	199,977	224,651
Acquisitions of property, plant and equipment	(23,114)	(9,615)	(3,417)
Net cash provided by investing activities	187,188	190,362	221,234
Cash Flows From Financing Activities			
Repayments of loan	(5,079,776)	(5,079,776)	(5,079,776)

Income distributed to partners	(4,447,500)	(3,906,686)	(1,506,450)
Return of equity to partners	(300,000)	(1,141,954)	(1,970,336)
Cash used in financing activities	(9,827,276)	(10,128,416)	(8,556,562)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	8,265	(8,232)	1,213
Net Increase (Decrease) In Cash and Cash Equivalents	(47,944)	876,698	(575,026)
Cash and Cash Equivalents at Beginning of Year	1,316,091	439,393	1,014,419
Cash and Cash Equivalents at End of Year	\$ 1,268,147	\$ 1,316,091	\$ 439,393
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Income taxes	\$ 2,157,338	\$ 2,215,778	\$ 1,066,687
Interest and financing charges	478,951	808,187	1,152,821

See accompanying Notes to Financial Statements.

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

1. Company Information

a. Background

Ormat Leyte Co. Ltd. (OLCL), a Philippine limited partnership (the Partnership), was registered with the Philippine Securities and Exchange Commission (SEC) to engage in power production. It owns and operates geothermal electricity-generating facilities in Leyte Province, Philippines for the production and sale of electricity from geothermal resources.

The partners in this Partnership are:

	Type of Partner	Percentage of Ownership
Orleyte Company — Philippine Branch (OC)	General	21.00
OC	Limited	58.97
Itochu Corporation	Limited	10.00
Electric Power Development Co., Ltd.	Limited	10.00
Ormat Philippines, Inc. — Philippine Branch (OPI)	Limited	0.03

The net income of the Partnership is allocated to the partners based on each partner's respective percentage of ownership.

OLCL is registered with the Philippine Board of Investments as an operator of power generating plants on a pioneer status under the Omnibus Investments Code of 1987 (otherwise known as Executive Order No. 226). As a registered

enterprise, OLCL is entitled to certain tax and nontax incentives under the provisions of the Code subject to certain requirements under the terms of its registration. No incentive was availed by the Partnership in 2006, 2005 and 2004.

b. Principal Business Risks

The risks associated with the power plants include operating risks, dependence on one customer, Philippine National Oil Company-Energy Development Corporation (PNOC-EDC), environmental and political risks. Operating risks include breakdown of equipment or processes and performance of the power plants below expected levels of output or efficiency (see Note 14).

There is concentration in credit risk due to dependence on one customer. If the government were to purchase PNOC-EDC's property, PNOC-EDC would remain obligated under the Build-Operate-and-Transfer (BOT) Agreement (see Note 2) to make firm payments to OLCL. Such purchase could result in PNOC-EDC being unable to fulfill its obligations under the BOT Agreement, which will have material adverse effect on OLCL's ability to service its debt requirements. OLCL controls this risk by strict monitoring procedures and continuous discussions with PNOC-EDC on matters relating to the BOT Agreement. Accounts receivable from PNOC-EDC as of December 31, 2006 and 2005 amounted to \$1.78 million and \$1.73 million, respectively, net of allowance for probable losses of \$0.70 million and \$0.65 million, respectively.

2. BOT Agreement

On February 15, 1996, OLCL entered into an Accession Undertaking in connection with the BOT Agreement between Ormat, Inc., an affiliate company, and PNOC-EDC, a wholly-owned subsidiary of Philippine National Oil Company, whereby Ormat, Inc. assigned to OLCL all its rights and benefits under the BOT Agreement. The undertaking provides that OLCL shall design, construct, own and operate four geothermal electricity-generating plants with a total contracted capacity of 50 megawatts (MW) through the utilization of the geothermal resources of the Leyte Geothermal Power Optimization Project Area (Project).

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

The BOT Agreement provides that OLCL shall own, operate and maintain the power plants for the purpose of converting the steam delivered by PNOC-EDC into electric energy required by the National Power Corporation (NPC) in accordance with the power purchase agreement between NPC and PNOC-EDC during the cooperation period. OLCL will bill PNOC-EDC for the delivery of electric power and energy the amount of Capacity Fee which is the sum of the Fixed Operating Cost Recovery (the peso portion is payable in Philippine peso and the United States (US) dollar portion is payable in US dollar), Service Fee for Return on Investment (stated in US dollar and payable either in US dollar or Philippine peso) and Capital Cost Recovery (stated and payable in US dollar); and Energy Fee computed based on an agreed formula (stated and payable in Philippine peso), until the termination of the BOT Agreement in September 2007. The day following the end of the cooperation period, title to the power plants shall be transferred to PNOC-EDC, provided that PNOC-EDC has made all payments required pursuant to the BOT Agreement.

There are four power plants in the Leyte facility namely: Mahanagdong A, Mahanagdong B, Tongonan and Malitbog.

The power plants became operational on September 25, 1997, except for Malitbog which became operational on December 31, 1997. The total costs of the power plants amounted to \$56.67 million.

3. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements include the financial position, results of operations and cash flows of OLCL and have been prepared in accordance with US generally accepted accounting principles.

Use of Estimates

The preparation of the financial statements in accordance with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from such estimates.

Functional Currency

The functional currency of OLCL is US dollar.

In 2004 and prior years, OLCL's books of accounts were maintained in Philippine peso () and were remeasured into US dollars. The resulting translation gain or loss was credited or charged to current operations. The remeasurement method of balances to US dollar balances was as follows:

- a. All monetary assets and liabilities denominated in were translated into US dollars using the balance sheet date exchange rate;
- b. Non-monetary assets, such as prepaid expenses, property, plant and equipment, other non-current assets and partners' equity — investment account carried at historical cost, were translated at historical exchange rates on transaction dates; the related expense accounts such as depreciation and amortization were also translated at historical rates; and
- c. Other revenue, costs and expenses denominated in were translated at the average exchange rate for the month.

Since January 1, 2005, OLCL has maintained its books of accounts in US dollar, consistent with its functional currency.

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

Adoption of New Accounting Standard

Effective January 1, 2006, OLCL adopted Statement of Financial Accounting Standards (SFAS) No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. SFAS No. 158 amends SFAS 88, Employers'

Accounting for Settlements and Curtailments of Defined Benefit Pension Plan and for Termination Benefits and SFAS No. 132 (revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits. SFAS No. 158 improves financial reporting by requiring an employer to recognize the overfunded or under funded status of a defined benefit postretirement plan (other than a multi employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. As allowed under the transition provision of SFAS No. 158, gains and losses, prior service costs or credits and transition assets or obligations that have not yet been included in separation benefits cost as of December 31, 2006 are recognized as components of the ending balance of "Other comprehensive income," net of tax, shown in the 2006 statement of partners' equity.

The adoption resulted in the recognition of \$12,036 in "Other comprehensive income," net of tax effect of \$6,961, and a corresponding reduction in Accrued separation benefits of \$18,997 as of December 31, 2006 (see Note 12).

Accounts Receivable

Accounts receivable are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value. The cost of power plants consists of expenditures incurred in connection with the design and construction of the power plants. Cost also includes capitalized interests on borrowed funds used to finance the construction of the power plants during the construction period.

For the years ended December 31, 2006, 2005 and 2004, there was no interest capitalized. Depreciation of the power plants is computed on the straight-line method over a period of 10 years, which is the cooperation period stipulated in the BOT Agreement. Depreciation of the other property and equipment is computed on the straight-line method over the estimated useful lives of the assets as follows:

Transportation equipment	5 years
Furniture, fixtures and equipment	3 years

The cost of routine repairs and maintenance is charged to income as incurred; major enhancements and improvements are capitalized. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Impairment of Long-lived Assets

Long-lived assets are accounted for in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-lived Assets. OLCL periodically evaluates its long-lived assets for

ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

events or changes in circumstances that might indicate that the carrying amount of the assets may not be recoverable. OLCL assesses the recoverability of the assets by determining whether the amortization of such long-lived assets over their estimated useful lives can be recovered through projected undiscounted future cash flows. The amount of impairment, if any, is measured based on the fair value of the assets. Based on OLCL's review, as of December 31, 2006, 2005 and 2004, no impairment of assets has occurred.

Deferred Costs

Credit exposure fees paid in relation to the term loan, included under the Other non-current assets account in the balance sheets, are deferred and amortized over the term of the loan up to July 2007 using the effective interest rate method.

Cash and Cash Equivalents

OLCL considers all highly liquid investments with original maturity of three months or less at the time of purchase to be cash and cash equivalents.

Prepaid Input Value-Added Taxes

Prepaid input value-added taxes (VAT) represent VAT imposed on OLCL by its suppliers for the acquisition of goods and services required under Philippine tax laws and regulations.

The input VAT is recognized as an asset and will be claimed as tax credits/refunds. Input taxes are stated at their estimated net realizable values.

Revenue Recognition

Pursuant to Emerging Issues Task Force Issue No. 01-8, Determining Whether an Arrangement Contains a Lease, and Statement of Financial Accounting Standards (SFAS) 13, Accounting for Leases, the arrangements of the BOT Agreement should be accounted for as an operating lease. The BOT Agreement does not provide for any minimum payments.

Operating revenue consists of Capacity and Energy Fees for the energy and services supplied by OLCL to PNOC-EDC as provided for in the BOT Agreement and revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to OLCL and the amount of revenue can be reliably measured. Capacity Fee is the sum of the Fixed Operating Cost Recovery, Service Fee for Return on Investment and Capital Cost Recovery (see Note 2). The Capacity Fee component in OLCL's BOT Agreement with PNOC-EDC is recognized based on the generation of electricity using the agreed formula in the BOT Agreement which takes into account, among others, the nominated capacity, contracted capacity, outage hours and an agreed fixed rate per kilowatt hour. Energy Fee is recognized based on the actual delivery of electricity generated and made available to PNOC-EDC in excess of the agreed efficiency rate in converting the steam delivered by PNOC-EDC into electric energy.

Interest on cash and restricted cash is recognized as the interest accrues computed using the effective interest rate method.

Separation Benefits

OLCL accrues the cost of separation benefits that the employees are entitled to receive at the termination of the BOT Agreement computed using the projected unit credit method. These benefits are unfunded. Starting December 31, 2006, actuarial gains and losses are charged or credited to "Other comprehensive income" in the statements of partners' equity. Previously, actuarial gains and losses are taken to income.

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ORMAT LEYTE CO. LTD.
(A LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

Borrowing Costs

Borrowing costs generally are expensed as incurred. Borrowing cost is capitalized if it is directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs eligible for capitalization are the interest costs recognized on borrowings and other obligations.

Income Taxes

OLCL accounts for corporate income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires an asset and liability approach in determining income tax liabilities. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred income tax assets and liabilities are measured using the tax rate expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that a portion or all of the deferred income tax assets will not be realized in the future.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in US dollars based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated to US dollars at exchange rates prevailing at balance sheet dates. Exchange gains or losses arising from the translation or settlement of foreign currency denominated monetary assets and liabilities at exchange rates different from those at which the assets and liabilities are initially recorded, are credited or charged to current operations.

Impact of Recently Issued Accounting Standards

In June 2006, the FASB issued FASB Interpretations (FIN) No. 48, Accounting for Uncertainty in Income Taxes. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Interpretation is effective for the fiscal years beginning after December 15, 2006. OLCL is still in the process of evaluating the impact of adopting FIN No. 48 effective January 1, 2007.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements, which provides guidance for using fair value to measure assets and liabilities. It also responds to investors' request for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. It applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. It does not expand the use of fair value in any new circumstances. This Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007.

4. Cash and Restricted Cash

Restricted cash totalling \$3.57 million and \$3.78 million as of December 31, 2006 and 2005, respectively, represents the cash reserves under the Credit Agreement which will be used to

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secure the payment of loan amortizations maturing in the succeeding two quarters (see Note 7). The balance of restricted cash is subject to distribution approvals in accordance with the Credit Agreement.

5. Other Non-current Assets

	2006 (Unaudited)	2005
Deferred credit exposure fees — net (Note 7)	\$ 229,808	\$ 689,340
Input VAT — net	160,396	50,528
Rental deposit	2,325	2,025
	\$ 392,529	\$ 741,893

6. Property, Plant and Equipment

	2006 (Unaudited)	2005
Power plants (Note 2)	\$ 56,667,169	\$ 56,667,169
Transportation equipment	169,758	181,120

Explanation of Responses:

Furniture, fixtures and equipment	78,388	75,697
	56,915,315	56,923,986
Less accumulated depreciation	52,675,900	46,986,438
	\$ 4,239,415	\$ 9,937,548

The carrying amounts of the power plants as of December 31, 2006 and 2005 were \$4.19 million and \$9.90 million, respectively.

Total depreciation charged to operations amounted to \$5.73 million both in 2006 and 2005 and \$5.74 million in 2004.

Interest expense capitalized up to the completion of the power plants in 1997, net of accumulated depreciation of \$1.73 million and \$1.55 million, amounted to \$0.15 million and \$0.33 million as of December 31, 2006 and 2005, respectively.

All power plants are pledged to secure the payment of the long-term loan payable (see Note 7).

7. Long-term Loan Payable

The outstanding long-term loan payable amounted to \$3.81 million and \$8.89 million as of December 31, 2006 and 2005, respectively. The \$3.81 million loan outstanding as of December 31, 2006 is due in July 2007.

In 1998, the loan payable pertained to the construction credit facility extended by a syndicate of lenders to partially finance the cost of construction of 50 MW power plants in Leyte, Philippines.

The Export-Import Bank of the United States (Eximbank) provided a guarantee and agreed to re-finance the loan (i.e., conversion of this construction loan into a term loan upon completion of the reliability tests on the power plants) made by the lenders under the Credit Agreement.

The construction loan was converted into a term loan with Eximbank on January 21, 1999. The loan's principal balance is payable in 35 equal, successive quarterly installments of \$1.27 million starting February 1, 1999 plus interest at 6.54% a year. The principal balance is

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exclusive of credit exposure fees amounting to \$0.23 million and \$0.69 million (net of accumulated amortization of \$3.65 million and \$3.19 million) as of December 31, 2006 and 2005, respectively. The unamortized balance of credit exposure fees is included under the Other non-current assets account in the balance sheets (see Note 5).

The loan is collateralized by a mortgage on OLCL's power plants, assignment of revenues and pledge of partnership interests of OPI and OC in OLCL.

The loan agreement provides, among other terms and conditions, that, for as long as the loan remains outstanding, OLCL is subject to certain negative covenants requiring prior written bank approval for specified partnership acts which include, but are not limited to mortgage of properties; consolidation, merger and sale of assets; declaration or payment of partnership distributions, return of capital or redemption, retirement, purchase or acquisition of partnership interests; entering into lease-purchase and guarantee agreements; contracting indebtedness; forming or having any subsidiaries; granting of loans or advances; entering into any new management contracts; amendment of Articles of Partnership and other organization documents, i.e., changing its fiscal year and materially changing the nature of its present business; and abandonment of the Project. In addition, the agreement provides that OLCL's equity-debt ratio should not be less than 25:75 at any time.

8. Related Party Transactions

Transactions with related parties are as follows:

- a. Technical and managerial support services agreement with Ormat Systems Ltd. (OSL), an affiliated company, for one year starting October 1997, renewable yearly, if not terminated prior to renewal date, until 2007, for a monthly fee of \$10,000, escalated using the indexes as defined in the agreement (see Note 10).
- b. Operation, maintenance, general and administration support services agreement with Ormat, Inc. — Manila Branch (OMB), an affiliate company, for a monthly service fee of \$16,500 in 2006, \$14,545 in 2005 and \$12,000 in 2004 with the same terms as the agreement with OI (see Notes 10 and 11).
- c. Noninterest-bearing short-term advances by the following related companies for payment of OLCL's expenses which remained outstanding as of December 31, 2006:

OMB	\$ 1,887
OC	12
	\$ 1,899

There were no outstanding amounts due to/from related parties as of December 31, 2005.

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9. Partners' Equity

- a. OLCL returned equity to partners distributed in proportion to their respective contribution as follows:

	Amount (in Millions)	Date of Approval of Amended Articles of Partnership
Date of Return of Equity 2006 November 9	\$ 0.30	December 5, 2006

Explanation of Responses:

2005		
May 16	\$ 0.85	June 16, 2005
August 8	0.29	June 16, 2005
	1.14	
2004		
May 11	1.97	May 21, 2004

b. OLCL distributed income to partners as follows:

Date of Income Distribution	Amount (in Millions)
2006	
February 7	\$ 1.45
May 16	1.10
August 8	1.10
November 9	0.80
	4.45
2005	
February 3	0.48
May 5	0.80
August 8	1.42
October 3	1.21
	3.91
2004	
February 9	1.20
August 9	0.31
	1.51

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10. Costs of Power Plants Operations

	2006 (Unaudited)	2005	2004 (Unaudited)
Depreciation (Note 6)	\$ 5,734,837	\$ 5,725,805	\$ 5,738,408
Insurance	348,220	292,792	328,666
Salaries and wages	264,561	222,162	219,421
Technical and managerial services (Note 8a)	120,000	120,000	120,000
	99,000	87,273	66,000

Explanation of Responses:

Operations and maintenance services (Note 8b)			
Supplies and utilities	95,873	150,627	161,029
Employee benefits (Note 12)	76,019	103,620	72,046
Repairs and maintenance (Note 14)	60,269	47,287	536,726
Outside services	56,067	57,616	42,734
Others	82,890	80,593	76,439
	\$ 6,937,736	\$ 6,887,775	\$ 7,361,469

11. General and Administrative Expenses

	2006 (Unaudited)	2005	2004 (Unaudited)
Professional fees	\$ 167,392	\$ 83,308	\$ 67,792
Administrative services (Note 8b)	99,000	87,273	78,000
Bad debts and losses	36,918	39,767	—
Others	56,776	46,477	66,407
	\$ 360,086	\$ 256,825	\$ 212,199

12. Separation Benefits

OLCL has a separation benefits policy that entitles its employees to a separation pay upon the termination of the BOT Agreement, equivalent to one month of the employee's basic salary for every year of service for employees or a minimum of one and one fourth (1-1/4) month's salary for every year of service for certain qualified employees. The separation benefits are unfunded.

Following is the movement of OLCL's separation benefits liabilities included under the Accrued expenses account in the balance sheets:

	2006 (Unaudited)	2005
Balance at beginning of year	\$ 122,481	\$ 85,604
Separation benefits cost for the year	23,264	30,050
Unrecognized actuarial gain (Note 3)	(18,997)	—
Foreign exchange loss (gain)	10,342	6,827
Balance at end of year	\$ 137,090	\$ 122,481

The unrecognized actuarial gain in 2006, net of tax effect, was credited to other comprehensive income (see Note 3).

The principal assumptions used in determining the separation benefits liabilities as follows:

	2006 (Unaudited)	2005	2004 (Unaudited)
Discount rate	5.55%	9.04%	11.67%
Annual salary increases	8.00%	7.00%-8.00%	5.00%

13. Income Taxes

a. Deferred income tax assets relate to the following:

	2006 (Unaudited)	2005
Deferred income tax assets — current:		
Unrealized foreign exchange loss on current portion of long-term loan	\$ 525,458	\$ 814,156
Allowance for doubtful debts	244,461	225,766
Unrealized foreign exchange losses on current monetary items	129,551	102,041
Accrued separation benefits and others	89,265	78,768
	988,735	1,220,731
Less valuation allowance	244,461	225,766
Net deferred income tax assets — current	\$ 744,274	\$ 994,965
Deferred income tax asset on unrealized foreign exchange loss on long-term loan	\$ —	\$ 587,248

b. The provision for income tax — deferred consists of the following:

	2006 (Unaudited)	2005	2004 (Unaudited)
Net changes in temporary differences	\$ 812,282	\$ 559,132	\$ 692,642
Unrealized foreign exchange loss (gain)	87,932	1,952	(51)
Changes in valuation allowance	18,695	(2,108,865)	(704,916)
	\$ 918,909	(\$1,547,781)	(\$12,325)

In 2004, based on the then position of the tax authorities on the tax treatment of foreign exchange differentials by taxpayers adopting the use of functional currency other than the Philippine peso financial statements, it was considered unlikely that the related temporary difference would be deductible against future taxable income. Thus, a valuation allowance amounting to \$1,369,898 was provided on the deferred income tax asset relating to unrealized foreign exchange loss on the long-term loan in 2004. However, in 2005, the tax authorities changed their earlier position which rendered the temporary difference to be deductible against future taxable profits. Consequently, the valuation allowance on the deferred income tax asset in 2004 was reversed in 2005.

c. The reconciliations of the income tax expense computed by applying the statutory income tax rates to the income before income tax and the income tax expense as shown in the statements of income is summarized as follows:

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	2006 (Unaudited)	2005	2004 (Unaudited)
Income tax at statutory income tax rates	\$ 2,038,521	\$ 1,903,233	\$ 798,321
Additions to (reductions in) income tax resulting from:			
Effect of using the local currency for tax purposes	986,932	937,166	138,207
Changes in valuation allowance on deferred income tax assets	18,695	(2,108,865)	(704,916)
Nondeductible expenses and others	(7,422)	11,967	4,992
Depreciation expense related to capitalized foreign exchange losses	—	—	900,566
Change in income tax rate	—	(158,808)	—
Income tax expense	\$ 3,036,726	\$ 584,693	\$ 1,137,170

The statutory income tax rates stood at 32% during the period up to October 31, 2005 and was increased to 35% from November 1, 2005 (Note d). The statutory income tax rate was 32% in 2004.

Computation of income tax expense is based on the books of accounts expressed in Philippine peso in accordance with Philippine' tax laws. Prior to January 1, 2005, the carrying value of OLCL's power plants in its books expressed in Philippine peso included undepreciated capitalized unrealized foreign exchange losses; the related depreciation charged to income was not considered a deductible tax item and was added back to "income tax at statutory income tax rates" in the reconciliation of income tax expense. Starting on January 1, 2005, OLCL reversed in its books of accounts expressed in Philippine peso the balance of undepreciated capitalized unrealized foreign exchange losses.

- d. On May 24, 2005, the new Expanded Value-Added Tax (E-VAT) law was signed as Republic Act No. 9337 or the E-VAT Act of 2005. The E-VAT law took effect on November 1, 2005 following the approval on October 19, 2005 of Revenue Regulations 16-2005 which provides for the implementation of the rules and regulations of the new E-VAT law. This provides for the change in corporate income tax rate from 32% to 35% for the next three years effective on November 1, 2005, and 30% starting January 1, 2009 and thereafter, among others. OCLC's deferred income tax assets in 2005 were measured using tax rates expected to apply for the years when the deferred income tax assets are expected to be realized.

The E-VAT law also provides for the increase in the VAT rate from 10% to 12%, subject to certain conditions. The increase in VAT rate to 12% became effective on February 1, 2006.

14. Insurance Recovery of the Tongonan and Malitbog Plants

- a. On July 11, 2004, the main step-up transformer of the Tongonan topping plant sustained damage, putting this plant into outage condition. Upon the insurance company's instruction, OLCL procured a temporary unit located in the Philippines and on September 19, 2004, the plant's normal operation was restored.

OLCL filed with its insurer claim for material damage on the costs incurred related to the damaged transformer in excess of \$50,000 and for business interruption cover in excess of 30 days. OLCL did not recognize a receivable from the insurer as of December 31, 2004 since the insurer did not confirm the claim as of that date.

On May 26, 2005, OLCL recovered its insurance claims and credited \$850,000 to the Recovery from insurance account in the 2005 statement of income.

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- b. On August 19, 2004, the generator at the Malitbog plant tripped placing the plant under the outage condition beginning that date. On January 8, 2005, the plant's normal operation resumed after the generator rotor was repaired.

OLCL filed for material damage claim on the cost of the generator repair in excess of \$50,000 and for business interruption cover in excess of 30 days. OLCL recognized a receivable of \$1,200,000 as of December 31, 2004 since the insurer confirmed the claim and made an interim payment in January 2005. In the 2004 statement of income, \$821,892 was credited to the Recovery from insurance account for the reimbursement of loss of revenue and \$378,108 was credited to Repairs and maintenance account under Costs of power plants operations for the reimbursements of repair costs.

On April 13, 2005, OLCL recovered from the insurer \$1,327,841 of which \$1,200,000 was applied against the receivable set up in 2004 and the excess amount of \$127,841 was credited to the Recovery from insurance account in the 2005 statement of income.

15. Fair Values of Financial Instruments

The following table sets forth the carrying values and estimated fair values of OLCL's financial instruments recognized as of December 31, 2006 and 2005:

	2006		2005	
	Carrying Values	Fair Values	Carrying Values	Fair Values
	(In Thousands)		(In Thousands)	
Cash	\$ 1,268	\$ 1,268	\$ 1,316	\$ 1,316
Restricted cash	3,571	3,571	3,781	3,781
Accounts receivable	1,779	1,779	1,725	1,725
Long-term debt	(3,809)	(3,809)	(8,890)	(8,578)

The carrying amount of cash and restricted cash approximates their fair values since these are available for working capital and debt service requirements. The carrying amount of accounts receivable subject to normal credit terms,

approximates its fair value.

The fair value of long-term debt as of December 31, 2006 already approximates its carrying value since the loan is already currently payable. The fair value in 2005 was based on the net present value of expected cash flows discounted using current interest rates, ranging from 3.59% to 4.44%, from similar debt with the same maturity and credit risk profile.

16. Other Matters

a. Electric Power Industry Reform Act

Philippine Republic Act No. 9136, the Electric Power Industry Reform Act of 2001 (EPIRA), and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply, and other disposable assets of a company, including its contracts with independent power producers, and electricity rates;
- ii. Creation of a Wholesale Electricity Spot Market; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within five years from the effectivity of the EPIRA. It provides cross

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ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation, except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for: (a) cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity; and (b) value-added tax zero-rating of sale of generated power (see Note 13).

Based on the assessment of OLCL, it has complied with the applicable provisions of the EPIRA and its IRR.

b. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole, and on OLCL in particular, that need to be complied with within 44 months from the effectivity date or by July 2004. Based on the initial assessment made on its power plants' existing facilities, OLCL believes it complies with the provisions of the Clean Air Act and the related IRR.

c. Pending Real Property Tax Assessment

Explanation of Responses:

On November 25, 2005, OLCL received a formal assessment for real property tax from the municipality of Kananga, Leyte amounting to \$233,548 for the period from January 1, 2001 to October 31, 2005. According to the BOT Agreement, PNOC-EDC shall be responsible for the real property tax. On January 24, 2006, OLCL filed an appeal on the real property tax assessment with the Local Board of Assessment Appeals of the Leyte Province.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

In connection with the preparation of this Annual Report on Form 10-K, management carried out an evaluation under the supervision and with the participation of, the Chief Executive Officer and Chief Financial Officer, as of December 31, 2006 of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure. Based upon, and as of the date of this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2006 at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934, as amended.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management and directors of the Company; and
- (iii)

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision and participation of the Chief Executive Officer and Chief Financial Officer, conducted an assessment of the Company's internal control over financial reporting as of December 31, 2006 using the criteria established in Internal Control & Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of the Company's internal control over financial

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reporting and testing of the operational effectiveness of the Company's internal control over financial reporting. Based on such assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2006.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is presented in this Annual Report.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item in addition to that below is incorporated by reference herein from the Company's definitive 2007 Proxy Statement.

Explanation of Responses:

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Directors and Executive Officers Information

The following table sets forth the name, age and positions of our directors, executive officers and persons who are executive officers of certain of our subsidiaries who perform policy making functions for us:

Name	Age	Position
Lucien Bronicki	73	Chairman of the Board of Directors; Chief Technology Officer ⁽³⁾
Yehudit "Dita" Bronicki	65	Chief Executive Officer; President; Director ⁽²⁾
Yoram Bronicki	40	Chief Operating Officer — North America; Director ⁽¹⁾
Joseph Tenne	51	Chief Financial Officer*
Nadav Amir	56	Executive Vice President — Engineering*
Hezy Ram	57	Executive Vice President — Business Development, North America**
Zvi Reiss	56	Executive Vice President — Project Management*
Joseph Shiloah	61	Executive Vice President — Marketing and Sales, Rest of the World*
Aaron Choresh	61	Vice President — Operations Rest of the World and Product Support*
Zvi Krieger	51	Vice President — Geothermal Engineering*
Etty Rosner	51	Vice President — Contract Administrator; Corporate Secretary*
Connie Stechman	51	Vice President
Independent Directors:		
Dan Falk	62	Independent Director ⁽³⁾
Jacob J. Worenklein	58	Independent Director ⁽²⁾
Roger W. Gale	60	Independent Director ⁽¹⁾
Robert F. Clarke	64	Independent Director ⁽²⁾

*Performs the functions described in the table, but is employed by Ormat Systems.

**Performs the functions described in the table, but is employed by Ormat Nevada.

⁽¹⁾Denotes Class I Director — Term expiring at 2008 Annual Shareholders Meeting.

⁽²⁾Denotes Class II Director — Term expiring at 2009 Annual Shareholders Meeting.

⁽³⁾Denotes Class III Director — Term expiring at 2007 Annual Shareholders Meeting.

Lucien Bronicki. Lucien Bronicki is the Chairman of our Board of Directors, a position he has held since our inception in 1994, and has also been our Chief Technology Officer since July 1, 2004. Mr. Bronicki co-founded Ormat Turbines Ltd. in 1965 and is the Chairman of the Board of Directors of Ormat Industries Ltd., the publicly-traded successor to Ormat Turbines Ltd., and various of its subsidiaries. From 1999 to April 2006, Mr. Bronicki served as the Chairman of the Board of Directors of OPTI Canada Inc., a company engaged in the oil sands industry in Canada in which our parent owns an approximately 5% interest. From 1992 to May 2006, Mr. Bronicki was the Chairman of the Board of Directors of Bet Shemesh Engines, a manufacturer of jet engines, and from 1997 to May 2006, Mr. Bronicki was the Chairman of the Board of Directors of Bet Shemesh Holdings. Mr. Bronicki was also the Chairman of the Board of Directors of Orad Hi-Tec Systems Ltd., a

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manufacturer of image processing systems, until the end of 2005, and was the Co-Chairman of Orbotech Ltd., a NASDAQ-listed manufacturer of equipment for inspecting and imaging circuit boards and display panels. Mr. Bronicki has worked in the power industry since 1958. He is a member of the Executive Council of the Weizmann Institute of Science and was the Chairman of the Israeli Committee of the World Energy Council. Yehudit Bronicki and Lucien Bronicki are married. Mr. Bronicki obtained a postgraduate degree in Nuclear Engineering from Conservatoire National des Arts et Metiers, a Master of Science in Physics from Universite de Paris and a Master of Science in Mechanical Engineering from Ecole Nationale Superieure d'Ingenieurs Arts et Metiers. In the year 2005, he received a Ph.D. Honoris Causa from the Ben-Gurion University, and in 2006 from the Weizmann Institute of Science.

Yehudit "Dita" Bronicki. Yehudit Bronicki has been our Chief Executive Officer since July 1, 2004, and is also a member of our Board of Directors and our President. Mrs. Bronicki has also been the President of Ormat Systems, one of our subsidiaries, since July 1, 2004. Mrs. Bronicki was also a co-founder of Ormat Turbines Ltd. and is a member of the Board of Directors and the General Manager (a CEO-equivalent position) of Ormat Industries Ltd., the publicly traded successor to Ormat Turbines Ltd., and various of its subsidiaries. From 1992 to June 2005, Mrs. Bronicki was a director of Bet Shemesh Engines, a manufacturer of jet engines. In addition, Mrs. Bronicki was a member of the Board of Directors of OPTI Canada Inc. until May 2005 and is a member of the Board of Orbotech Ltd., a NASDAQ-listed manufacturer of equipment for inspecting and imaging circuit boards and display panels. From 1994 to 2001, Mrs. Bronicki was on the Advisory Board of the Bank of Israel. Mrs. Bronicki has worked in the power industry since 1965. Yehudit Bronicki and Lucien Bronicki are married. Mrs. Bronicki obtained a Bachelor of Arts in Social Sciences from Hebrew University in 1965.

Yoram Bronicki. has been a member of our Board of Directors since November 12, 2004, and has been our Chief Operating Officer, North America since July 1, 2004. Mr. Bronicki is also a member of the Board of Directors of Ormat Industries Ltd., a position he has held since 2001, and a member of the Board of Directors of OPTI Canada Inc. From 2001 to 2004, Mr. Bronicki was Vice President of OPTI Canada Inc.; from 1999 to 2001, he was Project Manager of Ormat Industries Ltd. and Ormat International; from 1996 to 1999, he was Project Manager of Ormat Industries Ltd.; and from 1995 to 1996, he was Project Engineer of Ormat Industries Ltd. Mr. Bronicki is the son of Lucien and Yehudit Bronicki. Mr. Bronicki obtained a Bachelor of Science in Mechanical Engineering from Tel Aviv University in 1989 and a Certificate from the Technion Institute of Management Senior Executives Program.

Joseph Tenne. Joseph Tenne has served as our Chief Financial Officer since March 9, 2005. From 2003 to 2004, Mr. Tenne was the Chief Financial Officer of Treofan Germany GmbH & Co. KG, a German company. From 1997 until 2003, Mr. Tenne was a partner in Kesselman & Kesselman, Certified Public Accountants in Israel (a member firm of PricewaterhouseCoopers International Limited). Since January 8, 2006, Mr. Tenne has also been the Chief Financial Officer of Ormat Industries Ltd. Mr. Tenne is a member of the board of directors of AudioCodes Ltd., a NASDAQ-listed company. Mr. Tenne obtained a Master of Business Administration from Tel Aviv University in 1987 and a Bachelor of Arts in Accounting and Economics from Tel Aviv University in 1981. Mr. Tenne is also a Certified Public Accountant in Israel.

Nadav Amir. Nadav Amir has served as our Executive Vice President of Engineering, since July 1, 2004. From 2001 through June 30, 2004, Mr. Amir was Executive Vice President of Engineering of Ormat Industries; from 1993 to 2001, he was Vice President of Engineering of Ormat Industries Ltd.; from 1988 to 1993, he was Manager of Engineering of Ormat Industries Ltd.; from 1984 to 1988, he was Manager of Product Engineering of Ormat Industries Ltd.; and from 1983 to 1984, he was Manager of Research and Development of Ormat Industries. Mr. Amir obtained a Bachelor of Science in Aeronautical Engineering from Technion Haifa in 1972.

Yeheskel (Hezy) Ram. Hezy Ram has served as our Executive Vice President of Business Development, North America, since January 1, 2004. From 1999 through December 31, 2003, Mr. Ram was Vice President of Business Development of Ormat Industries Ltd. Mr. Ram obtained a

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Master of Business Administration from Hebrew University in 1978, a Master of Science in Mechanical Engineering from Ben Gurion University in 1977 and a Bachelor of Science in Mechanical Engineering from Ben Gurion University in 1975.

Zvi Reiss. Zvi Reiss has served as our Executive Vice President of Project Management since July 1, 2004. From 2001 through June 30, 2004, Mr. Reiss was the Executive Vice President of Project Management of Ormat Industries Ltd.; from 1995 to 2000, he was Vice President of Project Management of Ormat Industries Ltd. and, from 1993 to 1994, he was Director of Projects of Ormat Industries Ltd.. Mr. Reiss obtained a Bachelor of Science in Mechanical Engineering from Ben Gurion University in 1975.

Joseph Shiloah. Joseph Shiloah has served as our Executive Vice President of Marketing and Sales, Rest of the World, since July 1, 2004. From 2001 through June 30, 2004, Mr. Shiloah was the Executive Vice President of Marketing and Sales at Ormat Industries Ltd.; from 1989 to 2000, he was Vice President of Marketing and Sales of Ormat Industries Ltd.; from 1983 to 1989, he was Vice President of Special Projects of Ormat Turbines Ltd.; from 1984 to 1989, he was Operating Manager of the Solar Pond project of Solmat Systems Ltd., a subsidiary of Ormat Turbines Ltd.; and from 1981 to 1983, he was Project Administrator of the Solar Pond power plant project of Ormat Turbines Ltd. and Solmat Systems Ltd. Mr. Shiloah obtained a Bachelor of Arts in Economics from Hebrew University in 1972.

Aaron Choresh. Aaron Choresh has served as our Vice President of Operations Rest of the World and Product Support, since July 1, 2004. From 1999 through June 30, 2004, Mr. Choresh was the Vice President of Operations and Product Support of Ormat Industries Ltd.; from 1993 to 1998, he was the Director of Operations and Product Support of Ormat Industries Ltd.; from 1991 to 1992, he was Manager of Project Engineering and Product Support; and from 1989 to 1990, he was Manager of Project Engineering of Ormat Industries Ltd.. Mr. Choresh obtained a Bachelor of Science in Electrical Engineering from Technion Haifa in 1982.

Zvi Krieger. Zvi Krieger has served as our Vice President of Geothermal Engineering, since July 1, 2004. From 2001 through June 30, 2004, Mr. Krieger was the Vice President of Geothermal Engineering of Ormat Industries Ltd.. Mr. Krieger has been with Ormat Industries Ltd. since 1981 and served as Application Engineer, Manager of System Engineering, Director of New Technologies Business Development and Vice President of Geothermal Engineering. Mr. Krieger obtained a Bachelor of Science in Mechanical Engineering from the Technion, Israel Institute of Technology in 1980.

Etty Rosner. Etty Rosner has served as our Corporate Secretary, since October 21, 2004. Ms. Rosner is also the Corporate Secretary of Ormat Industries Ltd., a position she has held since 1991, and Vice President of Contract Management of Ormat Industries Ltd., a position she has held since 1999. From 1991 to 1999, Ms. Rosner was Contract Administrator Manager and Corporate Secretary and from 1981 to 1991, she was the Manager of the Export Department and Office Administrative Manager. Ms. Rosner obtained a Diploma in General Management from Tel Aviv University in 1990.

Connie Stechman. Connie Stechman has served as our Vice President since our inception in 1994. Prior to joining Ormat Technologies, Inc., Ms. Stechman worked for an international public accounting firm. Ms. Stechman is a Certified Public Accountant and obtained a Bachelor of Science in Business and Concentration Accounting from California State University, Sacramento, in 1977.

Dan Falk. Dan Falk has been a member of our Board of Directors since November 12, 2004. Mr. Falk is also a member of the Board of Directors of Orbotech Ltd., Nice Systems Ltd., Attunity Ltd., ClickSoftware Technologies Ltd., Jacada Ltd. and Nova Measuring Instruments Ltd., all NASDAQ publicly traded companies. In addition, Mr. Falk serves as a member of the Board of Directors of the following public non-US companies: Plostopil Ltd., Orad Hi-Tech Systems Ltd., Dmatek Ltd., Netafim Ltd. and Poalim Ventures I Ltd. From 2001 to 2004, Mr. Falk was a business consultant to several public and private companies. From 1999 to 2000, Mr. Falk was Chief Operating Officer and Chief Executive Officer of Sapiens International NV. From 1995 to 1999, Mr. Falk was an

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Executive Vice President of Orbotech Ltd. From 1985 to 1995, Mr. Falk was Vice President of Finance and Chief Financial Officer of Orbot Systems Ltd. and of Orbotech Ltd. Mr. Falk obtained a Master of Business Administration from Hebrew University in 1972 and a Bachelor of Arts in Economics and Political Science from Hebrew University in 1968. Mr. Falk is the Chair of our Audit Committee. Our Board of Directors has determined that Mr. Falk qualifies as an Audit Committee “financial expert” under Section 407 of the Sarbanes-Oxley Act of 2002 and Item 407(d)(5) of Regulation S-K, and is “independent” as that term is used in Item 7(d)(3)(iv) of Regulation 14A under the Securities Exchange Act of 1934.

Jacob J. Worenklein. Jacob J. Worenklein has been a member of our Board of Directors since November 12, 2004, and has also served as President and Chief Executive Officer of US Power Generating Company from 2003 to the present. From 1998 to 2003, he was Managing Director and Global Head of Project and Sectorial Finance for Societe Generale and, from 1996 to 1998, he was Managing Director and Head of Project Finance, Export Finance and Commodities for the Americas, for Societe Generale. Prior to joining Societe Generale in 1996, Mr. Worenklein was Managing Director and Global Head of Project Finance at Lehman Brothers and prior thereto was a partner and member of the executive committee of the law firm of Milbank, Tweed, Hadley & McCloy LLP, where he founded and headed the firm’s power and project finance practice. Mr. Worenklein served as Adjunct Professor of Finance at New York University and is a trustee of the Committee for Economic Development and a member of the Council on Foreign Relations. He is a member of the Board of Directors and Audit Committee of CDC Globeleq, an affiliate of the UK’s Commonwealth Development Corporation. Mr. Worenklein obtained a Bachelor of Arts from Columbia College in 1970 and a Juris Doctor and Master of Business Administration from New York University in 1973.

Roger W. Gale, Ph.D. Roger W. Gale has been a member of our Board of Directors since October 26, 2005. Between 1988 and 2000, Dr. Gale was the CEO of Washington International Energy Group, which was sold to PHB Hagler Bailly (PHB) in 1999. In 2000, as PHB was sold to PA Consulting, Dr. Gale held several positions at PA Consulting until 2001, at which time he joined GF Energy LLC as President and CEO, a position he still holds. In addition, Dr. Gale served as a member of the Board of Directors of the US Energy Association, a not-for-profit organization. On December 1, 2005, he became a member of the Boards of Directors of The Adams Express Company and Petroleum & Resources Corporation (closed-end investment companies). He served on the Audit Committee of Constellation Holdings and on the board of the parent, Constellation Energy Group from 1996 to 2005. Dr. Gale has a Ph.D. in political science from the University of California, Berkeley.

Robert F. Clarke. Robert F. Clarke has been a member of our Board of Directors since February 27, 2007. Mr. Clarke was Chairman (since September 1998) and President and Chief Executive Officer (since January 1991) of Hawaiian Electric Industries, Inc. (HEI), from which he retired effective May 2006. Since June 1, 2006, Mr. Clarke has been Executive in Residence at the Shidler College of Business at the University of Hawaii. Mr. Clarke joined HEI in February 1987 as Vice President of Strategic Planning and was in charge of implementing the Company's diversification strategy. Mr. Clarke was named HEI Group Vice President — Diversified Companies in May 1988. He was made a director of HEI in 1989. Prior to joining HEI, Mr. Clarke served as Senior Vice President and Chief Financial Officer of Alexander & Baldwin and as Controller of Dillingham Corporation. Prior to that, he worked for the Ford Motor Company and for the Singer Company. He received his Bachelor's degree in economics in 1965 and his Master's degree in finance in 1966 from the University of California at Berkeley. Honors include Phi Beta Kappa in 1965.

Audit Committee

We are a listed issuer, as defined in Sec. 240.10A-3 of Regulation S-K, and have a separately designated audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, composed of independent directors as required by Section 303A.07 of the NYSE Listed Company Manual. The members of such committee are Dan Falk (Chair), Jacob Worenklein and Roger W. Gale, who are also independent directors of our company, as defined in Section 303A.02 of the NYSE Listed Company Manual.

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ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated by reference herein from the Company's definitive 2007 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP AND CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required under this item is incorporated by reference herein from the Company's definitive 2007 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under this item is incorporated by reference herein from the Company's definitive 2007 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this item is incorporated by reference herein from the Company's definitive 2007 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) List of Financial Statements

See Index to Financial Statements in Item 8 of this annual report.

(2) List of Financial Statement Schedules

All applicable schedule information is included in our Financial Statements in Item 8 of this annual report.

(b) EXHIBIT INDEX

Exhibit No.	Document
1.1	Underwriting Agreement, dated April 4, 2006, by and among the Company, Lehman Brothers Inc., and Goldman, Sachs & Co., for themselves and as representatives of the several underwriters named therein, incorporated by reference to Exhibit 1.1 to Ormat Technologies, Inc.'s Current Report on Form 8-K to the Securities and Exchange Commission on April 4, 2006.
3.1	Second Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
3.2	Second Amended and Restated By-laws, incorporated by reference to Exhibit 3.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
4.1	Form of Common Share Stock Certificate, incorporated by reference to Exhibit 4.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
4.2	Form of Preferred Share Stock Certificate, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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Exhibit No.	Document
4.3	Form of Rights Agreement by and between Ormat Technologies, Inc. and American Stock Transfer & Trust Company, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
4.4	Indenture for Senior Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
4.5	Indenture for Subordinated Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
10.1.1	Credit Facility Agreement, dated September 5, 2000, between Ormat Momotombo Power Company and Bank Hapoalim B.M., incorporated by reference to Exhibit 10.1.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.1.2	Credit Agreement, dated as of December 18, 2003, among OrCal Geothermal Inc. and Beal Bank, S.S.B. and the financial institutions party thereto from time to time, incorporated by reference to Exhibit 10.1.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.3	Credit Agreement, dated May 13, 1996, between Ormat-Leyte and Export-Import Bank of the United States, incorporated by reference to Exhibit 10.1.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.4	Indenture, dated February 13, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.5	First Supplemental Indenture, dated May 14, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.6	Fifth Supplemental Indenture, dated April 26, 2006, among Ormat Funding Corp. and Union Bank of California, N.A., incorporated by reference to Exhibit 10.1.6 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q (File No 001-32347) to the Securities and Exchange Commission on August 7, 2006.

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Exhibit No.	Document
10.1.7	Loan Agreement, dated October 1, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.8	Amendment No. 1 to Loan Agreement, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.10 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.9	Capital Note, dated December 22, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.10	Amendment to Capital Note, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.1.11	Guarantee Fee Agreement, dated January 1, 1999, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.12	Reimbursement Agreement, dated July 15, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.13	Services Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.1.15 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.14	Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.1.15	First Amendment to Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.17 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.1.16	Subordination Agreement, dated June 30, 2004, by and between Ormat Technologies, Inc. and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.

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Exhibit No.	Document
10.2.1	Purchase Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.2.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.1	Power Purchase Contract, dated July 18, 1984, between Southern California Edison Company and Republic Geothermal, Inc., incorporated by reference to Exhibit 10.3.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.2	Amendment No. 1, to the Power Purchase Contract, dated December 23, 1988, between Southern California Edison Company and Ormesa Geothermal, incorporated by reference to Exhibit 10.3.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.3	Power Purchase Contract, dated June 13, 1984, between Southern California Edison Company and Ormat Systems, Inc., incorporated by reference to Exhibit 10.3.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.4	Power Purchase and Sales Agreement, dated as of August 26, 1983, between Chevron U.S.A. Inc. and Southern California Edison Company, incorporated by reference to

10.3.4	Exhibit 10.3.4 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.5	Amendment No. 1, to Power Purchase and Sale Agreement, dated as of December 11, 1984, between Chevron U.S.A. Inc., HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.6	Settlement Agreement and Amendment No. 2, to Power Purchase Contract, dated August 7, 1995, between HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.7	Power Purchase Contract dated, April 16, 1985, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.8	Amendment No. 1, dated as of October 23, 1987, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.9	Amendment No. 2, dated as of July 27, 1990, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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Exhibit No.	Document
10.3.10	Amendment No. 3, dated as of November 24, 1992, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.11	Amended and Restated Power Purchase and Sales Agreement, dated December 2, 1986, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.12	Amendment No. 1, to Amended and Restated Power Purchase and Sale Agreement, dated May 18, 1990, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.12 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.13	Power Purchase Contract, dated April 15, 1985, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.3.14	Amendment No. 1, dated as of October 27, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.15	Amendment No. 2, dated as of December 20, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.16	Power Purchase Contract, dated April 16, 1985, between Southern California Edison Company and Santa Fe Geothermal, Inc., incorporated by reference to Exhibit 10.3.16 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.17	Amendment No. 1, to Power Purchase Contract, dated October 25, 1985, between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.17 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.18	Amendment No. 2, to Power Purchase Contract, dated December 20, 1989, between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.19	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.20	Interconnection Facilities Agreement, dated October 13, 1985, by and between Southern California Edison Company and Mammoth Pacific (II), incorporated by reference to Exhibit 10.3.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.21	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.21 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.22	Interconnection Agreement, dated August 12, 1985, by and between Southern California Edison Company and Heber Geothermal Company incorporated by reference to Exhibit 10.3.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.3.23	Plant Connection Agreement for the Heber Geothermal Plant No. 1, dated, July 31, 1985, by and between Imperial Irrigation District and Heber Geothermal Company incorporated by reference to Exhibit 10.3.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.24	Plant Connection Agreement for the Second Imperial Geothermal Company Power Plant No. 1, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.24 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.25	IID-SIGC Transmission Service Agreement for Alternative Resources, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.26	Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, by and between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.27	Plant Connection Agreement for the Ormesa IE Geothermal Plant, dated, October 21, 1988, by and between Imperial Irrigation District and Ormesa IE incorporated by reference to Exhibit 10.3.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.28	Plant Connection Agreement for the Ormesa IH Geothermal Plant, dated, October 3, 1989, by and between Imperial Irrigation District and Ormesa IH incorporated by reference to Exhibit 10.3.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.29	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.30	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.31	Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated, October 3, 1989, between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.31 to Ormat

10.3.32	Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004. Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.33	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.33 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.34	IID-Edison Transmission Service Agreement for Alternative Resources, dated, September 26, 1985, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.34 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.35	Plant Amendment No. 1, to IID-Edison Transmission Service Agreement for Alternative Resources, dated, August 25, 1987, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.35 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.36	Leyte Optimization Project BOT Agreement, dated August 4, 1995, by and between PNOC-Energy Development Corporation and Ormat Inc. incorporated by reference to Exhibit 10.3.36 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.37	First Amendment to Leyte Optimization Project BOT Agreement, dated February 29, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.37 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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Exhibit No.	Document
10.3.38	Second Amendment to Leyte Optimization Project BOT Agreement, dated April 1, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.38 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.39	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.39 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.40	

	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.40 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.41	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.41 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.42	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.42 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.43	Energy Services Agreement, dated February 2003, by and between Imperial Irrigation District and ORMESA, LLC incorporated by reference to Exhibit 10.3.43 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.44	Purchase Power Contract, dated March 24, 1986, by and between Hawaii Electric Light Company and Thermal Power Company incorporated by reference to Exhibit 10.3.44 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.45	Firm Capacity Amendment to Purchase Power Contract, dated July 28, 1989, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.45 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.46	Amendment to Purchase Power Contract, dated October 19, 1993, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.46 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.47	Third Amendment to the Purchase Power Contract, dated March 7, 1995, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.47 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.48	Performance Agreement and Fourth Amendment to the Purchase Power Contract, dated February 12, 1996, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.48 to Ormat

10.3.49	Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004. Agreement to Design 69 KV Transmission Lines, a Substation at Pohoiki, Modifications to Substations at Puna and Kaumana, and a Temporary 34.5 Facility to Interconnect PGV's Geothermal Electric Plant with HELCO's System Grid (Phase II and III), dated June 7, 1990, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.49 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.1	Ormesa BLM Geothermal Resources Lease CA 966 incorporated by reference to Exhibit 10.4.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.2	Ormesa BLM License for Electric Power Plant Site CA 24678 incorporated by reference to Exhibit 10.4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.3	Geothermal Resources Mining Lease, dated February 20, 1981, by and between the State of Hawaii, as Lessor, and Kapoho Land Partnership, as Lessee incorporated by reference to Exhibit 10.4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.4	Geothermal Lease Agreement, dated October 20, 1975, by and between Ruth Walker Cox and Betty M. Smith, as Lessor, and Gulf Oil Corporation, as Lessee incorporated by reference to Exhibit 10.4.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.5	Geothermal Lease Agreement, dated August 1, 1976, by and between Southern Pacific Land Company, as Lessor, and Phillips Petroleum Company, as Lessee incorporated by reference to Exhibit 10.4.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.6	Geothermal Resources Lease, dated November 18, 1983, by and between Sierra Pacific Power Company, as Lessor, and Geothermal Development Associates, as Lessee incorporated by reference to Exhibit 10.4.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.4.7	Lease Agreement, dated November 1, 1969, by and between Chrisman B. Jackson and Sharon Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.7 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.8	

- Lease Agreement, dated September 22, 1976, by and between El Toro Land & Cattle Co., as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.9 Lease Agreement, dated February 17, 1977, by and between Joseph L. Holtz, as Lessor, and Chevron U.S.A. Inc., as Lessee incorporated by reference to Exhibit 10.4.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.10 Lease Agreement, dated March 11, 1964, by and between John D. Jackson and Frances Jones Jackson, also known as Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.11 Lease Agreement, dated February 16, 1964, by and between John D. Jackson, conservator for the estate of Aphia Jackson Wallan, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.11 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.12 Lease Agreement, dated March 17, 1964, by and between Helen S. Fugate, a widow, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.13 Lease Agreement, dated February 16, 1964, by and between John D. Jackson and Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.14 Lease Agreement, dated February 20, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.14 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.15 Lease Agreement, dated July 1, 1971, by and between Marie L. Gisler and Harry R. Gisler, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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Exhibit No.	Document
10.4.16	Lease Agreement, dated February 28, 1964, by and between Gus Kurupas and Guadalupe Kurupas, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.16 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the

	Securities and Exchange Commission on July 20, 2004.
10.4.17	Lease Agreement, dated April 7, 1972, by and between Nowlin Partnership, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.17 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.18	Geothermal Lease Agreement, dated July 18, 1979, by and between Charles K. Corfman, an unmarried man as his sole and separate property, and Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.19	Lease Agreement, dated January 1, 1972, by and between Holly Oberly Thomson, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.20	Lease Agreement, dated June 14, 1971, by and between Fitzhugh Lee Brewer, Jr., a married man as his separate property, Donna Hawk, a married woman as her separate property, and Ted Draper and Helen Draper, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.21	Lease Agreement, dated May 13, 1971, by and between Mathew J. La Brucherie and Jane E. La Brucherie, husband and wife, and Robert T. O'Dell and Phyllis M. O'Dell, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.21 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.22	Lease Agreement, dated June 2, 1971, by and between Dorothy Gisler, a widow, Joan C. Hill, and Jean C. Browning, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.23	Geothermal Lease Agreement, dated February 15, 1977, by and between Walter J. Holtz, as Lessor, and Magma Energy Inc., as Lessee incorporated by reference to Exhibit 10.4.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.4.24	Geothermal Lease, dated August 31, 1983, by and between Magma Energy Inc., as Lessor, and Holt Geothermal Company, as Lessee incorporated by reference to Exhibit 10.4.24 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.4.25	Unprotected Lease Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.4.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.26	Geothermal Resources Lease, dated June 27, 1988, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.27	Amendment to Geothermal Resources Lease, dated January, 1992, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.28	Second Amendment to Geothermal Resources Lease, dated June 25, 1993, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc. and its Assignee, Steamboat Development Corp., as Lessee incorporated by reference to Exhibit 10.4.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.29	Geothermal Resources Sublease, dated May 31, 1991, by and between Fleetwood Corporation, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.30	KLP Lease and Agreement, dated March 1, 1981, by and between Kapoho Land Partnership, as Lessor, and Thermal Power Company, as Lessee incorporated by reference to Exhibit 10.4.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.31	Amendment to KLP Lease and Agreement, dated July 9, 1990, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.31 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.4.32	Second Amendment to KLP Lease and Agreement, dated December 31, 1996, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.4.33	Participation Agreement, dated May 18, 2005, by and among Puna Geothermal Venture, SE Puna, L.L.C., Wilmington Trust Company, S.E. Puna Lease, L.L.C., AIG Annuity Insurance Company, American General Life Insurance Company, Allstate Life Insurance Company and Union Bank of California, incorporated by reference to Exhibit 10.4.33 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q/A to the Securities and Exchange Commission on December 22, 2005.
10.4.34	Project Lease Agreement, dated May 18, 2005, by and between SE Puna, L.L.C. and Puna Geothermal Venture, incorporated by reference to Exhibit 10.4.34 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q/A to the Securities and Exchange Commission on December 22, 2005.
10.5.1	Engineering, Procurement and Construction Contract, dated 2003, by and between Contact Energy Limited and Ormat Pacific Inc. incorporated by reference to Exhibit 10.5.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.2	Patent License Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.5.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.3	Form of Registration Rights Agreement by and between Ormat Technologies, Inc. and Ormat Industries Ltd. incorporated by reference to Exhibit 10.5.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.6.1	Ormat Technologies, Inc. 2004 Incentive Compensation Plan incorporated by reference to Exhibit 10.6.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.6.2	Form of Incentive Stock Option Agreement incorporated by reference to Exhibit 10.6.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.6.3	Form of Nonqualified Stock Option Agreement incorporated by reference to Exhibit 10.6.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.7	Form of Executive Employment Agreement of Lucien Bronicki incorporated by reference to Exhibit 10.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.8	Form of Executive Employment Agreement of Yehudit Bronicki incorporated by reference to Exhibit 10.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.9	Form of Executive Employment Agreement of Yoram Bronicki incorporated by reference to Exhibit 10.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.10.1	Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.
10.10.2	Amendment No. 1 to Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.
10.10.3	Amendment No. 2 to Form of Executive Employment Agreement of Hezy Ram, incorporated by reference to Exhibit 10.10.3 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q (File No 001-32347) to the Securities and Exchange Commission on August 7, 2006.
10.11	Form of Indemnification Agreement incorporated by reference to Exhibit 10.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.
10.12	Note Purchase Agreement, dated December 2, 2005, among Lehman Brothers Inc., OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company, incorporated by reference to Exhibit 10.12 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.
10.13.1	Indenture dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company and Union Bank of California, incorporated by reference to Exhibit 10.13 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.
10.13.2	First Supplemental Indenture dated as of June 14, 2006 amending the Indenture dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company and Union Bank of California, incorporated by reference to Exhibit 10.13.2 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q (File No 001-32347) to the Securities and Exchange Commission on August 7, 2006.
10.14	Guarantee dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company, incorporated by reference to Exhibit 10.14 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.

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Exhibit No.	Document
10.15	Note Purchase Agreement, dated February 6, 2004, among Lehman Brothers Inc., Ormat Funding Corp., Brady Power Partners, Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC and ORNI 7 LLC, incorporated by

	reference to Exhibit 10.15 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.
10.16	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Ormesa LLC and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.17	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Ormesa LLC and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.18	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Heber Geothermal Company and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.19	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Second Imperial Geothermal Company and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.20.1	Amended and Restated Power Purchase Agreement for Olkaria III Geothermal Plant, dated January 19, 2007, between OrPower 4 Inc. and The Kenya Power and Lighting Company Limited, filed herewith.
10.20.2	Olkaria III Project Security Agreement, dated January 19, 2007, between OrPower 4 Inc. and The Kenya Power and Lighting Company Limited, filed herewith.
21.1	Subsidiaries of Ormat Technologies, Inc., incorporated by reference to Exhibit 21.1 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006
23.1	Consent of PricewaterhouseCoopers, LLP, Independent Registered Public Accounting Firm, filed herewith.
23.2	Consent of SyCip Gorres Velayo & Co., Independent Registered Public Accounting Firm, filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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Exhibit No.	Document
99.1	Material terms with respect to BLM geothermal resources leases incorporated by reference to Exhibit 99.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.

- 99.2 Material terms with respect to BLM site leases incorporated by reference to Exhibit 99.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 99.3 Material terms with respect to agreements addressing renewable energy pricing and payment issues incorporated by reference to Exhibit 99.3 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 9, 2007	ORMAT TECHNOLOGIES, INC. By: /s/ YEHUDIT BRONICKI Name: Yehudit Bronicki Title: Chief Executive Officer, President and Director
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Pursuant to the requirement of the Securities Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant in the capacities indicated, on March 9, 2007.

Signature	Capacity
/s/ YEHUDIT BRONICKI Yehudit Bronicki	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ JOSEPH TENNE Joseph Tenne	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ LUCIEN Y. BRONICKI Lucien Y. Bronicki	Chairman of the Board of Directors and Chief Technology Officer
/s/ YORAM BRONICKI Yoram Bronicki	Chief Operating Officer — North America and Director
/s/ DAN FALK Dan Falk	Director

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(c) EXHIBIT INDEX

Exhibit No.	Document
1 .1	Underwriting Agreement, dated April 4, 2006, by and among the Company, Lehman Brothers Inc., and Goldman, Sachs & Co., for themselves and as representatives of the several underwriters named therein, incorporated by reference to Exhibit 1.1 to Ormat Technologies, Inc.'s Current Report on Form 8-K to the Securities and Exchange Commission on April 4, 2006.
3 .1	Second Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
3 .2	Second Amended and Restated By-laws, incorporated by reference to Exhibit 3.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
4 .1	Form of Common Share Stock Certificate, incorporated by reference to Exhibit 4.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
4 .2	Form of Preferred Share Stock Certificate, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
4 .3	Form of Rights Agreement by and between Ormat Technologies, Inc. and American Stock Transfer & Trust Company, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
4 .4	Indenture for Senior Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
4 .5	Indenture for Subordinated Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
10.1.1	Credit Facility Agreement, dated September 5, 2000, between Ormat Momotombo Power Company and Bank Hapoalim B.M., incorporated by reference to Exhibit 10.1.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.2	Credit Agreement, dated as of December 18, 2003, among OrCal Geothermal Inc. and Beal Bank, S.S.B. and the financial institutions party thereto from time to time, incorporated by reference to Exhibit 10.1.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.3	Credit Agreement, dated May 13, 1996, between Ormat-Leyte and Export-Import Bank of the United States, incorporated by reference to Exhibit 10.1.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the

Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.1.4	Indenture, dated February 13, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.5	First Supplemental Indenture, dated May 14, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.6	Fifth Supplemental Indenture, dated April 26, 2006, among Ormat Funding Corp. and Union Bank of California, N.A., incorporated by reference to Exhibit 10.1.6 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q (File No 001-32347) to the Securities and Exchange Commission on August 7, 2006.
10.1.7	Loan Agreement, dated October 1, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.8	Amendment No. 1 to Loan Agreement, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.10 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.9	Capital Note, dated December 22, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.10	Amendment to Capital Note, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.11	Guarantee Fee Agreement, dated January 1, 1999, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.12	Reimbursement Agreement, dated July 15, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.1.13 Services Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.1.15 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.1.14	Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.1.15	First Amendment to Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.17 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.1.16	Subordination Agreement, dated June 30, 2004, by and between Ormat Technologies, Inc. and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.2.1	Purchase Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.2.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.1	Power Purchase Contract, dated July 18, 1984, between Southern California Edison Company and Republic Geothermal, Inc., incorporated by reference to Exhibit 10.3.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.2	Amendment No. 1, to the Power Purchase Contract, dated December 23, 1988, between Southern California Edison Company and Ormesa Geothermal, incorporated by reference to Exhibit 10.3.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.3	Power Purchase Contract, dated June 13, 1984, between Southern California Edison Company and Ormat Systems, Inc., incorporated by reference to Exhibit 10.3.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.4	Power Purchase and Sales Agreement, dated as of August 26, 1983, between Chevron U.S.A. Inc. and Southern California Edison Company, incorporated by reference to Exhibit 10.3.4 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.5	Amendment No. 1, to Power Purchase and Sale Agreement, dated as of December 11, 1984, between Chevron U.S.A. Inc., HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.6	

Settlement Agreement and Amendment No. 2, to Power Purchase Contract, dated August 7, 1995, between HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.7	Power Purchase Contract dated, April 16, 1985, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.8	Amendment No. 1, dated as of October 23, 1987, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.9	Amendment No. 2, dated as of July 27, 1990, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.10	Amendment No. 3, dated as of November 24, 1992, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.11	Amended and Restated Power Purchase and Sales Agreement, dated December 2, 1986, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.12	Amendment No. 1, to Amended and Restated Power Purchase and Sale Agreement, dated May 18, 1990, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.12 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.13	Power Purchase Contract, dated April 15, 1985, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.14	Amendment No. 1, dated as of October 27, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.15	Amendment No. 2, dated as of December 20, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to

10.3.16 the Securities and Exchange Commission on July 20, 2004.
Power Purchase Contract, dated April 16, 1985, between Southern California Edison Company and Santa Fe Geothermal, Inc., incorporated by reference to Exhibit 10.3.16 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.17	Amendment No. 1, to Power Purchase Contract, dated October 25, 1985, between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.17 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.18	Amendment No. 2, to Power Purchase Contract, dated December 20, 1989, between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.19	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.20	Interconnection Facilities Agreement, dated October 13, 1985, by and between Southern California Edison Company and Mammoth Pacific (II), incorporated by reference to Exhibit 10.3.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.21	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.21 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.22	Interconnection Agreement, dated August 12, 1985, by and between Southern California Edison Company and Heber Geothermal Company incorporated by reference to Exhibit 10.3.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.23	Plant Connection Agreement for the Heber Geothermal Plant No. 1, dated, July 31, 1985, by and between Imperial Irrigation District and Heber Geothermal Company incorporated by reference to Exhibit 10.3.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.24	Plant Connection Agreement for the Second Imperial Geothermal Company Power Plant No. 1, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.24 to Ormat

10.3.25 Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004. IID-SIGC Transmission Service Agreement for Alternative Resources, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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Exhibit No.	Document
10.3.26	Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, by and between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.27	Plant Connection Agreement for the Ormesa IE Geothermal Plant, dated, October 21, 1988, by and between Imperial Irrigation District and Ormesa IE incorporated by reference to Exhibit 10.3.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.28	Plant Connection Agreement for the Ormesa IH Geothermal Plant, dated, October 3, 1989, by and between Imperial Irrigation District and Ormesa IH incorporated by reference to Exhibit 10.3.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.29	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.30	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.31	Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated, October 3, 1989, between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.31 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.32	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.33	

10.3.34	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.33 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.34	IID-Edison Transmission Service Agreement for Alternative Resources, dated, September 26, 1985, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.34 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.35	Plant Amendment No. 1, to IID-Edison Transmission Service Agreement for Alternative Resources, dated, August 25, 1987, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.35 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.36	Leyte Optimization Project BOT Agreement, dated August 4, 1995, by and between PNOC-Energy Development Corporation and Ormat Inc. incorporated by reference to Exhibit 10.3.36 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.37	First Amendment to Leyte Optimization Project BOT Agreement, dated February 29, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.37 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.38	Second Amendment to Leyte Optimization Project BOT Agreement, dated April 1, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.38 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.39	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.39 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.40	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.40 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.41	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.41 to Ormat

10.3.42	Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004. Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.42 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.43	Energy Services Agreement, dated February 2003, by and between Imperial Irrigation District and ORMESA, LLC incorporated by reference to Exhibit 10.3.43 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.44	Purchase Power Contract, dated March 24, 1986, by and between Hawaii Electric Light Company and Thermal Power Company incorporated by reference to Exhibit 10.3.44 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.45	Firm Capacity Amendment to Purchase Power Contract, dated July 28, 1989, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.45 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.46	Amendment to Purchase Power Contract, dated October 19, 1993, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.46 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.47	Third Amendment to the Purchase Power Contract, dated March 7, 1995, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.47 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.48	Performance Agreement and Fourth Amendment to the Purchase Power Contract, dated February 12, 1996, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.48 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.49	Agreement to Design 69 KV Transmission Lines, a Substation at Pohoiki, Modifications to Substations at Puna and Kaumana, and a Temporary 34.5 Facility to Interconnect PGV's Geothermal Electric Plant with HELCO's System Grid (Phase II and III), dated June 7, 1990, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.49 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

- 10.4.1 Ormesa BLM Geothermal Resources Lease CA 966 incorporated by reference to Exhibit 10.4.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.2 Ormesa BLM License for Electric Power Plant Site CA 24678 incorporated by reference to Exhibit 10.4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.3 Geothermal Resources Mining Lease, dated February 20, 1981, by and between the State of Hawaii, as Lessor, and Kapoho Land Partnership, as Lessee incorporated by reference to Exhibit 10.4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.4.4	Geothermal Lease Agreement, dated October 20, 1975, by and between Ruth Walker Cox and Betty M. Smith, as Lessor, and Gulf Oil Corporation, as Lessee incorporated by reference to Exhibit 10.4.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.5	Geothermal Lease Agreement, dated August 1, 1976, by and between Southern Pacific Land Company, as Lessor, and Phillips Petroleum Company, as Lessee incorporated by reference to Exhibit 10.4.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.6	Geothermal Resources Lease, dated November 18, 1983, by and between Sierra Pacific Power Company, as Lessor, and Geothermal Development Associates, as Lessee incorporated by reference to Exhibit 10.4.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.7	Lease Agreement, dated November 1, 1969, by and between Chrisman B. Jackson and Sharon Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.7 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.8	Lease Agreement, dated September 22, 1976, by and between El Toro Land & Cattle Co., as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.9	Lease Agreement, dated February 17, 1977, by and between Joseph L. Holtz, as Lessor, and Chevron U.S.A. Inc., as Lessee incorporated by reference to Exhibit 10.4.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.10	Lease Agreement, dated March 11, 1964, by and between John D. Jackson and Frances Jones Jackson, also known as Frances J. Jackson, husband and wife, as Lessor, and

	Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.11	Lease Agreement, dated February 16, 1964, by and between John D. Jackson, conservator for the estate of Aphia Jackson Wallan, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.11 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.12	Lease Agreement, dated March 17, 1964, by and between Helen S. Fugate, a widow, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.4.13	Lease Agreement, dated February 16, 1964, by and between John D. Jackson and Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.14	Lease Agreement, dated February 20, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.14 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.15	Lease Agreement, dated July 1, 1971, by and between Marie L. Gisler and Harry R. Gisler, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.16	Lease Agreement, dated February 28, 1964, by and between Gus Kurupas and Guadalupe Kurupas, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.16 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.17	Lease Agreement, dated April 7, 1972, by and between Nowlin Partnership, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.17 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.18	Geothermal Lease Agreement, dated July 18, 1979, by and between Charles K. Corfman, an unmarried man as his sole and separate property, and Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.19	Lease Agreement, dated January 1, 1972, by and between Holly Oberly Thomson, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson, as Lessor,

	and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.20	Lease Agreement, dated June 14, 1971, by and between Fitzhugh Lee Brewer, Jr., a married man as his separate property, Donna Hawk, a married woman as her separate property, and Ted Draper and Helen Draper, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.21	Lease Agreement, dated May 13, 1971, by and between Mathew J. La Brucherie and Jane E. La Brucherie, husband and wife, and Robert T. O'Dell and Phyllis M. O'Dell, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.21 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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Exhibit No.	Document
10.4.22	Lease Agreement, dated June 2, 1971, by and between Dorothy Gisler, a widow, Joan C. Hill, and Jean C. Browning, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.23	Geothermal Lease Agreement, dated February 15, 1977, by and between Walter J. Holtz, as Lessor, and Magma Energy Inc., as Lessee incorporated by reference to Exhibit 10.4.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.24	Geothermal Lease, dated August 31, 1983, by and between Magma Energy Inc., as Lessor, and Holt Geothermal Company, as Lessee incorporated by reference to Exhibit 10.4.24 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.25	Unprotected Lease Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.4.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.26	Geothermal Resources Lease, dated June 27, 1988, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.27	Amendment to Geothermal Resources Lease, dated January, 1992, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1

	on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.28	Second Amendment to Geothermal Resources Lease, dated June 25, 1993, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc. and its Assignee, Steamboat Development Corp., as Lessee incorporated by reference to Exhibit 10.4.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.29	Geothermal Resources Sublease, dated May 31, 1991, by and between Fleetwood Corporation, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.4.30	KLP Lease and Agreement, dated March 1, 1981, by and between Kapoho Land Partnership, as Lessor, and Thermal Power Company, as Lessee incorporated by reference to Exhibit 10.4.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.31	Amendment to KLP Lease and Agreement, dated July 9, 1990, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.31 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.32	Second Amendment to KLP Lease and Agreement, dated December 31, 1996, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.33	Participation Agreement, dated May 18, 2005, by and among Puna Geothermal Venture, SE Puna, L.L.C., Wilmington Trust Company, S.E. Puna Lease, L.L.C., AIG Annuity Insurance Company, American General Life Insurance Company, Allstate Life Insurance Company and Union Bank of California, incorporated by reference to Exhibit 10.4.33 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q/A to the Securities and Exchange Commission on December 22, 2005.
10.4.34	Project Lease Agreement, dated May 18, 2005, by and between SE Puna, L.L.C. and Puna Geothermal Venture, incorporated by reference to Exhibit 10.4.34 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q/A to the Securities and Exchange Commission on December 22, 2005.
10.5.1	Engineering, Procurement and Construction Contract, dated 2003, by and between Contact Energy Limited and Ormat Pacific Inc. incorporated by reference to Exhibit 10.5.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.5.2	Patent License Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.5.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.3	Form of Registration Rights Agreement by and between Ormat Technologies, Inc. and Ormat Industries Ltd. incorporated by reference to Exhibit 10.5.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.6.1	Ormat Technologies, Inc. 2004 Incentive Compensation Plan incorporated by reference to Exhibit 10.6.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.6.2	Form of Incentive Stock Option Agreement incorporated by reference to Exhibit 10.6.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.

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Exhibit No.	Document
10.6.3	Form of Nonqualified Stock Option Agreement incorporated by reference to Exhibit 10.6.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
10.7	Form of Executive Employment Agreement of Lucien Bronicki incorporated by reference to Exhibit 10.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.8	Form of Executive Employment Agreement of Yehudit Bronicki incorporated by reference to Exhibit 10.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.9	Form of Executive Employment Agreement of Yoram Bronicki incorporated by reference to Exhibit 10.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.10.1	Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.
10.10.2	Amendment No. 1 to Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.
10.10.3	Amendment No. 2 to Form of Executive Employment Agreement of Hezy Ram, incorporated by reference to Exhibit 10.10.3 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q (File No 001-32347) to the Securities and Exchange Commission on August 7, 2006.

10.11	Form of Indemnification Agreement incorporated by reference to Exhibit 10.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.
10.12	Note Purchase Agreement, dated December 2, 2005, among Lehman Brothers Inc., OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company, incorporated by reference to Exhibit 10.12 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.
10.13.1	Indenture dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company and Union Bank of California, incorporated by reference to Exhibit 10.13 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.

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Exhibit No.	Document
10.13.2	First Supplemental Indenture dated as of June 14, 2006 amending the Indenture dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company and Union Bank of California, incorporated by reference to Exhibit 10.13.2 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q (File No 001-32347) to the Securities and Exchange Commission on August 7, 2006.
10.14	Guarantee dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company, incorporated by reference to Exhibit 10.14 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.
10.15	Note Purchase Agreement, dated February 6, 2004, among Lehman Brothers Inc., Ormat Funding Corp., Brady Power Partners, Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC and ORNI 7 LLC, incorporated by reference to Exhibit 10.15 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.
10.16	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Ormesa LLC and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.17	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Ormesa LLC and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.18	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Heber Geothermal Company and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.19	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Second Imperial Geothermal Company and Southern California Edison

10.20.1	Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.20.2	Amended and Restated Power Purchase Agreement for Olkaria III Geothermal Plant, dated January 19, 2007, between OrPower 4 Inc. and The Kenya Power and Lighting Company Limited, filed herewith.
21.1	Olkaria III Project Security Agreement, dated January 19, 2007, between OrPower 4 Inc. and The Kenya Power and Lighting Company Limited, filed herewith.
23.1	Subsidiaries of Ormat Technologies, Inc., incorporated by reference to Exhibit 21.1 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006
23.2	Consent of PricewaterhouseCoopers, LLP, Independent Registered Public Accounting Firm, filed herewith.
23.2	Consent of SyCip Gorres Velayo & Co., Independent Registered Public Accounting Firm, filed herewith.

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Exhibit No.	Document
31.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
99.1	Material terms with respect to BLM geothermal resources leases incorporated by reference to Exhibit 99.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 20, 2004.
99.2	Material terms with respect to BLM site leases incorporated by reference to Exhibit 99.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
99.3	Material terms with respect to agreements addressing renewable energy pricing and payment issues incorporated by reference to Exhibit 99.3 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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