ORMAT TECHNOLOGIES, INC.
Form 10-Q
August 06, 2010

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

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-32347

ORMAT TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

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

6225 Neil Road, Reno, Nevada 89511-1136
(Address of principal executive offices)

Registrant s telephone number, including area code:
(775) 356-9029

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

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

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

As of the date of this filing, the number of outstanding shares of common stock of Ormat Technologies, Inc. is 45,430,886 par value of $0.001 per share.

ORMAT TECHNOLOGIES, INC

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2010

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Certain Definitions

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

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PART I UNAUDITED FINANCIAL INFORMATION

ITEM 1. *CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,195	$ 46,307
Restricted cash, cash equivalents and marketable securities (all related to VIEs)	33,214	40,955
Receivables:		
Trade	47,057	53,423
Related entity	518	441
Other	9,471	7,884
Due from Parent	1,347	422
Inventories	15,175	15,486
Costs and estimated earnings in excess of billings on uncompleted contracts	12,633	14,640
Deferred income taxes	3,573	3,617
Prepaid expenses and other	12,118	12,080
Total current assets	189,301	195,255
Long-term marketable securities	1,296	652
Restricted cash, cash equivalents and marketable securities (all related to VIEs)	1,751	2,512
Unconsolidated investments ($28,066 related to VIEs at June 30, 2010)	29,876	35,188
Deposits and other	18,754	18,653
Deferred charges	30,270	22,532
Property, plant and equipment, net ($1,271,225 related to VIEs at June 30, 2010)	1,319,358	998,693
Construction-in-process ($37,670 related to VIEs at June 30, 2010)	290,307	518,595
Deferred financing and lease costs, net	19,433	20,940
Intangible assets, net	40,413	41,981
Total assets	$ 1,940,759	$ 1,855,001
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 90,338	$ 73,993
Billings in excess of costs and estimated earnings on uncompleted contracts	11,546	3,351
Current portion of long-term debt:		
Limited and non-recourse (all related to VIEs at June 30, 2010)	15,493	19,191

Full recourse	12,916	12,823
Senior secured notes (non-recourse) (all related to VIEs at June 30, 2010)	20,583	20,227
Due to Parent, including current portion of notes payable to Parent		10,018
Total current liabilities	150,876	139,603
Long-term debt, net of current portion:		
Limited and non-recourse (all related to VIEs at June 30, 2010)	121,694	129,152
Full recourse	70,695	77,177
Revolving credit lines with banks (full recourse)	234,395	134,000
Senior secured notes (non-recourse) (all related to VIEs at June 30, 2010)	224,005	231,872
Liability associated with sale of tax benefits	71,765	73,246
Deferred lease income	72,193	72,867
Deferred income taxes	47,375	44,530
Liability for unrecognized tax benefits	5,365	4,931
Liabilities for severance pay	18,572	18,332
Asset retirement obligation	14,630	14,238
Other long-term liabilities	2,115	3,358
Total liabilities	1,033,680	943,306
Commitments and contingencies		
Equity:		
The Company s stockholders equity:		
Common stock, par value $0.001 per share; 200,000,000 shares authorized; 45,430,886 and 45,353,120 shares issued and outstanding, respectively	46	46
Additional paid-in capital	712,324	709,354
Retained earnings	189,627	196,950
Accumulated other comprehensive income	469	622
	902,466	906,972
Noncontrolling interest	4,613	4,723
Total equity	907,079	911,695
Total liabilities and equity	$ 1,940,759	$ 1,855,001

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands, except per share data)		(In thousands, except per share data)	
Revenues:				
Electricity	$ 68,807	$ 59,826	$ 134,912	$ 121,886
Product	27,459	39,673	44,008	76,924
Total revenues	96,266	99,499	178,920	198,810
Cost of revenues:				
Electricity	63,498	44,718	118,021	88,404
Product	14,115	27,242	26,552	51,485
Total cost of revenues	77,613	71,960	144,573	139,889
Gross margin	18,653	27,539	34,347	58,921
Operating expenses:				
Research and development expenses	3,614	2,487	6,881	3,288
Selling and marketing expenses	2,686	3,215	5,888	7,516
General and administrative expenses	6,996	5,582	14,016	13,117
Write-off of unsuccessful exploration activities	3,050		3,050	
Operating income	2,307	16,255	4,512	35,000
Other income (expense):				
Interest income	95	276	292	428
Interest expense, net	(9,426)	(4,415)	(19,140)	(7,705)
Foreign currency translation and transaction gains (losses)	(1,033)	1,044	(599)	(1,349)
Income attributable to sale of tax benefits	2,070	4,366	4,209	8,534
Other non-operating income (expense), net	79	550	(280)	400
Income (loss) from continuing operations, before income taxes and equity in income of investees	(5,908)	18,076	(11,006)	35,308
Income tax benefit (provision)	3,365	(3,868)	5,922	(7,297)
Equity in income of investees, net	479	355	1,025	905
Income (loss) from continuing operations	(2,064)	14,563	(4,059)	28,916
Discontinued operations:				
Income from discontinued operations, net of related tax of $0, $604, $6 and $670, respectively		1,411	14	1,564

Gain on sale of a subsidiary in New Zealand, net of related tax of $570, $0, $2,000 and $0, respectively	570		4,336	
Net income (loss)	(1,494)	15,974	291	30,480
Net loss attributable to noncontrolling interest	57	77	110	156
Net income (loss) attributable to the Company s stockholders	$ (1,437)	$ 16,051	$ 401	$ 30,636
Comprehensive income:				
Net income (loss)	$ (1,494)	$ 15,974	$ 291	$ 30,480
Other comprehensive income (loss), net of related taxes:				
Currency translation adjustment		423	43	371
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(58)	(65)	(116)	(130)
Change in unrealized gains or losses on marketable securities available-for-sale	(18)	260	(80)	260
Comprehensive income (loss)	(1,570)	16,592	138	30,981
Comprehensive loss attributable to noncontrolling interest	57	77	110	156
Comprehensive income (loss) attributable to the Company s stockholders	$ (1,513)	$ 16,669	$ 248	$ 31,137
Earnings (loss) per share attributable to the Company s stockholders basic and diluted:				
Income (loss) from continuing operations	$ (0.05)	$ 0.32	$ (0.09)	$ 0.64
Income from discontinued operations	0.02	0.03	0.10	0.03
Net income (loss)	$ (0.03)	$ 0.35	$ 0.01	$ 0.67
Weighted average number of shares used in computation of earnings (loss) per share attributable to the Company s stockholders:				
Basic	45,431	45,369	45,431	45,361
Diluted	45,431	45,451	45,431	45,425
Dividend per share declared	$ 0.05	$ 0.06	$ 0.17	$ 0.13

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	The Company s Stockholders Equity								
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive Income			Noncontrolling	Total
	Shares	Amount	Capital	Earnings	(Loss)	Total		Interest	Equity
	(In thousands, except per share data)								
Balance at December 31, 2008	45,353	$ 45	$ 701,273	$ 138,241	$ 645	$ 840,204		$ 7,031	$ 847,235
Stock-based compensation			2,728			2,728			2,728
Cumulative effect of adopting the other-than-temporary impairment standard as of April 1, 2009 (net of related tax of $650,000)				1,205	(1,205)				
Cash dividend declared, $0.13 per share				(5,897)		(5,897)			(5,897)
Exercise of options by employees	55	1	853			854			854
Net income (loss)				30,636		30,636		(156)	30,480
Other comprehensive income (loss), net of related taxes:									
Currency translation adjustment					371	371			371
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $80)					(130)	(130)			(130)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of $144)					260	260			260
Balance at June 30, 2009	45,408	$ 46	$ 704,854	$ 164,185	$ (59)	$ 869,026		$ 6,875	$ 875,901
Balance at December 31, 2009	45,431	$ 46	$ 709,354	$ 196,950	$ 622	$ 906,972		$ 4,723	$ 911,695
Stock-based compensation			2,970			2,970			2,970

Cash dividend declared, $0.17 per share				(7,724)		(7,724)		(7,724)
Net income (loss)				401		401	(110)	291
Other comprehensive income (loss), net of related taxes:								
Currency translation adjustment					43	43		43
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $73)					(116)	(116)		(116)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of $43)					(80)	(80)		(80)
Balance at June 30, 2010	45,431	$ 46	$ 712,324	$ 189,627	$ 469	$ 902,466	$ 4,613	$ 907,079

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 291	$ 30,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,329	31,193
Accretion of asset retirement obligation	556	520
Stock-based compensation	2,970	2,728
Amortization of deferred lease income	(1,343)	(1,343)
Income attributable to sale of tax benefits, net of interest expense	(1,481)	(4,711)
Equity in income of investees	(1,025)	(905)
Loss on disposal of property, plant and equipment	571	
Write-off of unsuccessful exploration activities	3,050	
Return on investment in unconsolidated investments	3,734	
Loss on severance pay fund asset	515	106
Gain on sale of a subsidiary	(6,350)	
Deferred income tax provision (benefit)	(5,365)	6,620
Liability for unrecognized tax benefits	434	652
Deferred lease revenues	669	725
Other		(70)
Changes in operating assets and liabilities:		
Receivables	4,160	(6,683)
Costs and estimated earnings in excess of billings on uncompleted contracts	2,007	(7,640)
Inventories	311	(885)
Prepaid expenses and other	(38)	7,771
Deposits and other	(209)	(21)
Accounts payable and accrued expenses	9,376	(962)
Due from/to related entities, net	(77)	(139)
Billings in excess of costs and estimated earnings on uncompleted contracts	8,195	(1,086)
Liabilities for severance pay	240	(186)
Other long-term liabilities	(1,243)	
Due from/to Parent	(1,343)	(832)
Net cash provided by operating activities	58,934	55,332
Cash flows from investing activities:		
Return of investment in unconsolidated investments	3,516	
Marketable securities, net		200
Net change in restricted cash, cash equivalents and marketable securities	7,735	(10,633)
Cash received from sale of a subsidiary	19,594	

Capital expenditures	(139,171)	(147,613)
Investment in unconsolidated company	(281)	
Increase in severance pay fund asset, net of payments made to retired employees	(407)	(418)
Repayment from unconsolidated investment		62
Net cash used in investing activities	(109,014)	(158,402)
Cash flows from financing activities:		
Proceeds from long-term loans		132,000
Proceeds from exercise of options by employees		854
Proceeds from revolving credit lines with banks	132,095	577,000
Repayment of revolving credit lines with banks	(31,700)	(557,000)
Repayments of long-term debt		
Parent	(9,600)	(16,600)
Other	(25,056)	(10,949)
Deferred debt issuance costs	(47)	(4,889)
Cash dividends paid	(7,724)	(5,897)
Net cash provided by financing activities	57,968	114,519
Effect of exchange rate changes on cash and cash equivalents		186
Net change in cash and cash equivalents	7,888	11,635
Cash and cash equivalents at beginning of period	46,307	34,393
Cash and cash equivalents at end of period	$ 54,195	$ 46,028
Supplemental non-cash investing and financing activities:		
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	$ 7,117	$ (23,713)

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 GENERAL AND BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements of Ormat Technologies, Inc. and its subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial statements. Accordingly, they do not contain all information and notes required by U.S. GAAP for annual financial statements. In the opinion of management, the unaudited condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company s consolidated financial position as of June 30, 2010, the consolidated results of operations and comprehensive income for the three and six-month periods ended June 30, 2010 and 2009, and the consolidated cash flows for the six-month periods ended June 30, 2010 and 2009.

The financial data and other information disclosed in the notes to the condensed consolidated financial statements related to these periods are unaudited. The results for the three and six-month periods ended June 30, 2010 are not necessarily indicative of the results to be expected for the year ending December 31, 2010.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2009. The condensed consolidated balance sheet data as of December 31, 2009 was derived from the audited consolidated financial statements for the year ended December 31, 2009, but does not include all disclosures required by U.S. GAAP.

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

Certain comparative figures have been reclassified to conform to the current period presentation (see Note 8).

Concentration of credit risk

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

The Company places its temporary cash investments with high credit quality financial institutions located in the United States (U.S.) and in foreign countries. At June 30, 2010 and December 31, 2009, the Company had deposits totaling $42,767,000 and $24,561,000, respectively, in seven U.S. financial institutions that were federally insured up to $250,000 per account (after December 31, 2013, the deposits will be insured up to $100,000 per account). At June 30, 2010 and December 31, 2009, the Company s deposits in foreign countries amounted to approximately $22,507,000 and $35,095,000, respectively.

At June 30, 2010 and December 31, 2009, accounts receivable related to operations in foreign countries amounted to approximately $18,453,000 and $30,761,000, respectively. At June 30, 2010 and December 31, 2009, accounts receivable from the Company s major customers that have generated 10% or more of its revenues amounted to approximately 46% and 61% of the Company s accounts receivable, respectively.

Southern California Edison Company (SCE) accounted for 25.5% and 21.3% of the Company s total revenues for the three months ended June 30, 2010 and 2009, respectively, and 25.5% and 19.6% of the Company s total revenues for the six months ended June 30, 2010 and 2009, respectively. SCE is also the power purchaser and revenue source for the Company s Mammoth complex, which is accounted for under the equity method.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy, Inc.) accounted for 13.7% and 12.2% of the Company s total revenues for the three months ended June 30, 2010 and 2009, respectively, and 16.2% and 13.0% of the Company s total revenues for the six months ended June 30, 2010 and 2009, respectively.

Hawaii Electric Light Company accounted for 8.0% and 4.9% of the Company s total revenues for the three months ended June 30, 2010 and 2009, respectively, and 7.6% of the Company s total revenues in each of the six months ended June 30, 2010 and 2009.

Kenya Power and Lighting Co. Ltd. accounted for 9.2% and 8.9% of the Company s total revenues for the three months ended June 30, 2010 and 2009, respectively, and 9.9% and 8.6% of the Company s total revenues for the six months ended June 30, 2010 and 2009, respectively.

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

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements effective in the six-month period ended June 30, 2010

Accounting for Transfers of Financial Assets

In June 2009, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting and disclosure requirements for transfers of financial assets. This amendment requires greater transparency and additional disclosures for transfers of financial assets and the entity s continuing involvement with them and changes the requirements for derecognizing financial assets. In addition, this amendment eliminates the concept of a qualifying special-purpose entity (QSPE). The adoption by the Company of this amendment on January 1, 2010 did not have any effect on the Company s financial position, results of operations, or liquidity.

Consolidation Guidance for Variable Interest Entities

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities (VIEs). The elimination of the concept of a QSPE removes the exception from applying the consolidation guidance within this amendment. This amendment requires a company to perform a qualitative analysis when determining whether or not it must consolidate a VIE. The amendment also requires a company to continuously reassess whether it must consolidate a VIE. Additionally, the amendment requires enhanced disclosures about a company s involvement with VIEs and any significant change in risk exposure due to that involvement, as well as how its involvement with VIEs impacts the company s financial statements. Finally, a company is required to disclose significant judgments and assumptions used to determine whether or not to consolidate a VIE. The Company adopted this amendment on January 1, 2010. The impact of the adoption of this amendment on the Company s condensed consolidated financial statements is disclosed in Note 5.

Updated Disclosure for Fair Value Measurements

In January 2010, the FASB updated the fair value measurements disclosures. This update will require an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers. In addition, information about purchases, sales, issuances and settlements are required to be presented separately (i.e., present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value, and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. This update became effective as of the first interim or annual reporting period beginning after December 15, 2009 (January 1, 2010 for the Company), except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 (January 1, 2011 for the Company) and for interim reporting periods within those years. The adoption by the Company of the new guidance on January 1, 2010 did not have a material impact on the Company s consolidated financial statements (see Note 6).

New accounting pronouncements effective in future periods

Accounting for Revenue Recognition

In October 2009, the FASB issued amendments to the accounting and disclosures for revenue recognition. These amendments, effective for fiscal years beginning on or after June 15, 2010 (January 1, 2011 for the Company) with early adoption permitted, modify the criteria for recognizing revenue in multiple element arrangements and require companies to develop a best estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. Additionally, the amendments eliminate the residual method for allocating arrangement considerations. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

In April 2010, the FASB issued guidance for revenue recognition milestone method, which provides guidance on the criteria that, should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. A milestone should be considered substantive in its entirety. An individual milestone may not be bifurcated. The amendments in this update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010 (January 1, 2011 for the Company). The Company is currently evaluating the potential impact, if any, of the adoption of this guidance on its consolidated financial statements.

Accounting for Stock Compensation

In April 2010, the FASB issued an accounting standards update, which addresses the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. This update clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity should not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 (January 1, 2011 for the Company). The Company is currently evaluating the potential impact, if any, of the adoption of this update on its consolidated financial statements.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 3 INVENTORIES

Inventories consist of the following:

	June 30, 2010	December 31, 2009
	(Dollars in thousands)	
Raw materials and purchased parts for assembly	$ 10,421	$ 7,322
Self-manufactured assembly parts and finished products	4,754	8,164
Total	$ 15,175	$ 15,486

NOTE 4 UNCONSOLIDATED INVESTMENTS

Unconsolidated investments, mainly in power plants, consist of the following:

	June 30, 2010	December 31, 2009
	(Dollars in thousands)	
Mammoth	$ 28,066	$ 33,659
Sarulla	1,810	1,529
Total	$ 29,876	$ 35,188

The Mammoth Complex

The Company has a 50% interest in Mammoth Pacific, LP, which owns the Mammoth complex, located near the city of Mammoth, California. The purchase price was less than the underlying net equity of Mammoth Pacific, LP 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 (PPAs), which range from 12 to 17 years. 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 Pacific, LP is accounted for under the equity method of accounting as the Company has the ability to exercise significant influence, but not control, over Mammoth Pacific, LP.

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

	June 30, 2010	December 31, 2009
	(Dollars in thousands)	
Condensed balance sheets:		
Current assets	$ 10,711	$ 19,257
Non-current assets	61,636	64,728
Current liabilities	676	659
Non-current liabilities	3,321	3,196
Partners capital	68,350	80,130

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
	(Dollars in thousands)	
Condensed statements of operations:		
Revenues	$ 9,806	$ 9,455
Gross margin	2,842	2,568
Net income	2,720	2,458
Company s equity in income of Mammoth:		
50% of Mammoth net income	$ 1,360	$ 1,229
Plus amortization of basis difference	296	296
	1,656	1,525
Less income taxes	(629)	(580)
Total	$ 1,027	$ 945

On August 2, 2010, the Company acquired the remaining 50% interest in Mammoth Pacific, LP, (see Note 16).

The Sarulla Project

The Company is a 12.75% member of a consortium which is in the process of developing a geothermal power project in Indonesia with expected generating capacity of approximately 340 MW. The project is located in Tapanuli Utara, North Sumatra, Indonesia and will be owned and operated by the consortium members under the framework of a Joint Operating Contract with PT Pertamina Geothermal Energy (PGE). The project will be constructed in three phases over five years, with each phase utilizing the Company s 110 MW to 120 MW combined cycle geothermal plants in which the steam first produces power in a backpressure steam turbine and is subsequently condensed in a vaporizer of a binary plant, which produces additional power. The consortium is currently negotiating certain amendments to the energy sales contract, including an adjustment of commercial terms, and intends to proceed with the project after those amendments have become effective. On April 26, 2010, the parties agreed to increase the price of the power sold under the energy sales contract.

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

NOTE 5 CONSOLIDATION GUIDANCE FOR VARIABLE INTEREST ENTITIES

Effective January 1, 2010, the Company adopted new accounting and disclosure guidance for variable interest entities (VIEs). Among other accounting and disclosure requirements, the new guidance requires the primary beneficiary of a VIE to be identified as the party that both (i) has the power to direct the activities of a VIE that most significantly impact its economic performance; and (ii) has an obligation to absorb losses or a right to receive benefits that could

potentially be significant to the VIE. The adoption of this new accounting guidance did not result in the Company consolidating any additional VIEs or deconsolidating any VIEs.

The Company evaluated all transactions and relationships with VIEs to determine whether the Company is the primary beneficiary of the entities in accordance with the guidance. The Company s overall methodology for evaluating transactions and relationships under the VIE requirements includes the following two steps: (i) determining whether the entity meets the criteria to qualify as a VIE; and (ii) determining whether the Company is the primary beneficiary of the VIE.

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In performing the first step, the significant factors and judgments that the Company considers in making the determination as to whether an entity is a VIE include:

The design of the entity, including the nature of its risks and the purpose for which the entity was created, to determine the variability that the entity was designed to create and distribute to its interest holders;

The nature of the Company s involvement with the entity;

Whether control of the entity may be achieved through arrangements that do not involve voting equity;

Whether there is sufficient equity investment at risk to finance the activities of the entity; and

Whether parties other than the equity holders have the obligation to absorb expected losses or the right to receive residual returns.

If the Company identifies a VIE based on the above considerations, it then performs the second step and evaluates whether it is the primary beneficiary of the VIE by considering the following significant factors and judgments:

Whether the Company has the power to direct the activities of the VIE that most significantly impact the entity s economic performance; and

Whether the Company has the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company s VIEs include certain of its wholly owned subsidiaries that own one or more power plants with long-term PPAs. In most cases, the PPAs require the utility to purchase substantially all of the plant s electrical output over a significant portion of its estimated useful life. Most of the VIEs have associated project financing debt that is non-recourse to the general creditors of the Company, is collateralized by substantially all of the assets of the VIE and those of its wholly owned subsidiaries (also VIEs) and is fully and unconditionally guaranteed by such subsidiaries. The Company has concluded that such entities are VIEs primarily because the entities do not have sufficient equity at risk and/or subordinated financial support is provided through the long-term PPAs. The Company has evaluated each of its VIEs to determine the primary beneficiary by considering the party that has the power to direct the most significant activities of the entity. Such activities include, among others, construction of the power plant, operations and maintenance, dispatch of electricity, financing and strategy. The Company controls such activities at each of its VIEs and, therefore, is considered the primary beneficiary. The Company will perform an ongoing reassessment of the VIEs to determine the primary beneficiary and may be required to deconsolidate certain of its VIEs in the future. The Company has aggregated its consolidated VIEs into the following categories: (i) consolidated subsidiaries with project debt; and (ii) consolidated subsidiaries with PPAs.

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The tables below detail the assets and liabilities (excluding intercompany balances which are eliminated in consolidation) for the Company s VIEs, combined by VIE classifications, that were included in the condensed consolidated balance sheets as of June 30, 2010 and December 31, 2009:

	June 30, 2010	
	Project Debt	PPAs
Assets:		
Restricted cash, cash equivalents and marketable securities	$ 34,965	$
Other current assets	53,892	9,592
Unconsolidated investments	28,066	
Property, plant and equipment, net	834,330	436,895
Construction-in-process	36,520	1,150
Other long-term assets	55,402	
Total assets	$ 1,043,175	$ 447,637
Liability:		
Accounts payable and accrued expenses	$ 10,634	$ 3,556
Long-term debt	381,775	
Other long-term liabilities	85,524	3,326
Total liabilities	$ 477,933	$ 6,882

	December 31, 2009	
	Project Debt	PPAs
Assets:		
Restricted cash, cash equivalents and marketable securities	$ 43,467	$
Other current assets	58,037	1,459
Unconsolidated investments	33,659	
Property, plant and equipment, net	866,024	89,822
Construction-in-process	12,151	239,799
Other long-term assets	58,282	
Total assets	$ 1,071,620	$ 331,080
Liability:		
Accounts payable and accrued expenses	$ 11,328	$ 1,749

Long-term debt	400,442	
Other long-term liabilities	87,181	3,198
Total liabilities	$ 498,951	$ 4,947

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1

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measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

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

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

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

The following table sets forth certain fair value information at June 30, 2010 and December 31, 2009 for financial assets and liabilities measured at fair value by level within the fair value hierarchy, as well as cost or amortized cost. As required by the fair value measurement guidance, assets and liabilities are classified in their entirety based on the lowest level of inputs that is significant to the fair value measurement.

	Cost or Amortized Cost at June 30, 2010	Fair Value at June 30, 2010			
		Total	Level 1	Level 2	Level 3
	(Dollars in thousands)				
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	$ 7,023	$ 7,023	$ 7,023	$	$
Non-current assets:					
including restricted cash accounts) ($4.5 million par value), see below	4,110	3,047			3,047
Liabilities:					
Current liabilities:					
Derivatives*		(411)		(411)	
	$ 11,133	$ 9,659	$ 7,023	$ (411)	$ 3,047

	Cost or Amortized Cost at December 31,	Fair Value at December 31, 2009

	2009	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)			
Assets:					
Current assets:					
Cash equivalents (including restricted cash accounts)	$ 20,227	$ 20,227	$ 20,227	$	$
Derivatives*		91		91	
Non-current assets:					
Illiquid auction rate securities including restricted cash accounts) ($4.5 million par value), see below	4,099	3,164			3,164
Liabilities:					
Current liabilities:					
Derivatives*		(32)		(32)	
	$ 24,326	$ 23,450	$ 20,227	$ 59	$ 3,164

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* Derivatives represent foreign currency forward and option contracts, which are valued primarily based on observable inputs including forward and spot prices for currencies.

The Company s financial assets measured at fair value (including restricted cash accounts) at June 30, 2010 and December 31, 2009 include investments in auction rate securities and money market funds (which are included in cash equivalents). Those securities, except for the illiquid auction rate securities, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market.

The Company s auction rate securities are valued using Level 3 inputs. As of June 30, 2010 and December 31, 2009, all of the Company s auction rate securities are associated with failed auctions. Such securities have par values totaling $4.5 million at June 30, 2010 and December 31, 2009, all of which have been in a loss position since the fourth quarter of 2007. Historically, the carrying value of auction rate securities approximated fair value due to the frequent resetting of the interest rates. While the Company continues to earn interest on these investments at the contractual rates, the estimated market value of these auction rate securities no longer approximates par value. Due to the lack of observable market quotes on the Company s illiquid auction rate securities, the Company utilizes valuation models that rely exclusively on Level 3 inputs including, among other things: (i) the underlying structure of each security; (ii) the present value of future principal and interest payments discounted at rates considered to reflect the uncertainty of current market conditions; (iii) consideration of the probabilities of default, auction failure, or repurchase at par for each period; (iv) assessments of counterparty credit quality; (v) estimates of the recovery rates in the event of default for each security; and (vi) overall capital market liquidity. These estimated fair values are subject to uncertainties that are difficult to predict. Therefore, such auction rate securities have been classified as Level 3 in the fair value hierarchy.

The table below sets forth a summary of the changes in the fair value of the Company s financial assets classified as Level 3 (i.e., illiquid auction rate securities) for the six months ended June 30, 2010 and 2009, respectively:

	Six Months Ended June 30,	
	2010	2009
	(Dollars in thousands)	
Balance at beginning of period	$ 3,164	$ 4,945
Sale of auction rate securities		(40)
Total unrealized gains (losses):		
Included in net income		(280)
Included in other comprehensive income	(117)	411
Balance at end of period	$ 3,047	$ 5,036

Effective April 1, 2009, the Company adopted the recognition and presentation of the other-than-temporary impairments standard, which requires an entity to separate an other-than-temporary impairment of a debt security into two components when there are credit-related losses associated with the impaired security for which management does not have the intent to sell the security and it is not more likely than not, that it will be required to sell the security before recovery of its cost basis. For those securities, the amount of the other-than-temporary impairment related to a credit loss is recognized in earnings and reflected as a reduction in the cost basis of the security, and the amount of the other-than-temporary impairment related to other factors is recorded in other comprehensive loss with no change to the cost basis of the security. For securities for which there is an intent to sell before recovery of the cost basis, the full amount of the other-than-temporary

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impairment is recognized in earnings and reflected as a reduction in the cost basis of the security. Upon adoption of this standard, the Company reclassified $1.2 million (net of taxes of $0.7 million) to other comprehensive income with an offset to retained earnings related to the other-than-temporary impairment charges previously recognized in earnings. This cumulative effect adjustment relates to auction rate securities for which the Company does not have the intent to sell and will not, more likely than not, be required to sell prior to recovery of its cost basis.

The amount of credit losses represents the difference between the present value of cash flows expected to be collected on these securities and the amortized cost. The credit loss was calculated as the difference between the current cash flows discounted at present value to the expected cash flows at the date of purchase. The analysis incorporates management s best estimate of current key assumptions, including the default rate of such securities and probability of passing auction.

The changes in other-than-temporary impairment losses in the three and six-month periods ended June 30, 2010 were not material.

The funds invested in auction rate securities that have experienced failed auctions will not be accessible until a successful auction occurs, a buyer is found outside of the auction process or the underlying securities reach maturity. As a result, the Company has classified those securities with failed auctions as long-term assets on the consolidated balance sheets as of June 30, 2010 and December 31, 2009.

The Company continues to monitor the market for auction rate securities and to consider the market s impact (if any) on the fair market value of the Company s investments. If current market conditions deteriorate further, the Company may be required to record additional impairment charges in the rest of 2010.

There were no transfers of assets or liabilities between Level 1 and Level 2 during the three and six-month periods ended June 30, 2010.

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

	Fair Value		Carrying Amount	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
	(Dollars in millions)		(Dollars in millions)	
Orzunil Senior Loans	$ 3.3	$ 5.3	$ 3.2	$ 5.2
Olkaria III Loan	94.2	96.6	93.9	99.5
Amatitlan Loan	40.6	41.1	40.1	41.1
Senior Secured Notes:				
Ormat Funding Corp.(OFC)	127.6	132.0	141.4	146.3
OrCal Geothermal Inc.(OrCal)	101.1	103.7	103.2	105.8
Loan from institutional investors	19.1	20.0	18.6	20.0
Parent Loan		9.7		9.6

The fair value of OFC Senior Secured Notes is determined using observable market prices as these securities are traded. The fair value of other long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current market pricing curves.

NOTE 7 STOCK-BASED COMPENSATION

On April 16, 2010, the Company granted to employees 592,900 stock appreciation rights (SAR) under the Company s 2004 Incentive Plan. The exercise price of each SAR is $29.95, which represented the fair market value of the Company s common stock on the date of grant. Such SARs will expire seven years from

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the date of grant and will 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. Upon exercise, SARs entitle the recipient to receive shares of common stock equal to the increase in value of the award between the grant date and the exercise date. The fair value of each SAR on the date of grant was $12.64.

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

Risk-free interest rates	2.58%
Expected term (in years)	5.125
Dividend yield	0.72%
Expected volatility	47.55%
Forfeiture rate	13.0%

On May 5, 2010, the Company granted to a non-employee director options to purchase 7,500 shares of common stock under the 2004 Incentive Plan. The exercise price of each option is $29.21, which represented the closing price of the Company s common stock on May 6, 2010 (since the Company released its quarterly results for the first quarter of 2010 on May 5, 2010). Such options will expire seven years from the date of grant and will vest on the first anniversary of the date of grant. The fair value of each option on the date of grant was $11.19.

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

Risk-free interest rates	1.7%
Expected term (in years)	4.0
Dividend yield	0.67%
Expected volatility	49.71%
Forfeiture rate	0%

NOTE 8 DISCONTINUED OPERATIONS

In January 2010, a former shareholder of Geothermal Development Limited (GDL) exercised a call option to purchase from the Company its shares in GDL for approximately $2.8 million. In addition, the Company received $17.7 million to repay the loan a subsidiary of the Company provided to GDL to build the plant. The Company did not exercise its right of first refusal and, therefore, the Company transferred its shares in GDL to the former shareholder after the former shareholder paid all of GDL s obligations to the Company. As a result, the Company s recorded a pre-tax gain of approximately $6.3 million in the six months ended June 30, 2010 ($4.3 million after-tax).

Included in income from discontinued operations in the three months ended June 30, 2010 is an out-of-period adjustment of $570,000 that increased the after-tax gain on the sale of GDL. Such adjustment relates to an error in income taxes associated with the gain on sale of GDL in the three month period ended March 31, 2010. The Company has determined that the impact of this out-of-period adjustment recorded in the three-month period ended June 30,

2010 was immaterial to the condensed consolidated statement of operations and comprehensive income (loss) in the three-month period ended March 31, 2010 and has no impact on the six months ended June 30, 2010.

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The net assets of GDL on January 1, 2010 were as follows:

	(Dollars in thousands)
Cash and cash equivalents	$ 871
Accounts receivables	434
Prepaid expenses and other	184
Property, plant and equipment	16,293
Accounts payables and accrued liabilities	(164)
Other comprehensive income translation adjustments	(156)
Net assets	$ 17,462

The operations and gain on sale of GDL have been included in discontinued operations on the condensed consolidated statements of operations and comprehensive income for all periods prior to the sale of GDL in January 2010. Electricity revenues related to GDL were $0 and $736,000 during the three months ended June 30, 2010 and 2009, respectively, and $64,000 and $1,314,000 during the six months ended June 30, 2010 and 2009, respectively. Basic and diluted earnings per share related to the $4.3 million after-tax gain on sale of GDL was $0.02 and $0.10 during the three and six-month periods ended June 30, 2010, respectively. Basic and diluted earnings per share related to income from discontinued operations was $0.03 during the three and six-month periods ended June 30, 2009 (none in 2010).

NOTE 9 ELECTRICITY REVENUES AND COST OF REVENUES

The components of electricity revenues and cost of revenues are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands)		(Dollars in thousands)	
Revenues:				
Energy and capacity	$ 25,628	$ 23,268	$ 50,346	$ 47,040
Lease portion of energy and capacity	42,507	35,886	83,223	73,503
Lease income	672	672	1,343	1,343
	$ 68,807	$ 59,826	$ 134,912	$ 121,886
Cost of revenues:				
Energy and capacity	$ 36,702	$ 24,257	$ 63,957	$ 47,155
Lease portion of energy and capacity	25,486	19,151	51,443	38,628

Lease income	1,310	1,310	2,621	2,621
	$ 63,498	$ 44,718	$ 118,021	$ 88,404

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NOTE 10 INTEREST EXPENSE, NET

The components of interest expense, net are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands)		(Dollars in thousands)	
Parent	$ 130	$ 310	$ 310	$ 753
Interest related to sale of tax benefits	1,353	2,151	2,728	4,081
Other	10,165	8,331	19,938	15,063
Less amount capitalized	(2,222)	(6,377)	(3,836)	(12,192)
	$ 9,426	$ 4,415	$ 19,140	$ 7,705

NOTE 11 EARNINGS PER SHARE

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)		(In thousands)	
Weighted average number of shares used in computation of basic earnings per share	45,431	45,369	45,431	45,361
Add:				
Additional shares from the assumed exercise of employee stock options		82		64
Weighted average number of shares used in computation of diluted earnings per share	45,431	45,451	45,431	45,425

For the three and six-month periods ended June 30, 2010, the employee stock options are anti-dilutive because of the Company s net loss from continuing operations and therefore, have been excluded from the diluted earnings (loss) per share calculation.

The number of stock options that could potentially dilute future earnings per share and were not included in the computation of diluted earnings per share because to do so would have been antidilutive was 2,791,204 and 1,747,252, respectively, for the three months ended June 30, 2010 and 2009, and 2,461,984 and 1,893,305, respectively, for the six months ended June 30, 2010 and 2009.

NOTE 12 BUSINESS SEGMENTS

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

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

	Electricity	Product	Consolidated
		(Dollars in thousands)	
Three Months Ended June 30, 2010:			
Net revenues from external customers	$ 68,807	$ 27,459	$ 96,266
Intersegment revenues		21,102	21,102
Operating income (loss)	(5,109)	7,416	2,307
Segment assets at period end*	1,867,982	72,777	1,940,759
Three Months Ended June 30, 2009:			
Net revenues from external customers	$ 59,826	$ 39,673	$ 99,499
Intersegment revenues		4,386	4,386
Operating income	9,508	6,747	16,255
Segment assets at period end*	1,697,172	75,585	1,772,757
Six months Ended June 30, 2010:			
Net revenues from external customers	$ 134,912	$ 44,008	$ 178,920
Intersegment revenues		28,296	28,296
Operating income (loss)	(2,014)	6,526	4,512
Segment assets at period end*	1,867,982	72,777	1,940,759
Six months Ended June 30, 2009:			
Net revenues from external customers	$ 121,886	$ 76,924	$ 198,810
Intersegment revenues		17,221	17,221
Operating income	20,344	14,656	35,000
Segment assets at period end*	1,697,172	75,585	1,772,757

* Segment assets of the Electricity Segment include unconsolidated investments.

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

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended March 31,	
	2010	2009	2010	2009	2010	2009
	(Dollars in thousands)		(Dollars in thousands)		(Dollars in thousands)	
Operating income	$ 2,307	$ 16,255	$ 4,512	$ 35,000	$ 2,205	$ 18,745
Interest income	95	276	292	428	197	152
Interest expense, net	(9,426)	(4,415)	(19,140)	(7,705)	(9,714)	(3,290)
Foreign currency translation and transaction gains (losses)	(1,033)	1,044	(599)	(1,349)	434	(2,393)

Income attributable to sale of tax benefits	2,070	4,366	4,209	8,534	2,139	4,168
Other non-operating income (expense), net	79	550	(280)	400	(359)	(150)
Total consolidated income (loss) from continuing operations, before income taxes and equity in income of investees	$ (5,908)	$ 18,076	$ (11,006)	$ 35,308	$ (5,098)	$ 17,232

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NOTE 13 CONTINGENCIES

Securities Class Actions

Following the Company s public announcement that it would restate certain of its financial results due to a change in the Company s accounting treatment for certain exploration and development costs, three securities class action lawsuits were filed in the United States District Court for the District of Nevada on March 9, 2010, March 18, 2010 and April 7, 2010. These complaints assert claims against the Company and certain officers and directors for alleged violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the Exchange Act). One complaint also asserts claims for alleged violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the Securities Act). All three complaints allege claims on behalf of a putative class of purchasers of Company stock between May 6, 2008 or May 7, 2008 and February 23, 2010 or February 24, 2010.

These three lawsuits were consolidated by the Court in an order issued on June 3, 2010 and the Court appointed three of the Company s stockholders to serve as lead plaintiffs. Lead plaintiffs filed a consolidated amended class action complaint (CAC) on July 9, 2010 that asserts claims under Sections 10(b) and 20(a) of the Exchange Act on behalf of a putative class of purchasers of Company stock between May 7, 2008 and February 24, 2010. The CAC alleges that certain of the Company s public statements were false and misleading for failing to account properly for the Company s exploration and development costs based on the Company s announcement on February 24, 2010 that it was going to restate its financial results to change its method of accounting for exploration and development costs in certain respects. The CAC also alleges that certain of the Company s statements concerning the North Brawley project were false and misleading. The CAC seeks compensatory damages, expenses, and such further relief as the Court may deem proper. Defendants intend to file a motion to dismiss the CAC on August 13, 2010.

The Company does not believe that these lawsuits have merit and intends to defend itself vigorously.

Stockholder Derivative Cases

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

The two stockholder derivative cases filed in the Second Judicial District Court of the State of Nevada in and for the County of Washoe were consolidated by the Court in an order dated May 27, 2010 and the plaintiffs are scheduled to file a consolidated derivative complaint on August 9, 2010. The two federal derivative cases filed in the United States District Court for the District of Nevada have not been consolidated yet but the parties filed a stipulation to consolidate them on July 9, 2010.

The Company believes the allegations in these purported derivative actions are also without merit and is defending the actions vigorously.

Other

From time to time, the Company is named as a party in various lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of its business. These actions typically seek, among

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other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, the Company accrues reserves in accordance with accounting principles generally accepted in the U.S. It is the opinion of the Company s management that the outcome of these proceedings, individually and collectively, will not materially affect its business, financial condition, financial results or cash flow.

NOTE 14 CASH DIVIDENDS

On February 23, 2010, the Company s Board of Directors declared, approved and authorized payment of a quarterly dividend of $5.5 million ($0.12 per share) to all holders of the Company s issued and outstanding shares of common stock on March 16, 2010. Such dividend was paid on March 25, 2010.

On May 5, 2010, the Company s Board of Directors declared, approved and authorized payment of a quarterly dividend of $2.3 million ($0.05 per share) to all holders of the Company s issued and outstanding shares of common stock on May 18, 2010. Such dividend was paid on May 25, 2010.

NOTE 15 INCOME TAXES

The Company s effective tax rate for the three months ended June 30, 2010 and 2009 was a tax benefit of 57.0% and tax expense of 21.4%, respectively. The effective tax rate differs from the federal statutory rate of 35% for the three months ended June 30, 2010 primarily due to: (i) the benefit of production tax credits for qualified power plants placed in service since 2005; (ii) lower tax rates in Israel; and (iii) a tax credit and tax exemption related to the Company s subsidiaries in Guatemala. The effective tax rate differs from the federal statutory rate of 35% for the six months ended June 30, 2010 primarily due to: (i) the benefit of production tax credits for qualified power plants placed in service since 2005; (ii) lower tax rates in Israel; (iii) a tax credit and tax exemption related to the Company s subsidiaries in Guatemala; and (iv) a valuation allowance related to capital loss carryovers that the Company will not, more likely than not, utilize.

The anticipated annual production tax credits associated with the Class B membership interest in OPC LLC, an entity the Company is consolidating, has a significant impact on the Company s expected overall annual tax benefit in 2010. The Company is currently negotiating to sell such interest to a third party. Upon the sale of the Class B membership interest, the Company will no longer be eligible to receive production tax credits associated with the Class B membership interest. Due to uncertainties in the timing of selling its Class B membership interest and the significance of the production tax credits to the Company s overall tax benefit in 2010, the Company is recognizing production tax credits as they are earned rather than including forecasted production tax credits in the annual effective tax rate estimate from continuing operations.

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

	Six Months Ended June 30, 2010	Year Ended December 31, 2009

	(Dollars in thousands)			
Balance at beginning of period	$	4,931	$	3,425
Additions based on tax positions taken in prior years		434		964
Additions based on tax positions taken in the current year				1,282
Decrease for settlements with taxing authorities				(740)
Balance at end of period	$	5,365	$	4,931

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 16 SUBSEQUENT EVENTS

Acquisition of 50% of Mammoth Pacific, LP

On August 2, 2010, the Company acquired the remaining 50% interest in Mammoth Pacific, LP that owns the Mammoth complex for a purchase price of $75.2 million. Following the acquisition, the Company became the sole owner of the Mammoth complex, as well as the rights to over 10,000 acres of undeveloped federal lands.

Following the acquisition, Mammoth Pacific, LP, previously accounted for under the equity method (See Note 4), will be consolidated in the Company s consolidated financial statements. As a result of the acquisition, the Company will record in the third quarter of 2010, a gain equal to the difference between the book value of the investment in Mammoth Pacific, LP and the fair value of such investment at the acquisition date. The Company has not yet determined the fair value of its investment at the acquisition date. However, based on preliminary data, it estimates the pre-tax gain will equal up to approximately $40 million. The actual amount of the gain will not be known until the Company completes its determination of the fair value of the assets and liabilities of Mammoth Pacific, LP.

Issuance of Senior Unsecured Bonds

On August 3, 2010, the Company entered into a trust instrument governing the issuance of, and accepted subscriptions for, approximately $142 million in aggregate principal amount of senior unsecured bonds (the Bonds). The Company issued the Bonds outside the United States to investors who are not U.S. persons in an unregistered offering pursuant to, and subject to the requirements of, Regulation S under the Securities Act.

Subject to early redemption, principal of the Bonds is repayable in a single bullet payment upon the final maturity of the Bonds on August 1, 2017. The Bonds bear interest at a fixed rate of 7% per annum, payable semi-annually. The Company intends to use the proceeds of the Bonds for general corporate purposes, which may include the repayment of existing indebtedness and the acquisition, directly or indirectly, of additional energy assets, including by way of construction, enhancement and expansion of its existing projects.

Cash Dividend

On August 4, 2010, the Company s Board of Directors declared, approved and authorized payment of a quarterly dividend of $2.3 million ($0.05 per share) to all holders of the Company s issued and outstanding shares of common stock on August 17, 2010, payable on August 26, 2010.

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

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

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

- significant considerations, risks and uncertainties discussed in this quarterly report;
- operating risks, including equipment failures and the amounts and timing of revenues and expenses;
- geothermal resource risk (such as the heat content of the reservoir, useful life and geological formation);
- financial market conditions and the results of financing efforts;
- environmental constraints on operations and environmental liabilities arising out of past or present operations, including the risk that we may not have, and in the future may be unable to procure, any necessary permits or other environmental authorization;
- construction or other project delays or cancellations;
- political, legal, regulatory, governmental, administrative and economic conditions and developments in the United States and other countries in which we operate;
- the enforceability of the long-term power purchase agreements (PPAs) for our power plants;
- contract counterparty risk;
- weather and other natural phenomena;

the impact of recent and future federal and state regulatory proceedings and changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and incentives for the production of renewable energy in the United States and elsewhere;

changes in environmental and other laws and regulations to which our company is subject, as well as changes in the application of existing laws and regulations;

current and future litigation;

our ability to successfully identify, integrate and complete acquisitions;

competition from other similar geothermal energy projects, including any such new geothermal energy projects developed in the future, and from alternative electricity producing technologies;

the effect of and changes in economic conditions in the areas in which we operate;

market or business conditions and fluctuations in demand for energy or capacity in the markets in which we operate;

the direct or indirect impact on our company s business resulting from terrorist incidents or responses to such incidents, including the effect on the availability of and premiums on insurance;

the effect of and changes in current and future land use and zoning regulations, residential, commercial and industrial development and urbanization in the areas in which we operate;

the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2009;

other uncertainties which are difficult to predict or beyond our control and the risk that we incorrectly analyze these risks and forces or that the strategies we develop to address them could be unsuccessful; and

other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission (SEC).

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

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included elsewhere in this report and the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2009 and any updates contained herein as well as those set forth in our reports and other filings made with the SEC.

General

Overview

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

Our geothermal power plants include both power plants that we have built and power plants that we have acquired, while all of our recovered energy-based plants have been constructed by us. We conduct our business activities in two business segments, which we refer to as our Electricity Segment and Product Segment. In our Electricity Segment, we develop, build, own and operate geothermal and recovered energy-based power plants in the United States and geothermal power plants in other countries around the world, and sell the electricity they generate. We have recently

decided to expand our activities in the Electricity Segment to include the ownership and operation of power plants that produce electricity generated by solar-photovoltaic (PV) systems that we do not manufacture. In our Product Segment, we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation, remote power units and other power generating units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy power plants. Both our Electricity Segment and Product Segment operations are conducted in the United States and throughout the world. Our current generating portfolio includes geothermal power plants in the United States, Guatemala, Kenya, and Nicaragua, as well as recovered

energy generation (REG) power plants in the United States. During the six months ended June 30, 2010 and 2009, our consolidated power plants generated 1,797,616 MWh and 1,671,330 MWh, respectively.

For the six months ended June 30, 2010, our Electricity Segment revenues represented approximately 75.4% of our total revenues, while our Product Segment revenues represented approximately 24.6% of our total revenues during such period. For the six months ended June 30, 2009, our Electricity Segment revenues represented approximately 61.3% of our total revenues, while our Product Segment revenues represented approximately 38.7% of our total revenues, during such period.

For the six months ended June 30, 2010, our total revenues decreased by 10.0% (from $198.8 million to $178.9 million) over the same period last year. Revenues from the Electricity Segment increased by 10.7%, while revenues from the Product Segment decreased by 42.8%. As discussed below and in our previous quarterly report for the three months ended March 31, 2010, this decrease is attributable to the decline in our Product Segment order backlog.

For the six months ended June 30, 2010, total Electricity Segment revenues from the sale of electricity by our consolidated power plants were $134.9 million, compared to $121.9 million for the six months ended June 30, 2009. In addition, revenues from our 50% ownership of the Mammoth complex in the six months ended June 30, 2010 and 2009 were $4.9 million and $4.7 million, respectively. This additional data is a Non-Generally Accepted Accounting Principles (Non-GAAP) financial measure, as defined by the SEC. There is no comparable GAAP measure. We believe that such Non-GAAP data is useful to the readers as it provides a more complete view of the scope of activities of the power plants that we operate. Our investment in the Mammoth complex is accounted for in our consolidated financial statements under the equity method and the revenues are not included in our consolidated revenues for the six months ended June 30, 2010 and 2009.

For the six months ended June 30, 2010, revenues attributable to our Product Segment were $44.0 million, compared to $76.9 million for the six months ended June 30, 2009, a decrease of 42.8%. The decrease is due to a decline in our Product Segment order backlog.

Revenues from our Electricity Segment are relatively predictable, as they are derived from sales of electricity generated by our power plants pursuant to long-term PPAs. The price for electricity under all but one of our PPAs is effectively a fixed price at least through May 2012. The exception is the PPA of the Puna power plant. It has a monthly variable energy rate based on the local utility s avoided cost, which is the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others. In the six months ended June 30, 2010, the variable energy rate in the Puna power plant decreased significantly mainly as a result of lower oil prices, which in turn impacted the gross margin in our Electricity Segment. In the six months ended June 30, 2010, 87.2% of our electricity revenues were derived from contracts with fixed energy rates, and therefore most of our electricity revenues were not affected by the fluctuations in energy commodity prices. However, electricity revenues are subject to seasonal variations and can be affected by higher-than average ambient temperatures, as described below under the heading Seasonality. Revenues attributable to our Product Segment are based on the sale of equipment and the provision of various services to our customers. These revenues may vary significantly from period to period because of the timing of our receipt of purchase orders and the progress of our execution of each project.

Our management assesses the performance of our two segments of operation differently. In the case of our Electricity Segment, when making decisions about potential acquisitions or the development of new projects, we typically focus on the internal rate of return of the relevant investment, relevant technical and geological matters and other relevant business considerations. We evaluate our operating projects based on revenues and expenses, and our projects that are under development based on costs attributable to each such project. We evaluate the performance of our Product Segment based on the timely delivery of our products, performance quality of our products and costs actually incurred

to complete customer orders compared to the costs originally budgeted for such orders.