

Israel Electric Corporation

Rating Action update | June 2019

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel. The binding version is the one in the origin language.

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Israel Electric Corporation Ltd.

Issuer rating	Aa2.il	Rating outlook: stable
Series rating	Aa2.il	Rating outlook: stable
Rating of Commercial Paper	P-1.il	-

Further to the rating action report dated June 6, 2019, Midroog affirms Aa2.il Issuer Rating for the Israel Electric Corporation Ltd. (hereinafter: the “Company” and/or the “Electric Corporation”). Rating outlook is Stable. Furthermore, Midroog assigns P-1.il rating for the Commercial Paper (hereinafter: the “Commercial Paper”) to be issued by the Company, in the amount of up to NIS 220 million par value, instead of amounting up to NIS 200 million par value debuting in previous report.

For information about rating considerations, please refer to the report dated June 06, 2019¹.

The outstanding Debentures which have been rated by Midroog:

Debenture series	Security no.	Rating	Rating outlook	Final repayment date
2022	6000129	Aa2.il	Stable	18.01.2023
2029	6000186	Aa2.il	Stable	07.05.2029
26	6000202	Aa2.il	Stable	12.10.2023
27	6000210	Aa2.il	Stable	12.04.2029
28	6000228	Aa2.il	Stable	28.02.2021
29	6000236	Aa2.il	Stable	28.02.2026
30	6000277	Aa2.il	Stable	20.03.2024
31	6000285	Aa2.il	Stable	20.09.2031
Electricity Commercial Paper 0620	Not yet issued	P-1.il	-	June 2020 ²

About the Company

The Israel Electric Corporation is a government company (the State of Israel holds 99.85% of its shares³), which engages in the generation, transmission, distribution, supply of electricity, trading of electricity, and the construction of the infrastructure required for these activities. The Company was incorporated in Israel in 1923. The Company's activity is regulated and governed by the Electricity Sector Law, which replaced the Electricity Concessions Ordinance. In accordance with the Electricity Sector Law, the Electricity Authority determines the electricity rates and the amendment mechanism thereof, and determines the criteria in accordance with which the Company is required to operate. In addition, the Electricity Authority grants licenses in the generation, distribution and supply of electricity to all producers, and supervises them in accordance with the criteria determined by the Electricity Authority. The Company is a natural monopoly in the transmission and distribution segments in the electricity sector in Israel, generating, conducting, distributing and supplying most of the

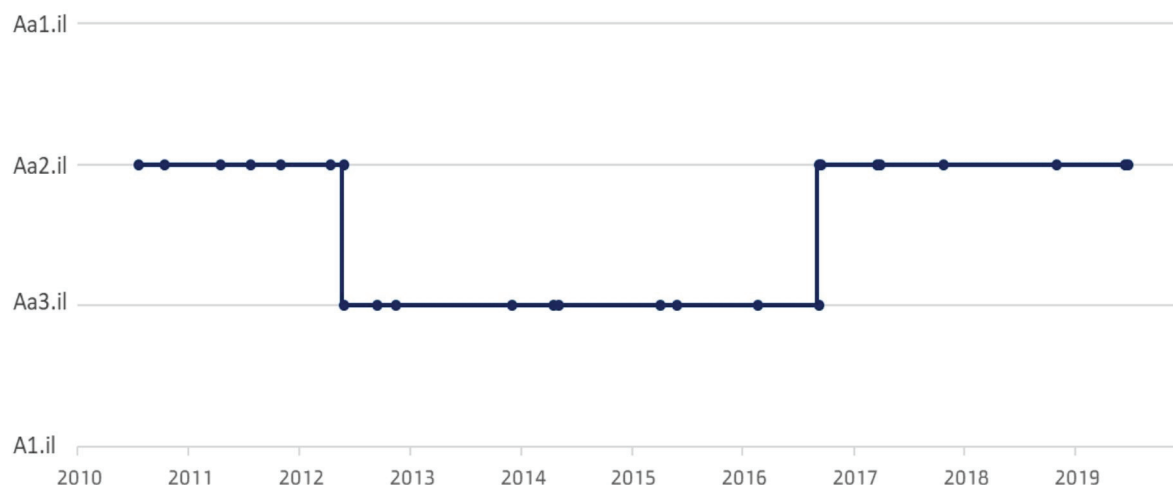
¹ [Rating action dated June 06, 2019, Israel Electric Corporation LTD.](#)

² An exact date will be set after the issue.

³ The Company estimates that the remainder of the shares is held by the public, wherein it is not possible to identify part of the owners.

electricity consumption in Israel. The Company is subject to a regulatory framework, which is managed by the Electricity Authority pursuant to the Power Utility Market Act, 1996 for over 20 years.

Rating History⁴



Related reports

[Rating of the Israel Electric Corporation Ltd.](#)

[Methodology for rating power and natural gas companies operating in a regulated environment](#)

[Methodology for rating of Government-Related Issuer \(GRI\)](#)

[Short - term rating of the Commercial Paper](#)

[Table of affinities and holdings](#)

[Midroog's rating scales and definitions](#)

These reports are available on the Midroog website at www.midroog.co.il

General Information

Rating report date:	June 16, 2019
Most recent rating update date:	June 06, 2019
Initial rating issue date:	July 14, 2010
Rating initiated by:	Israel Electric Corporation Ltd.
Rating paid for by:	Israel Electric Corporation Ltd.

Information from the issuer

Midroog relies in its ratings, among other things, on information received from authorized entities of the issuer.

⁴ The Company has an Issuer Rating and Commercial Paper Rating since June 06, 2019.

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

Short-Term Rating Scale

P-1.il	Issuers rated prime-1.il are, in Midroog judgment, have very good ability to repay short-term obligations relative to other local issuers.
P-2.il	Issuers rated Prime-2.il are, in Midroog judgment, have good ability to repay short-term obligations relative to other local issuers.
P-3.il	Issuers rated Prime-3.il are, in Midroog judgment, have moderate ability to repay shortterm obligations relative to other local issuers.
NP.il	Issuers rated Not Prime.il do not belong in any of the Prime categories.

Linkage between the Long-Term and Short-Term Rating Scales

The following table shows the long-term ratings consistent with short-term ratings, when such longterm ratings exist⁵.

Long Term Rating	Short Term Rating
Aaa.il	Prime-1.il
Aa1.il	
Aa2.il	
Aa3.il	
A1.il	
A2.il	Prime-2.il
A3.il	
Baa1.il	
Baa2.il	Prime-3.il
Baa3.il	
Ba1.il,Ba2.il,Ba3.il	Not Prime
B1.il,B2.il,B3.il	
Caa1.il,Caa2.il,Caa3.il	
Ca.il	
C.il	

⁵ Structured finance short-term ratings are usually based on the short-term rating of a liquidity provider for the transaction or an assessment of cash flows available to repay the rated obligation.

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