ORMAT TECHNOLOGIES, INC.
Form 10-Q/A
June 19, 2018

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

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

For the quarterly period ended September 30, 2017

or

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

For the transition period from to

Commission file number: 001-32347

ORMAT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

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

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

(775) 356-9029

(Registrant's telephone number, including area code)

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 5, 2017, the number of outstanding shares of common stock, par value $0.001 per share, was 50,597,124.

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Certain Definitions

For convenience purposes in this filing on Form 10-Q/A, all references to “Ormat”, “the Company”, “we”, “us”, “our compa “Ormat Technologies” or “our” refer to Ormat Technologies, Inc. and its consolidated subsidiaries.

Explanatory Note

This Amendment No. 1 to Form 10-Q (this “Amendment”) amends the Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2017 originally filed with the Securities and Exchange Commission (“SEC”) on November 9, 2017 (the “Original Filing”) by Ormat Technologies, Inc. (the "Company").

Restatement

As further discussed in Note 1 to our unaudited condensed consolidated financial statements in Part I, Item 1, "Financial Statements" of this Amendment, on May 16, 2018, we concluded that we would restate our previously issued consolidated financial statements as of and for the year ended December 31, 2017 to correct for (i) errors in our income tax provision, primarily related to the Company’s ability to utilize Federal tax credits in the United States (“U.S.”) prior to their expiration starting in 2027, and the resulting impact on the Company’s deferred tax asset valuation allowance, and (ii) the inappropriate netting of certain deferred income tax assets and deferred income tax liabilities across different tax jurisdictions that was not permissible under U.S. generally accepted accounting principles (“GAAP”). In addition, there were other immaterial prior period errors, including an out-of-period adjustment that had been previously recorded for the correction of an understated liability for unrecognized tax benefits related to intercompany interest. We also concluded that we would revise our previously issued consolidated financial statements as of and for the year ended December 31, 2016 and for the year ended December 31, 2015 to correct for errors in our income tax provision, primarily related to the translation of deferred tax liabilities in a foreign subsidiary. The restatement, for 2017, and revision, for 2016 and 2015, is being effected through the Company’s filing of an amendment on Form 10-K/A for the year ended December 31, 2017. In connection with these restatements and revisions, the Company also recorded adjustments to correct other immaterial tax errors. This decision to restate and revise our previously issued financial statements was approved by, and with the continuing oversight of, the Company’s Board of Directors upon the recommendation of its Audit Committee.

These error corrections also resulted in the restatement, for 2017, and revision, for 2016, of the Company’s previously issued unaudited condensed consolidated financial statements for the three and six months ended June 30, 2017 and 2016, respectively, which has been effected through the Company’s filing of an amendment on Form 10-Q/A for the quarter ended June 30, 2017, and the three and nine months ended September 30, 2017 and 2016, respectively, which

is being effected through the Company’s filing of this Amendment. The revision of the Company’s previously issued unaudited condensed consolidated financial statements for the quarter ended March 31, 2017 will be effected in connection with the Company’s filing of its Form 10-Q for the quarter ended March 31, 2018. The impact of the revision for the quarters ended March 31, 2017 and 2016 is also discussed in Note 1 to our unaudited condensed consolidated financial statements in Part I, Item 1, "Financial Statements" of this Amendment.

Internal Control Over Financial Reporting

Management has reassessed its evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2017. As a result of that reassessment, management has concluded that the Company did not maintain effective disclosure controls and procedures due to the material weakness in internal control over financial reporting which existed at that date. For a description of the material weakness in internal control over financial reporting and actions taken, and to be taken, to address the material weakness, see Part 1, Item 4. "Controls and Procedures" of this Amendment.

Amendment

The purpose of this Amendment is to (i) restate the Company’s previously issued unaudited condensed consolidated financial statements and related disclosures as of and for the three and nine-months ended September 30, 2017; (ii) revise the Company’s unaudited condensed consolidated financial statements for the three and nine-months ended September 30, 2016; and (iii) revise the Company’s condensed consolidated balance sheet as of December 31, 2016, which was derived from the audited consolidated financial statements, which have been revised as described above, but does not include all disclosures required by GAAP, all contained in Part I, Item 1. "Financial Statements" of this Amendment. This Amendment also includes (a) an amended Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" to reflect the correction of the errors described above, and (b) an amended Part I, Item 4. "Controls and Procedures" to restate the conclusion on the effectiveness of disclosure controls and procedures. Disclosure controls and procedures were deemed effective in the Original Filing on November 9, 2017 and are deemed ineffective as a result of the material weakness described in Part I, Item 4. “Controls and Procedures” of this Amendment. In addition, the Company has updated Note 12 to the condensed consolidated financial statements contained in Part I, Item 1. "Financial Statements" to include disclosure of subsequent events occurring through the date of the filing of this Amendment.

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Except as expressly set forth herein, this Amendment does not reflect events occurring after the date of the Original Filing or modify or update any of the other disclosures contained therein in any way other than as required to reflect the amendment discussed above. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings with the SEC.

Items Amended in this Filing

For reasons discussed above, we are filing this Amendment in order to amend the following items in our Original Report to the extent necessary to reflect the adjustments discussed above and make corresponding revisions to our financial data cited elsewhere in this Amendment:

Part I, Item 1. Financial Statements
Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Part I, Item 4. Controls and Procedures

In accordance with applicable SEC rules, this Amendment includes new certifications required by Rule 13a-14 under the Securities Exchange Act of 1934 from our Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amendment.

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ORMAT TECHNOLOGIES, INC.

FORM 10-Q/A

FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2017 (As restated)	December 31, 2016
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$77,212	$230,214
Restricted cash and cash equivalents (primarily related to VIEs)	42,559	34,262
Receivables:		
Trade	98,384	80,807
Other	11,591	17,482
Inventories	18,685	12,000
Costs and estimated earnings in excess of billings on uncompleted contracts	42,087	52,198
Prepaid expenses and other	41,727	45,867
Total current assets	332,245	472,830
Investment in an unconsolidated company	25,367	—
Deposits and other	17,371	18,553
Deferred charges	43,972	43,773
Property, plant and equipment, net ($1,518,962 and $1,483,224 related to VIEs, respectively)	1,621,012	1,556,378
Construction-in-process ($105,848 and $120,853 related to VIEs, respectively)	350,872	306,709
Deferred financing and lease costs, net	5,426	3,923
Intangible assets, net	86,806	52,753
Goodwill	20,667	6,650
Total assets	$2,503,738	$2,461,569
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$103,335	$91,650
Short term revolving credit lines with banks (full recourse)	33,900	—
Billings in excess of costs and estimated earnings on uncompleted contracts	6,015	31,630
Current portion of long-term debt:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes	27,847	32,234
Other loans	21,495	21,495
Full recourse	864	12,242
Total current liabilities	193,456	189,251
Long-term debt, net of current portion:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes (less deferred financing costs of $8,202 and $9,177, respectively)	322,299	350,388

Other loans (less deferred financing costs of $5,496 and $6,409, respectively)	247,401	261,845
Full recourse:		
Senior unsecured bonds (less deferred financing costs of $617 and $755, respectively)	203,715	203,577
Other loans (less deferred financing costs of $1,043 and $1,346, respectively)	48,957	57,063
Investment in an unconsolidated company	—	11,081
Liability associated with sale of tax benefits	46,803	54,662
Deferred lease income	52,273	54,561
Deferred income tax liabilities	77,914	36,411
Liability for unrecognized tax benefits	6,188	6,444
Liabilities for severance pay	20,364	18,600
Asset retirement obligation	24,740	23,348
Other long-term liabilities	19,121	21,294
Total liabilities	1,263,231	1,288,525
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	6,481	4,772
Equity:		
The Company's stockholders' equity:		
Common stock, par value $0.001 per share; 200,000,000 shares authorized; 50,597,124 and 49,667,340 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	51	50
Additional paid-in capital	896,005	869,463
Retained earnings	266,534	215,352
Accumulated other comprehensive loss	(6,026)	(8,175)
Total stockholders' equity attributable to the Company's stockholders	1,156,564	1,076,690
Noncontrolling interest	77,462	91,582
Total equity	1,234,026	1,168,272
Total liabilities, redeemable noncontrolling interest and equity	$2,503,738	$2,461,569

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017 (As restated)	2016	2017 (As restated)	2016
	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
Revenues:				
Electricity	$112,273	$109,795	$339,826	$321,664
Product	44,912	74,822	186,621	174,408
Total revenues	157,185	184,617	526,447	496,072
Cost of revenues:				
Electricity	65,774	66,481	197,249	192,410
Product	32,218	43,647	125,102	99,504
Total cost of revenues	97,992	110,128	322,351	291,914
Gross profit	59,193	74,489	204,096	204,158
Operating expenses:				
Research and development expenses	716	1,086	2,368	2,030
Selling and marketing expenses	3,630	4,793	12,083	12,136
General and administrative expenses	10,877	19,093	33,027	36,625
Write-off of unsuccessful exploration activities	—	1,294	—	2,714
Operating income	43,970	48,223	156,618	150,653
Other income (expense):				
Interest income	255	266	861	831
Interest expense, net	(11,692)	(17,137)	(41,155)	(51,561)
Derivatives and foreign currency transaction gains (losses)	(1,001)	(222)	2,040	(2,592)
Income attributable to sale of tax benefits	3,506	3,463	14,019	12,380
Other non-operating expense, net	(1,592)	(5,546)	(1,678)	(5,306)
Income from continuing operations before income taxes and equity in losses of investees	33,446	29,047	130,705	104,405
Income tax provision	(6,224)	(12,109)	(49,993)	(29,703)
Equity in earnings (losses) of investees, net	337	(2,653)	(1,690)	(4,734)
Income from continuing operations	27,559	14,285	79,022	69,968
Net income attributable to noncontrolling interest	(3,599)	(2,326)	(11,228)	(4,584)
Net income attributable to the Company's stockholders	$23,960	$11,959	$67,794	$65,384

Comprehensive income:				
Net income	27,559	14,285	79,022	69,968
Other comprehensive income (loss), net of related taxes:				
Change in foreign currency translation adjustments	1,005	—	2,544	—
Change in unrealized gains or losses in respect of the Company's share in derivatives instruments of unconsolidated investment	618	1,337	271	(3,829)
Loss in respect of derivative instruments designated for cash flow hedge	20	35	113	105
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(18)	(24)	(57)	(72)
Comprehensive income	29,184	15,633	81,893	66,172
Comprehensive income attributable to noncontrolling interest	(4,006)	(2,326)	(11,950)	(4,584)
Comprehensive income attributable to the Company's stockholders	$25,178	$13,307	$69,943	$61,588
Earnings per share attributable to the Company's stockholders:				
Basic:				
Net income	$0.48	$0.24	$1.36	$1.32
Diluted:				
Net income	$0.47	$0.24	$1.34	$1.31
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:				
Basic	50,367	49,599	49,942	49,410
Diluted	50,867	50,289	50,669	50,097
Dividend per share declared	$0.08	$0.07	$0.33	$0.45

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	The Company's Stockholders' Equity							
	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Income (Loss)	Total	Noncontrolling Interest	Total Equity
	(Dollars in thousands, except per share data)							
Balances at December 31, 2015	49,107	$ 49	$ 849,223	$ 152,326	$ (8,164)	$ 993,434	$ 93,873	$ 1,087,307
Stock-based compensation	—	—	3,383	—	—	3,383	—	3,383
Exercise of options by employees and directors	528	1	7,249	—	—	7,250	—	7,250
Cash paid to noncontrolling interest	—	—	—	—	—	—	(10,622)	(10,622)
Cash dividend declared, $0.45 per share	—	—	—	(22,469)	—	(22,469)	—	(22,469)
Increase in noncontrolling interest in Guadeloupe	—	—	—	—	—	—	8,272	8,272
Net income	—	—	—	65,384	—	65,384	4,390	69,774
Other comprehensive income (loss), net of related taxes:								
Loss in respect of derivative instruments designated for cash flow hedge	—	—	—	—	105	105	—	105
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of	—	—	—	—	(3,829)	(3,829)	—	(3,829)

unconsolidated investment								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $44)	—	—	—	—	(72)	(72)	—	(72)
Balances at September 30, 2016	49,635	$ 50	$ 859,855	$ 195,241	$ (11,960)	$ 1,043,186	$ 95,913	$ 1,139,099
Balances at December 31, 2016	49,667	$ 50	$ 869,463	$ 215,352	$ (8,175)	$ 1,076,690	$ 91,582	$ 1,168,272
Stock-based compensation	—	—	7,204	—	—	7,204	—	7,204
Exercise of options by employees and directors	930	1	16,382	—	—	16,383	—	16,383
Cash paid to noncontrolling interest	—	—	—	—	—	—	(18,032)	(18,032)
Cash dividend declared, $0.33 per share	—	—	—	(16,612)	—	(16,612)	—	(16,612)
Buyout of Class B membership in ORTP	—	—	2,956	—	—	2,956	(6,964)	(4,008)
Net income (As restated)	—	—	—	67,794	—	67,794	10,154	77,948
Other comprehensive income (loss), net of related taxes:								
Currency translation adjustment	—	—	—	—	1,822	1,822	722	2,544
Loss in respect of derivative instruments designated for cash flow hedge (As restated)	—	—	—	—	113	113	—	113
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment	—	—	—	—	271	271	—	271
	—	—	—	—	(57)	(57)	—	(57)

Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $35)								
Balances at September 30, 2017 (As restated)	50,597	$ 51	$ 896,005	$ 266,534	$ (6,026)	$ 1,156,564	$ 77,462	$ 1,234,026

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2017 (As restated)	2016
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$79,022	$69,968
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	81,010	77,565
Amortization of premium from senior unsecured bonds	—	(513)
Accretion of asset retirement obligation	1,392	1,243
Stock-based compensation	7,204	3,383
Amortization of deferred lease income	(2,014)	(2,014)
Income attributable to sale of tax benefits, net of interest expense	(8,851)	(5,920)
Equity in losses of investees	1,690	4,735
Mark-to-market of derivative instruments	(764)	(381)
Write-off of unsuccessful exploration activities	—	2,714
Gain on severance pay fund asset	(1,463)	(690)
Deferred income tax provision and deferred charges	38,123	20,742
Liability for unrecognized tax benefits	568	191
Deferred lease revenues	(274)	(625)
Other	501	—
Changes in operating assets and liabilities, net of amounts acquired:		
Receivables	(10,808)	(13,711)
Costs and estimated earnings in excess of billings on uncompleted contracts	10,111	(12,905)
Inventories	(209)	5,339
Prepaid expenses and other	(636)	(5,364)
Deposits and other	1,231	(867)
Accounts payable and accrued expenses	(3,655)	10,463
Billings in excess of costs and estimated earnings on uncompleted contracts	(25,344)	3,242
Liabilities for severance pay	1,764	(369)
Other long-term liabilities	(2,065)	1,801
Net cash provided by operating activities	166,533	158,027
Cash flows from investing activities:		
Net change in restricted cash, cash equivalents and marketable securities	(8,297)	(1,022)
Capital expenditures	(177,410)	(107,951)
Investment in unconsolidated companies	(37,867)	—
Buyout of Class B membership in ORTP	(2,357)	—

Cash paid for acquisition of controlling interest in a subsidiary, net of cash acquired	(35,300)	(18,135)
Intangible assets acquired	(868)	—
Decrease (increase) in severance pay fund asset, net of payments made to retired employees	529	1,919
Net cash used in investing activities	(261,570)	(125,189)
Cash flows from financing activities:		
Proceeds from exercise of options by employees	16,382	7,250
Proceeds from issuance of senior unsecured notes, net of transaction costs	—	203,483
Purchase of Senior unsecured notes	—	(249,468)
Prepayment of OFC Senior Secured Notes	(14,270)	(6,815)
Proceeds from revolving credit lines with banks	695,600	259,900
Repayment of revolving credit lines with banks	(661,700)	(259,900)
Cash received from noncontrolling interest	2,017	1,972
Repayments of long-term debt	(55,226)	(40,997)
Cash paid to noncontrolling interest	(18,032)	(17,296)
Payments of capital leases	(1,472)	(845)
Deferred debt issuance costs	(4,652)	(3,506)
Cash dividends paid	(16,612)	(22,469)
Net cash used in financing activities	(57,965)	(128,691)
Net change in cash and cash equivalents	(153,002)	(95,853)
Cash and cash equivalents at beginning of period	230,214	185,919
Cash and cash equivalents at end of period	$77,212	$90,066
Supplemental non-cash investing and financing activities:		
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	$982	$(4,517)
Accrued liabilities related to financing activities	$—	$6,291

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

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — GENERAL AND BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of Ormat Technologies, Inc. and its subsidiaries (collectively, the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Accordingly, they do not contain all information and notes required by U.S. GAAP for annual financial statements. In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company's consolidated financial position as of September 30, 2017, the consolidated results of operations and comprehensive income (loss) for the three and nine months ended September 30, 2017 and 2016 and the consolidated cash flows for the nine months ended September 30, 2017 and 2016.

The financial data and other information disclosed in the notes to the condensed consolidated financial statements related to these periods are unaudited. The results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017.

These unaudited 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, 2016. The condensed consolidated balance sheet data as of December 31, 2016 was derived from the Company's audited consolidated financial statements for the year ended December 31, 2016, but does not include all disclosures required by U.S. GAAP. As discussed in the Explanatory Note to this amended Form 10-Q, the 2016 financial statements will be revised, which revision is being effected through the Company's filing of an amendment on Form 10-K/A for the year ended December 31, 2017.

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

Restatement of previously issued condensed consolidated financial statements

As described further in Note 11, in the second quarter of 2017, the Company partially released its valuation allowance against the U.S. deferred tax assets. During the first quarter of 2018, the Company concluded that there were material tax provision and related balance sheet errors in its previously issued financial statements as of and for the three and nine months ended September 30, 2017, primarily relating to the Company's ability to utilize Federal tax credits in the U.S. prior to their expiration starting in 2027, and the resulting impact on the Company's deferred tax asset valuation allowance. Specifically, the error in the deferred tax asset valuation allowance resulted in an overstatement of the income tax provision and an understatement of net income of $4.8 million for the three months ended September 30, 2017 and an understatement of the income tax provision and an overstatement of net income of $21.7 million for the nine months ended September 30, 2017. As a result of such errors, the Company concluded that the previously issued unaudited condensed consolidated financial statements as of and for the three and nine months ended September 30, 2017 were materially misstated and accordingly has restated these financial statements. Included in such restatement is also the correction of other immaterial tax errors, including an out-of-period adjustment that had been previously recorded for the correction of an understated liability for unrecognized tax benefits related to intercompany interest.

Revision of previously issued condensed consolidated financial statements

The Company had previously identified certain other tax errors, including a prior period error related to the translation of deferred tax liabilities in the Company's Kenyan subsidiary, which were previously determined to be immaterial and were previously corrected for as out-of-period adjustments in the period of identification.

The Company assessed the materiality of these errors in accordance with the SEC's Staff Accounting Bulletin ("SAB") Topic 1.M, Materiality, codified in ASC Topic 250, Presentation of Financial Statements ("ASC 250"), and concluded that the previously issued unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 were not materially misstated; however, in order to correctly reflect the immaterial adjustments as described above in the appropriate period, management has elected to revise the affected previously issued financial statements in this Form 10-Q/A filing. As a result, the revised condensed consolidated financial statements for the three and nine months ended September 30, 2016 reflect a $0.1 million and $0.3 million increase, respectively, in the tax provision, with a corresponding decrease in net income and comprehensive income. The impact of the revision as of January 1 and December 31, 2016 was an increase of $3.9 million and decrease of $1.3 million, respectively, to retained earnings, as a result of certain errors originating in periods prior to 2016, primarily related to the error in the determination of the exchange rate used in the translation of deferred tax liabilities in the Company's Kenyan subsidiary.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The effects of the 2017 restatement and the 2016 revision on the line items within the Company's condensed consolidated balance sheets as of September 30, 2017 and December 31, 2016 are as follows (in thousands):

	September 30, 2017			**December 31, 2016**		
	As originally reported	**Adjustments**	**As Restated**	**As originally reported**	**Adjustments**	**As Revised**
Deferred income tax liabilities	$54,495	$ 23,419	$77,914	$35,382	$ 1,029	$36,411
Liability for unrecognized tax benefits	6,188	-	6,188	5,738	706	6,444
Total liabilities	1,239,812	23,419	1,263,231	1,286,790	1,735	1,288,525
Retained earnings	289,561	(23,027)	266,534	216,644	(1,292)	215,352
Accumulated other comprehensive loss	(5,634)	(392)	(6,026)	(7,732)	(443)	(8,175)
Total stockholders' equity attributable to the Company stockholders	1,179,983	(23,419)	1,156,564	1,078,425	(1,735)	1,076,690
Total equity	1,257,445	(23,419)	1,234,026	1,170,007	(1,735)	1,168,272

The effects of the 2017 restatement and 2016 revision on the line items within the Company's condensed consolidated statements of operations and comprehensive income for the three and nine-months ended September 30, 2017 and 2016 are as follows (in thousands):

	Three months ended September 30, 2017			**Nine months ended September 30, 2017**		
	As originally reported	**Adjustments**	**As Restated**	**As originally reported**	**Adjustments**	**As Restated**
Income tax provision	$(11,003)	$ 4,779	$(6,224)	$(28,258)	$ (21,735)	$(49,993)
Income from continuing operations	22,780	4,779	27,559	100,757	(21,735)	79,022
Net income attributable to the Company's stockholders	19,181	4,779	23,960	89,529	(21,735)	67,794
Loss in respect of derivative instruments designated for cash flow hedge	20	-	20	62	51	113
Comprehensive income	24,405	4,779	29,184	103,577	(21,684)	81,893

Comprehensive income attributable to the Company's stockholders	20,399	4,779	25,178	91,627	(21,684)	69,943
Net income per share attributable to the Company's stockholders						
Basic:	$0.38	$ 0.10	$0.48	$1.79	$ (0.43)	$1.36
Diluted:	$0.38	$ 0.09	$0.47	$1.77	$ (0.43)	$1.34

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Three months ended September 30, 2016			**Nine months ended September 30, 2016**		
	As originally reported	**Adjustments**	**As Revised**	**As originally reported**	**Adjustments**	**As Revised**
Income tax provision	$(11,988)	$ (121)	$(12,109)	$(29,387)	$ (316)	$(29,703)
Income from continuing operations	14,406	(121)	14,285	70,284	(316)	69,968
Net income attributable to the Company's stockholders	12,080	(121)	11,959	65,700	(316)	65,384
Loss in respect of derivative instruments designated for cash flow hedge	22	13	35	65	40	105
Comprehensive income	15,741	(108)	15,633	66,448	(276)	66,172
Comprehensive income attributable to the Company's stockholders	13,415	(108)	13,307	61,864	(276)	61,588
Net income per share attributable to the Company's stockholders						
Basic:	$0.24	$ -	$0.24	$1.33	$ (0.01)	$1.32
Diluted:	$0.24	$ -	$0.24	$1.31	$ -	$1.31

The effects of the 2017 restatement and 2016 revision on the line items within the Company's condensed consolidated statements of equity for the nine-months ended September 30, 2017 and 2016 are as follows (in thousands):

	As originally reported	**Adjustments**	**As Revised**
Balances as of December 31, 2015:			
Retained earnings	$148,396	$ 3,930	$152,326
Accumulated other comprehensive loss	(7,667)	(497)	(8,164)
Total stockholders' equity attributable to the Company's stockholders	990,001	3,433	993,434
Total equity	1,083,874	3,433	1,087,307
Net income for the nine months ended September 30, 2016	70,090	(316)	69,774
Net income attributable to the Company's stockholders for the nine months ended September 30, 2016	65,700	(316)	65,384
Loss in respect of derivative instruments designated for cash flow hedge for the nine months ended September 30, 2016	65	40	105

Balances as of September 30, 2016:			
Retained earnings	191,627	3,614	195,241
Accumulated other comprehensive loss	(11,503)	(457)	(11,960)
Total stockholders' equity attributable to the Company's stockholders	1,040,029	3,157	1,043,186
Total equity	1,135,942	3,157	1,139,099

	As originally reported	**Adjustments**	**As Restated**
Balances as of December 31, 2016:			
Retained earnings	$216,644	$(1,292)	$215,352
Accumulated other comprehensive loss	(7,732)	(443)	(8,175)
Total stockholders' equity attributable to the Company's stockholders	1,078,425	(1,735)	1,076,690
Total equity	1,170,007	(1,735)	1,168,272
Net income for the nine months ended September 30, 2017	99,683	(21,735)	77,948
Net income attributable to the Company's stockholders for the nine months ended September 30, 2017	89,529	(21,735)	67,794
Loss in respect of derivative instruments designated for cash flow hedge for the nine months ended September 30, 2017	62	51	113
Balances as of September 30, 2017:			
Retained earnings	289,561	(23,027)	266,534
Accumulated other comprehensive loss	(5,634)	(392)	(6,026)
Total stockholders' equity attributable to the Company's stockholders	1,179,983	(23,419)	1,156,564
Total equity	1,257,445	(23,419)	1,234,026

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Although there was with no impact to net cash provided by operating activities, net cash used in investing activities or net cash used in financing activities, the effects of the 2017 restatement and the 2016 revision on the line items within the condensed consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016 are as follows (in thousands):

	Nine months ended September 30, 2017			**Nine months ended September 30, 2016**		
	As originally reported	**Adjustments**	**As Restated**	**As originally reported**	**Adjustments**	**As Revised**
Cash flows from operating activities:						
Net income	$100,757	$ (21,735)	$79,022	$70,284	$ (316)	$69,968
Deferred income tax provision	16,506	21,617	38,123	20,742	-	20,742
Liability for unrecognized tax benefits	450	118	568	(125)	316	191
Net cash provided by operating activities	166,533	-	166,533	158,027	-	158,027

The impacts of the restatement and revision have been reflected throughout the financial statements, including the applicable footnotes, as appropriate. This resulted in changes to the deferred tax balances, valuation allowance and effective tax rate, together with other disclosures in Note 11.

Platanares geothermal power plant

On September 26, 2017, the Company announced that its 35 MW Platanares geothermal project in Honduras commenced commercial operation. The Company constructed the Platanares geothermal project under a Build, Operate, and Transfer (BOT) contract with ELCOSA, a privately owned Honduran energy company. The Company will operate the project for 15 years from commercial operation date (COD). Platanares sells its power under a 30-year power purchase agreement with the national utility of Honduras, ENEE. A portion of the land on which the project is located at is held by us through a lease from a local municipality. Because the term of the lease exceeds the term in office of the relevant municipal government, it remains subject to an additional approval of the Honduran Congress in order to be fully valid. The Company has commenced the necessary steps to obtain such approval but the current elections in Honduras may result in a delay in obtaining such approval.

OFC Senior Secured Notes prepayment

In September 2017, the Company fully prepaid all of its outstanding OFC Senior Secured Notes for $14.3 million. As a result of the prepayment, the Company recognized a loss of $1.5 million, including amortization of deferred financing costs of $0.2 million, which was included in other non-operating income (expense), net in the consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2017.

DEG Loan prepayment

In September 2017, the Company fully prepaid its DEG loan for $11.8 million. As a result of the prepayment, the Company recognized a loss of $0.5 million, including amortization of deferred financing costs of $0.4 million, which was included in other non-operating income (expense), net in the consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2017.

ORIX transaction

On July 26, 2017, the Company announced that ORIX Corporation ("ORIX") closed its acquisition of approximately 11 million shares of the Company's common stock, representing an approximately 22% ownership stake in the Company, from FIMI ENRG Limited Partnership, FIMI ENRG, L.P., Bronicki Investments, Ltd. and certain senior members of the Company's management team pursuant to a stock purchase agreement entered into by ORIX and the selling stockholders on May 4, 2017. In connection with the acquisition, on May 4, 2017, the Company entered into certain related agreements with ORIX, including a Governance Agreement, a Commercial Cooperation Agreement and a Registration Rights Agreement, following the unanimous recommendation of a Special Committee of the board of directors of the Company (the "Board") that was formed to evaluate and negotiate the stockholder arrangements proposed by ORIX, and following approval by the Board. The closing of the transactions contemplated by the related agreements between ORIX and the Company also occurred on July 26, 2017.

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Under the Governance Agreement, ORIX has the right to designate three persons to the Board, which was expanded to nine directors, and also propose a fourth person to be mutually agreed by the Company and ORIX to serve as a new independent director on the Board. In addition, for so long as ORIX is entitled to board representation pursuant to the Governance Agreement, ORIX will be subject to certain customary standstill restrictions, including an effective 25% cap on its voting rights. Pursuant to the Registration Rights Agreement, ORIX also has certain customary registration rights with respect to the shares of the Company's common stock that it owns.

Under the Commercial Cooperation Agreement, the Company has exclusive rights to develop, own, operate and provide equipment for ORIX geothermal energy projects in all markets outside of Japan. In addition, the Company has certain rights to serve as technical partner and co-invest in ORIX geothermal energy projects in Japan. ORIX will also assist the Company in obtaining project financing for its geothermal energy projects from a variety of leading providers of renewable energy debt financing with which ORIX has relationships in Asia and around the world.

ORTP buyout

On March 30, 2017, the Company's partner JPM Capital Corporation ("JPM") achieved its target after-tax yield on its investment in ORTP, LLC ("ORTP") and on July 10, 2017, Ormat Nevada Inc. ("Ormat Nevada") purchased all of the Class B membership units in ORTP from JPM for $2.4 million. As a result, Ormat Nevada is now the sole owner of all of the economic and voting interests in ORTP and continues to consolidate ORTP in its financial statements. The purchase of Class B membership units of ORTP was recorded in equity as a reduction to Noncontrolling Interest with the surplus charged to Additional Paid-in Capital.

SCPPA power purchase agreement

During the second quarter of 2017, ONGP LLC ("ONGP"), one of the Company's wholly-owned subsidiaries, entered into a power purchase agreement ("PPA") with Southern California Public Power Authority ("SCPPA"), pursuant to which ONGP will sell, and SCPPA will purchase, geothermal power generated by a portfolio of nine different geothermal power plants owned by the Company and located in the US. The parties' obligations under the PPA are based on a geothermal power generation capacity of 150 MW, and, pursuant to the PPA, ONGP is required to deliver a minimum of 135 MW and is entitled to deliver a maximum of 185 MW to SCPPA over the next five years. The

portfolio PPA is for a term of approximately 26 years, expiring in December 31, 2043 and has a fixed price of $75.50 per MWh.

Assertion of permanent reinvestment of foreign unremitted earnings in a subsidiary

During the second quarter of 2017, in conjunction with (i) the final approval of the SCPPA PPA which will require the Company to make significant capital expenditures in the United Sates, (ii) the fact that the Company is currently exploring acquisition opportunities in the United States, and (iii) the acquisition of substantially all the assets of Viridity for $35.3 million with two additional earn-out payments that may have to be made in 2018 and 2021, the Company has re-evaluated its position with respect to a portion of the unrepatriated earnings of Ormat Systems Ltd. (“OSL”), its wholly owned subsidiary in Israel, and after consideration of the aforementioned change in facts, determined that it can no longer maintain the permanent reinvestment position with respect to a portion of OSL’s unrepatriated earnings which will be repatriated to support the Company’s capital expenditures in the United Sates. Accordingly, and as further described in Note 11, the permanent reinvestment assertion of foreign unremitted earnings of OSL was reassessed and removed and the related deferred tax assets and liabilities as well as the estimated withholding taxes on expected remittance of OSL earnings to the United States were recorded by the Company in the second quarter of 2017.

Viridity transaction

On March 15, 2017, the Company completed the acquisition of substantially all of the business and assets of Viridity Energy, Inc., a privately held Philadelphia-based company formerly engaged in the provision of demand response, energy management and energy storage services. At closing, Viridity Energy Solutions Inc. (“Viridity”), a wholly owned subsidiary of the Company, paid initial consideration of $35.3 million. Additional contingent consideration with an estimated fair value of $ 12.8 million will be payable in two installments upon the achievement of certain performance milestones measured at the end of fiscal years 2017 and 2020. The acquired business and assets are operated by Viridity.

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Using proprietary software and solutions, Viridity serves primarily retail energy providers, utilities, and large commercial and industrial customers. Viridity's offerings enable its customers to optimize and monetize their energy management, demand response and storage facilities potential by interacting on their behalf with regional transmission organizations and independent system operators.

The Company accounted for the transaction in accordance with Accounting Standard Codification 805, Business Combinations, and consequently recorded intangible assets of $34.7 million primarily relating to Viridity's storage and non-storage activities with a weighted-average amortization period of 17 years, approximately $0.4 million of working capital and fixed assets and $13.9 million of goodwill. Following the transaction, the Company consolidated Viridity in accordance with Accounting Standard Codification 810, Consolidation. The acquisition enabled the Company to enter the growing energy storage and demand response markets and expand its market presence.

The revenues of Viridity for the period from March 15, 2017 to September 30, 2017 were included in the Company's consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2017.

Accounting guidance provides that the allocation of the purchase price may be modified for up to one year from the date of the acquisition to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

Other comprehensive income

For the nine months ended September 30, 2017 and 2016, the Company classified $5,000 and $7,000, respectively, related to derivative instruments designated as cash flow hedges, from accumulated other comprehensive income, of which $9,000 and $11,000, respectively, were recorded to reduce interest expense and $4,000 and $4,000, respectively, were recorded against the income tax provision, in the condensed consolidated statements of operations and comprehensive income. For the three months ended September 30, 2017 and 2016, the Company classified $2,000 and $2,000, respectively, related to derivative instruments designated as cash flow hedges, from accumulated other comprehensive income, of which $6,000 and $3,000 respectively, was recorded to reduce interest expense and $4,000 and $1,000, respectively, were recorded against the income tax provision, in the condensed consolidated statements of

operations and comprehensive income. The accumulated net loss included in Other comprehensive income as of September 30, 2017, is $0.6 million

Write-offs of unsuccessful exploration activities

There were no write-offs of unsuccessful exploration activities for the three and nine months ended September 30, 2017. Write-offs of unsuccessful exploration activities for the three and nine months ended 2016 were $1.3 million and $2.7 million, respectively. The write-offs of exploration costs in 2016 were related to the Company's exploration activities in Nevada and Chile, after which the Company determined that the applicable sites would not support commercial operations.

Concentration of credit risk

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

The Company places its temporary cash investments with high credit quality financial institutions located in the United States and in foreign countries. At September 30, 2017 and December 31, 2016, the Company had deposits totaling $23.9 million and $72.5 million, respectively, in seven United States financial institutions that were federally insured up to $250,000 per account. At September 30, 2017 and December 31, 2016, the Company's deposits in foreign countries amounted to approximately $56.0 million and $166.2 million, respectively.

At September 30, 2017 and December 31, 2016, accounts receivable related to operations in foreign countries amounted to approximately $67.5 million and $53.3 million, respectively. At September 30, 2017 and December 31, 2016, accounts receivable from the Company's primary customers amounted to approximately 48% and 60% of the Company's accounts receivable, respectively.

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Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy, Inc.) accounted for 16.3% and 14.4% of the Company's total revenues for the three months ended September 30, 2017 and 2016, respectively, and 17.4% and 18.6% for the nine months ended September 30, 2017 and 2016, respectively.

Kenya Power and Lighting Co. Ltd. accounted for 17.6% and 15.1% of the Company's total revenues for the three months ended September 30, 2017 and 2016, respectively, and 15.7% and 16.4% of the Company's total revenues for the nine months ended September 30, 2017 and 2016, respectively.

Southern California Public Power Authority ("SCPPA") accounted for 9.1% and 7.7% of the Company's total revenues for the three months ended September 30, 2017 and 2016, respectively, and 8.9% and 9.9% of the Company's total revenues for the nine months ended September 30, 2017 and 2016, respectively.

Hyundai (Sarulla geothermal project) accounted for 0.9% and 24% of the Company's total revenues for the three months ended September 30, 2017 and 2016, respectively, and 4.7% and 14% for the nine months ended September 30, 2017 and 2016, respectively.

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 nine months ended September 30, 2017

Improvement to Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board "(FASB") issued Accounting Standard Update ("ASU") 2016-09, Improvement to Employee Share-Based Payment Accounting, an update to the guidance on stock-based compensation. Under the new guidance, all excess tax benefits and tax deficiencies will be recognized in the income statement as they occur. This will replace previous guidance, which required tax benefits that exceed compensation cost (windfalls) to be recognized in equity. It also eliminated the need to maintain a "windfall pool," and removed the requirement to delay recognizing a windfall until it reduces current taxes payable. The new guidance also changed the cash flow presentation of excess tax benefits, classifying them as operating inflows, consistent with other cash flows related to income taxes. Previously, windfalls were classified as financing activities. This guidance affects the dilutive effects in earnings per share, as there will no longer be excess tax benefits recognized in additional paid in capital. Previously those excess tax benefits were included in assumed proceeds from applying the treasury stock method when computing diluted EPS. Under the amended guidance, companies are able to make an accounting policy election to either (1) continue to estimate forfeitures or (2) account for forfeitures as they occur. This updated guidance is effective for annual and interim periods beginning after December 15, 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Interests Held through Related Parties that are under Common Control

In October 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810): Interests held through Related Parties that are under Common Control. The amendments in this update require that if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. The amendments in this update should be applied retrospectively for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory, Topic 330. The update contains no amendments to disclosure requirements, but replaces the concept of 'lower of cost or market' with that of 'lower of cost and net realizable value'. The amendments in this update are effective for annual reporting periods beginning after December 15, 2016, including interim periods within those reporting periods. The amendments should be applied prospectively with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

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(Unaudited)

New accounting pronouncements effective in future periods

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities. The amendments in this Update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted in any interim period after issuance of the Update. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements, if any.

Intangibles –Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this Update require the entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider the income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This Update, eliminated Step 2 from the goodwill impairment test under the current guidance. Step 2 measures a goodwill impairment loss by comparing the implied fair value of reporting unit's goodwill with the carrying amount of that goodwill. The amendments in this Update should be applied on a prospective basis. An entity is also required to disclose the nature of and the reason for the change in accounting principal upon transition. That disclosure should be provided in the first annual period and the interim period within the first annual period when the entity initially adopts the amendments in this Update. The amendments in this Update are effective for the annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Compensation - Stock Compensation

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718). The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this update require that an entity should account for the effects of a modification unless all of the following are met: (1) The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this Update. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The amendments in this Update should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Business Combinations

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805). The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update primarily provide a screen to determine when a set of assets and activities is not a business and by that reduces the number of transactions that need to be further evaluated. The amendments in this update should be applied prospectively and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – Restricted Cash. The amendments in this update require that a statement of cash flows explain the changes during the period in total cash, cash equivalents, and the amounts generally described as restricted cash or cash equivalents. Therefore, amounts of restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update should be applied retrospectively for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Intra-Entity Transfers of Assets Other than Inventory

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The amendments in this update require that the entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The new guidance does not apply to intra-entity transfers on inventory. The amendments in this update should be applied for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The modified retrospective approach will be required for transition to the new guidance, with cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. Early adoption is permitted in the first quarter of 2017. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Revenues from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenues from Contracts with Customers, Topic 606, which was a joint project of the FASB and the International Accounting Standards Board to clarify the principles for recognizing

revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The update provides that an entity should recognize revenue in connection with the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, an entity is required to apply each of the following steps: (1) identify the contract(s) with the customer; (2) identify the performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also prescribes additional financial presentations and disclosures. The amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Early adoption is permitted no earlier than 2017 for calendar fiscal year entities. The Company expects the adoption of this standard to have an immaterial impact, if any, on its Electricity segment as it accounts for its PPA's under ASC 840, Leases, however, the Company is still evaluating the related potential impact on its investment in an unconsolidated company. The Company is still evaluating the potential impact of the adoption of the standard on its Product segment, however, it believes that such impact, if any, will be immaterial.

In March 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations. This update does not change the core principles of the guidance and is intended to clarify the implementation guidance on principal versus agent considerations. When another entity is involved in providing goods or services to a customer, an entity is required to determine if the nature of its promise is to provide the specific good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). The guidance includes indicators to assist an entity in determining whether it acts as a principal or agent in a specified transaction. The amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Early adoption is permitted no earlier than 2017 for calendar fiscal year entities. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements, however, it believes that any such impact, if any, will be immaterial.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases, Topic 842. This update introduces a number of changes and simplifies previous guidance, primarily the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The Update retains the distinction between finance leases and operating leases and the classification criteria between the two types remains substantially similar. Also, lessor accounting remains largely unchanged from previous guidance. However, key aspects of the Update were aligned with the revenue recognition guidance in Topic 606. Additionally, the Update defines a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. The amendments in this update are effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods. Early adoption is permitted. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

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(Unaudited)

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The update primarily requires that an entity present separately, in other comprehensive income, the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk if the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The application of this update should be by means of cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of the fiscal year of adoption. The Company is currently evaluating the potential impact, if any, of the adoption of this update on its consolidated financial statements.

NOTE 3 — INVENTORIES

Inventories consist of the following:

	September 30, 2017	**December 31, 2016**
	(Dollars in thousands)	
Raw materials and purchased parts for assembly	$9,461	$ 5,429
Self-manufactured assembly parts and finished products	9,224	6,571
Total	$18,685	$ 12,000

NOTE 4 — UNCONSOLIDATED INVESTMENTS

Unconsolidated investments consist of the following:

	September 30, 2017	December 31, 2016
	(Dollars in thousands)	
Sarulla	$25,367	$(11,081)

The Sarulla Project

The Company holds a 12.75% equity interest in a consortium which is in the process of developing the Sarulla geothermal power project in Indonesia with an expected generating capacity of approximately 330 MW. The Sarulla project is located in Tapanuli Utara, North Sumatra, Indonesia and is owned and operated by the consortium members under the framework of a joint operating contract and energy sales contract that were both signed on April 4, 2013. Under the joint operating contract, PT Pertamina Geothermal Energy, the concession holder for the project, has provided the consortium with the right to use the geothermal field, and under the energy sales contract, PT PLN, the state electric utility, is the off-taker at Sarulla for a period of 30 years. In addition to its equity interest in the consortium, the Company designed the Sarulla power plant and supplies its Ormat energy converters to the power plant pursuant to a supply agreement (the "Supply Agreement") that was signed in October 2013, as further described below.

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The project is being constructed in three phases of approximately 110 MW each, utilizing both steam and brine extracted from the geothermal field to increase the power plant’s efficiency. The first phase of the power plant commenced commercial operation on March 17, 2017 and is performing well, demonstrating its ability to produce geothermal power in excess of its design capacity. The second phase of the power plant commenced commercial operation on October 2, 2017. Construction work on the third phase of the power plant is progressing and on schedule although the gathering piping system may face some delays. The Company has achieved all of its contractual milestones under the Supply Agreement. Drilling for the third phase of the power plant is ongoing and the project has achieved to date, based on preliminary estimates, 100% of the required injection capacity and approximately 85% of the required production capacity.

On May 16, 2014, the consortium closed $1.17 billion in financing for the development of the Sarulla project with a consortium of lenders comprised of Japan Bank for International Cooperation (“JBIC”), the Asian Development Bank and six commercial banks and obtained construction and term loans on a limited recourse basis backed by a political risk guarantee from JBIC. Of the $1.17 billion, $0.1 billion (which was drawn down by the Sarulla project company on May 23, 2014) bears interest at a fixed rate and $1.07 billion bears interest at a rate linked to LIBOR. The project has missed several milestones under the financing documents, but, in each case, has either already received, or expects to receive in the near future, waivers from the lenders. The project experienced delays in field development and cost overruns resulting from delays and excess drilling costs. Due to the cost overruns in drilling, the lenders may request that the project sponsors contribute additional equity to the project.

The Sarulla consortium entered into interest rate swap agreements with various international banks, effective as of June 4, 2014, in order to fix the interest rate linked to LIBOR on up to $0.96 billion of the $1.07 billion portion of the financing arrangement subject to such interest rate at 3.4565%. The Sarulla project company accounted for the interest rate swap as a cash flow hedge upon which changes in the fair value of the hedging instrument, relative to the effective portion, are recorded in other comprehensive income. During the three and nine months ended September 30, 2017, the Sarulla project company recorded gains of $4.8 million and $2.1 million, respectively, net of deferred tax, of which the Company’s share was $0.6 million and $0.3 million, respectively. The Company’s share of such gains were recorded in other comprehensive income. During the three and nine months ended September 30, 2016, the Sarulla project company recorded a gain of $10.5 million and a loss of $30.0 million, respectively, net of deferred tax, of which the Company’s share was $1.3 million and $3.8 million, respectively. The Company’s share of such losses were recorded in other comprehensive income. The related accumulated loss recorded by the Company in other comprehensive income (loss) as of September 30, 2017 is $5.6 million.

The Company had added the $255.6 million supply agreement to its Product segment backlog in 2014. The Company started to recognize revenue from the project during the third quarter of 2014 and will complete revenue recognition over the course of the next year. The Company has eliminated the related intercompany profit of $14.1 million against equity in loss of investees.

During the three and nine months ended September 30, 2017, the Company made additional equity investments in the Sarulla project of approximately $10.5 million and $37.9 million, respectively, for a total of $49.8 million since inception.

NOTE 5— 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 upon selling an asset or paid upon transferring a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

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

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

The following table sets forth certain fair value information at September 30, 2017 and December 31, 2016 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.

		September 30, 2017 Fair Value			
	Carrying Value at September 30, 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
	(Dollars in thousands)				
Assets:					
Current assets:					
Cash equivalents (including restricted cash accounts)	$13,497	$13,497	$13,497	$—	$—
Derivatives:					
Put options on gas price (3)	61	61	—	61	—
Contingent receivable (1)	1,125	1,125	—	—	1,125
Currency forward contracts (2)	486	486	—	486	—
Liabilities:					
Current and long-term liabilities:					
Derivatives:					
Contingent payables (1)	$(25,913)	$(25,913)	$—	$—	$(25,913)
Warrants (1)	(3,889)	(3,889)			(3,889)
Currency forward contracts (2)	(203)	(203)	—	(203)	—
	$(14,836)	$(14,836)	$13,497	$344	$(28,677)

		December 31, 2016 Fair Value			
	Carrying Value at	**Total**	**Level 1**	**Level 2**	**Level 3**

	December 31, 2016				
	(Dollars in thousands)				
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	$14,922	$14,922	$14,922	$—	$—
Derivatives:					
Contingent receivable (1)	1,443	1,443	—	—	1,443
Liabilities:					
Current and long-term liabilities:					
Derivatives:					
Contingent payables (1)	$(11,581)	$(11,581)	$—	$—	$(11,581)
Warrants (1)	(3,429)	(3,429)	—	—	(3,429)
Currency forward contracts (2)	(481)	(481)	—	(481)	—
	$874	$874	$14,922	$(481)	$(13,567)

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(1) These amounts relate to contingent receivables and payables relating to the Viridity acquisition and Guadeloupe power plant purchase transaction, valued primarily based on unobservable inputs and are included within Prepaid expenses and other, Accounts payable and accrued expenses and Other long-term liabilities on September 30, 2017 and within Prepaid expenses and other and Other long-term liabilities on December 31, 2016 in the consolidated balance sheets with the corresponding gain or loss being recognized within Derivatives and foreign currency transaction gains (losses) in the consolidated statement of operations and comprehensive income.

(2) These amounts relate to currency forward contracts valued primarily based on observable inputs, including forward and spot prices for currencies, net of contracted rates and then multiplied by notional amounts, and are included within Prepaid expenses and other and Accounts payable and accrued expenses on September 30, 2017 and December 31, 2016, in the consolidated balance sheet with the corresponding gain or loss being recognized within Derivatives and foreign currency transaction gains (losses) in the consolidated statement of operations and comprehensive income.

(3) These amounts relate to natural gas put options, valued primarily based on observable inputs, including spot prices on related commodity indices, and are included within Prepaid expenses and other on September 30, 2017 in the consolidated balance sheets with the corresponding gain or loss being recognized within Derivatives and foreign currency transaction gains (losses) in the consolidated statement of operations and comprehensive income.

The amounts set forth in the tables above include investments in debt instruments and money market funds (which are included in cash equivalents). Those securities and deposits are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market.

The following table presents the amounts of gain (loss) recognized in the consolidated statements of operations and comprehensive income on derivative instruments not designated as hedges:

		Amount of recognized gain (loss)	
		Three Months	Nine Months
Derivatives not designated	**Location of recognized**	**Ended**	**Ended**
		September 30,	**September 30,**

as hedging instruments	gain (loss)	2017	2016	2017	2016
Put options on natural gas price	Derivatives and foreign currency transaction gains (losses)	$(121)	$—	$(362)	$—
Call options on natural gas price	Derivatives and foreign currency transaction gains (losses)	—	32	—	(1,114)
Call and put options on oil price	Derivatives and foreign currency transaction gains (losses)	—	230	—	(1,312)
Contingent considerations	Derivative and foreign currency transaction gains (losses)	(19)	—	(114)	—
Currency forward contracts	Derivative and foreign currency and transaction gains (losses)	(887)	689	2,832	1,154
		$(1,027)	$951	$2,356	$(1,272)

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

In January 2017, the Company entered into Henry Hub Natural Gas Future contracts under which it has bought a number of put options covering a notional quantity of approximately 4.1 million British Thermal Units (“MMBtu”) with exercise prices of $3 and expiration dates ranging from January 26, 2017 until November 27, 2017 in order to reduce its exposure to fluctuations in natural gas prices under its PPAs with Southern California Edison. The Company paid an aggregate amount of approximately $0.7 million for these put options. The put option contracts have monthly expiration dates at which the options can be called and the transaction would be settled on a net cash basis.

On February 2, 2016, the Company entered into Henry Hub Natural Gas Future contracts under which it had written a number of call options covering a notional quantity of approximately 4.1 MMBtu with exercise prices of $2 and expiration dates ranging from February 24, 2016 until December 27, 2016 in order to reduce its exposure to fluctuations in natural gas prices under its PPAs with Southern California Edison. The Company received an aggregate premium of approximately $1.9 million from these call options. The call option contracts had monthly expiration dates on which the options could have been called and the Company would have had to settle its liability on a cash basis.

On February 24, 2016, the Company entered into Brent Oil Future contracts under which it had written a number of call options covering a notional quantity of approximately 185,000 barrels (“BBL”) of Brent with exercise prices of $32.80 to $35.50 and expiration dates ranging from March 24, 2016 until December 22, 2016 in order to reduce its exposure to fluctuations in Brent prices under its PPA with HELCO. The Company received an aggregate premium of approximately $1.1 million from these call options. The call option contracts had monthly expiration dates on which the options could have been be called and the Company would have had to settle its liability on a cash basis. Moreover, during March 2016, the Company rolled 2 existing call options covering a total notional quantity of 31,800 BBL of Brent in order to limit its exposure to $41 to $42.50 instead of $32.80 to $33.50. In addition, the Company entered into short risk reversal transactions (sell call and buy put options) by rolling existing call options covering notional quantities of 16,500 BBL and 17,000 BBL in order to limit its exposure from the outstanding call options originally entered into in February 2016 to between $28.50 and $37.50 and $28 and $38.50, respectively.

The foregoing future and forward transactions were not designated as hedge transactions and are marked to market with the corresponding gains or losses recognized within “Derivatives and foreign currency transaction gains (losses)”.

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the nine months ended September 30, 2017.

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

	Fair Value		**Carrying Amount**	
	September 30, 2017	**December 31, 2016**	**September 30, 2017**	**December 31, 2016**
	(Dollars in millions)		**(Dollars in millions)**	
Olkaria III Loan - DEG	$—	$ 16.3	$—	$ 15.8
Olkaria III Loan - OPIC	242.9	253.4	233.1	246.6
Olkaria IV Loan - DEG 2	52.4	50.9	50.0	50.0
Amatitlan Loan	34.2	37.3	34.1	36.8
Senior Secured Notes:				
Ormat Funding Corp. ("OFC")	—	17.0	—	17.0
OrCal Geothermal Inc. ("OrCal")	34.1	37.4	32.1	35.2
OFC 2 LLC ("OFC 2")	242.5	249.0	236.6	247.2
Don A. Campbell 1 ("DAC1")	88.2	88.9	89.6	92.4
Senior Unsecured Bonds	201.4	200.1	204.3	204.3
Other long-term debt	7.3	10.4	8.0	11.2

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(Unaudited)

The fair value of the OFC Senior Secured Notes is determined using observable market prices as these securities are traded. The fair value of all the other long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. The fair value of revolving lines of credit is determined using a comparison of market-based price sources that are reflective of similar credit ratings to those of the Company.

The carrying value of other financial instruments, such as revolving lines of credit, deposits, and other long-term debt approximates fair value.

The following table presents the fair value of financial instruments as of September 30, 2017:

	Level 1	**Level 2**	**Level 3**	**Total**
	(Dollars in millions)			
Olkaria III - OPIC	$—	$—	$242.9	$242.9
Olkaria IV - DEG 2	—	—	52.4	52.4
Amatitlan Loan	—	34.2	—	34.2
Senior Secured Notes:				
OrCal	—	—	34.1	34.1
OFC 2	—	—	242.5	242.5
Don A. Campbell 1	—	—	88.2	88.2
Senior Unsecured Bonds	—	—	201.4	201.4
Other long-term debt	—	—	7.3	7.3
Revolving lines of credit	—	33.9	—	33.9
Deposits	15.2	—	—	15.2

The following table presents the fair value of financial instruments as of December 31, 2016:

Total

	Level 1	Level 2	Level 3	
	(Dollars in millions)			
Olkaria III Loan - DEG	$—	$—	$16.3	$16.3
Olkaria III Loan - OPIC	—	—	253.4	253.4
Olkaria IV - DEG 2	—	—	50.9	50.9
Amatitlan Loan	—	37.3	—	37.3
Senior Secured Notes:				
OFC	—	17.0	—	17.0
OrCal	—	—	37.4	37.4
OFC 2	—	—	249.0	249.0
Don A. Campbell 1	—	—	88.9	88.9
Senior Unsecured Bonds	—	—	200.1	200.1
Other long-term debt	—	3.3	7.1	10.4
Deposits	14.4	—	—	14.4

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

NOTE 6 — STOCK-BASED COMPENSATION

The 2004 Incentive Compensation Plan

In 2004, the Board adopted the 2004 Incentive Compensation Plan ("2004 Incentive Plan"), which provided for the grant of the following types of awards: incentive stock options, non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), stock units, performance awards, phantom stock, incentive bonuses, and other possible related dividend equivalents to employees of the Company, directors and independent contractors. Under the 2004 Incentive Plan, a total of 3,750,000 shares of the Company's common stock were reserved for issuance, all of which could be issued as options or as other forms of awards. Options and SARs granted to employees under the 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 date. Vested stock-based awards may be exercised for up to ten years from the grant date. The shares of common stock issued in respect of awards under the 2004 Incentive Plan are issued from the Company's authorized share capital upon exercise of options or SARs. The 2004 Incentive Plan expired in May 2012 upon adoption of the 2012 Incentive Compensation Plan ("2012 Incentive Plan"), except as to stock-based awards outstanding under the 2004 Incentive Plan on that date.

The 2012 Incentive Compensation Plan

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

SARs.

The 2012 Incentive Plan empowers the Board, in its discretion, to amend the 2012 Incentive Plan in certain respects. Consistent with this authority, in February 2014 the Board adopted and approved certain amendments to the 2012 Incentive Plan. The key amendments are as follows:

Increase of per grant limit: Section 15(a) of the 2012 Incentive Plan was amended to allow the grant of up to 400,000 shares of the Company’s common stock with respect to the initial grant of an equity award to newly hired executive officers in any calendar year; and

Acceleration of vesting: Section 15(l) of the 2012 Incentive Plan was amended to clarify the Company’s ability to provide in the applicable award agreement that part and/or all of the award will be accelerated upon the occurrence of certain predetermined events and/or conditions, such as a change in control (as defined in the 2012 Incentive Plan, as amended).

NOTE 7 — INTEREST EXPENSE, NET

The components of interest expense are as follows:

	Three Months Ended		**Nine Months Ended**	
	September 30,		**September 30,**	
	2017	**2016**	**2017**	**2016**
Interest related to sale of tax benefits	$1,607	$2,565	$5,468	$6,269
Interest expense	13,299	15,726	41,620	47,214
Less — amount capitalized	(3,214)	(1,154)	(5,933)	(1,922)
	$11,692	$17,137	$41,155	$51,561

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(Unaudited)

NOTE 8 — EARNINGS PER SHARE

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

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 September 30,		**Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
Weighted average number of shares used in computation of basic earnings per share	50,367	49,599	49,942	49,410
Add:				
Additional shares from the assumed exercise of employee stock options	500	690	727	687
Weighted average number of shares used in computation of diluted earnings per share	50,867	50,289	50,669	50,097

The number of stock-based awards that could potentially dilute future earnings per share and that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was 8,851 and 225,191 for the three months ended September 30, 2017 and 2016, respectively, and 6,494 and 116,641 for the nine months ended September 30, 2017 and 2016, respectively.

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(Unaudited)

NOTE 9 — BUSINESS SEGMENTS

The Company has two reporting segments: the Electricity segment and the Product segment. These segments are managed and reported separately as each offers different products and serves different markets. The Electricity segment is engaged in the sale of electricity from the Company's power plants pursuant to PPAs. The Product segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the associated construction of power plants utilizing the power units manufactured by the Company to supply energy from geothermal fields and other alternative energy sources.

Transfer prices between the operating segments are determined based on current market values or cost plus markup of the seller's business segment.

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

	Electricity	Product	Consolidated
	(Dollars in thousands)		
Three Months Ended September 30, 2017:			
Net revenue from external customers	$112,273	$44,912	$ 157,185
Intersegment revenue	—	28,248	28,248
Operating income	36,205	7,765	43,970
Segment assets at period end (1)	2,371,855	131,883	2,503,738
Three Months Ended September 30, 2016:			
Net revenue from external customers	$109,795	$74,822	184,617
Intersegment revenue	—	14,835	14,835
Operating income	23,903	24,320	48,223
Segment assets at period end	2,137,845	141,426	2,279,271
Nine Months Ended September 30, 2017:			