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Israel Electric Corporation Ltd.

Monitoring Report | March 2026

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 original language.

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Israel Electric Corporation Ltd.

Series Rating	**Aaa.il**	**Outlook: Stable**
Issuer Rating	**Aaa.il**	**Outlook: Stable**

Midroog assigns an Aaa.il issuer rating to Israel Electric Corporation Ltd. ("IEC" or the "Company"). The outlook is stable. Additionally, Midroog affirms the Aaa.il rating with a stable outlook of bonds (2029, 27, 29, 31-37) issued by the Company.

Outstanding bonds rated by Midroog:[1]

Bond series	Security No.	Rating	Outlook	Final Maturity
LINKED 2029-I	6000186	Aaa.il	Stable	07.05.2029
ELECTRIC CO B27	6000210	Aaa.il	Stable	12.04.2029
ELECTRIC CO B31	6000285	Aaa.il	Stable	21.09.2031
ELECTRIC CO B32	6000384	Aaa.il	Stable	22.07.2027
ELECTRIC CO B33	6000392	Aaa.il	Stable	30.05.2036
ELECTRIC B34	1196781	Aaa.il	Stable	12.06.2033
ELECTRIC B35	1196799	Aaa.il	Stable	12.06.2037
ELECTRIC B36	1221589	Aaa.il	Stable	11.05.2034
ELECTRIC B37	1221597	Aaa.il	Stable	12.05.2041

Summary of Rating Rationale

The rating of the bonds issued by the Company, which is determined by Midroog's approach to rating a government related issuer (GRI) with a credit repayment capacity that is strongly interconnected with that of the State, is based on an assessment of the likelihood that the State will support the Company, without determining a baseline credit assessment (BCA), as described in Midroog's methodology for rating a GRI.

The rating takes into account the following factors, among others: **(1)** IEC is a government company that operates along the entire value chain of the Israeli electricity sector (generation, transmission, distribution and supply), and holds an essential service provider license; **(2)** The Company's high importance for the functioning of Israel's electricity sector, reflected, inter alia, in the State's support for the Company's operations over the years; **(3)** The Company's support by the State and the interdependence between the Company and the State are key considerations in determining the rating. **(4)** On October 27, 2023, a letter was received from the Accountant General stating that IEC is a corporation wholly controlled by the government, that is an essential service provider in the economy.

[1] The Company has additional bond series which are not rated by Midroog – Series EL DOLAR 2028-I, EL DOLAR 2032-I and EL DOLAR 2038-I. Additionally, Series ELECTRIC CO B29 matured on March 1, 2026.

Accordingly, all authorized State entities, chief among them the Accountant General of the Ministry of Finance, are bound to ensure the uninterrupted supply of energy in the economy, as well as the Company's financial robustness and its ability to service its debts in normal times and in emergencies ; **(5)** The restructuring reform implemented in the electricity sector in general, and in the Company in particular[2] (the **"reform"**), has enabled the creation of a highly transparent and more stable regulatory environment over the long term; **(6)** The Company has completed the construction of two combined-cycle power plants (**"CCGT" or "CCGTs"**), with a total capacity of 1,200 MW. CCGT 70 and CCGT 80 received a commercial operating license on January 26, 2025 and January 7, 2026, respectively; **(7)** The electricity tariff rates, which are determined by the Electricity Authority, generally cover the Company's costs, but there are at times disagreements between the regulator and the Company over the extent of recognized costs, and there may also be timing differences in the reimbursement of the Company's costs; **(8)** Entry into an arbitration proceeding against the Tamar partners in connection with an agreement for the supply of gas from the Tamar reservoir; **(9)** Adequate diversification of the means of generation and the fuel mix, relying mostly on coal- and natural gas-based generation; **(10)** Multiple gas reservoirs that allow for higher operational flexibility in the supply of natural gas; **(11)** Improvement in the debt to cap ratio to 43.8% as of December 31, 2025, compared to 47.6% in the year-ago period, a figure which Midroog believes will continue to improve in the coming years; **(12)** As of December 31, 2025, the Company's adjusted EBITDA[3] amounted to NIS 7.7 billion, compared to NIS 5.5 billion in the year-ago period; **(13)** A clearly defined financial policy, including, inter alia, a minimum liquidity reserve, unused committed bank credit facilities, diversified sources of financing and adequate financial access to credit providers; **(14)** Midroog rates the Company's exposure to environmental risks as high, mainly due to the growing transition to green energy and the resulting financial and regulatory exposures, along with the exposure arising from the operation of the Company's coal-fired plants, which are set to be converted to natural-gas-based generation by 2026.[4] Midroog also considers the Company to be exposed to socials risks. Specifically, in our assessment, both public and political interest in the issue of electricity generation using coal contributed to the decision to advance the target date for the conversion of coal-fired power plants from 2030 to 2026. Regarding corporate governance, in the Company's report on internal controls over financial reporting, which was attached to the periodic

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[2] Government Decision No. 3859: "Reform in the Electricity Sector, Structural Changes in the Israel Electric Corporation and Amendment of Government Decision," June 3, 2018.

[3] Operating profit plus depreciation and amortization, excluding other income and expenses, the results of the reform agreement and expenses for retirement liabilities, and including adjustments of deposits into pension plans of the Company's employees.

[4] According to the Company's reports, meeting the target year of 2026 set for the end of the coal era depends on Noga approving the conversion of units 5-6 at the Orot Rabin site. If this does not prove possible, the date will be deferred to March 2027.

report as of December 31, 2025, the internal controls were found to be ineffective due to a material weakness, as detailed below.

Given the strong interconnection between the State and IEC, including the government's great influence on the Company's revenues through its setting of the Company's electricity tariff rates, and on the Company's strategic plan and investment plan, Midroog considers the Company's BCA to be of little importance to its credit risk assessment. Accordingly, Midroog's evaluation of IEC's credit risk is based on an assessment of the likelihood of State support for the Company, if needed.

Considering the Company's standing as an operational arm for implementation of the government's policy, and due to the State's heavy involvement in the decision-making of the Company, along with the board of directors' activity in matters of strategy, budget, development, financing, etc., as well as the macroeconomic importance and essentiality of a system of generation, transmission and supply of electricity for the proper functioning of Israel's economy, our assessment is that the likelihood of State support for the Company when needed is very high, and that the likelihood of the State's preference for paying off its own debts rather than the Company's debts is low. However, it should be noted that a decline in the economic robustness of Israel[5] would increase the likelihood of the State's preference to pay off its own obligations rather than those of the Company. We note that there is no legal obligation on the part of the State to support the Company, however, the State has previously provided support in the form of guarantees for debt issues of the Company. Additionally, on October 27, 2023, a letter was received from the Accountant General stating that IEC is a corporation wholly controlled by the government, that is an essential service provider in the economy. Accordingly, all authorized State entities, chief among them the Accountant General of the Ministry of Finance, are bound to ensure the uninterrupted supply of energy in the economy, as well as the Company's financial robustness and its ability to service its debts in normal times and in emergencies. We note that lowering of Midroog's assessment of the interconnection between the State and IEC could result in a rating downgrade.

Rating Outlook

The stable outlook is supported by the tariff adjustment mechanism, the Company's liquidity and financial flexibility, its high importance for Israel's national economy and its affiliation with the State.

Operation Lion's Roar, which began on February 26, 2026, has led to a series of repercussions and restrictions, including, among others, the partial or full closure of businesses, suspension of civilian flights, restrictions on gatherings at workplaces and educational institutions, as well as the call-up of

[5] Moody's credit rating for Israel is Baa1with a stable outlook.

reserves. These measures have resulted in a reduction in economic activity and other negative effects on the Israeli economy. In Midroog's assessment, this period is characterized by a high degree of uncertainty as to how the war will unfold and as to its economic ramifications. Accordingly, Midroog may update the base case scenario for the rating in light of future developments.

Factors that could lead to a rating downgrade

- Lowering of Midroog's assessment of the likelihood of State support for the Company.
- Weakening of the connection and interdependence between the Company and the State, including with respect to recognition of the Company's expenses and investments within the tariff.
- Deterioration of the Company's financial strength, including an increase in the leverage ratio and decline in the coverage ratios.
- Failure to maintain an adequate liquidity level for the rating, considering the expected scope of operations and burden of payments.

Detailed Rating Considerations

The State's support and the strong interdependence between the State and the Company are key considerations in determining the rating

Midroog considers the Company's support by the State and the interdependence between the Company and the State to be very high, thus they constitute key considerations in determining the rating. This interdependence is reflected, inter alia, in credit risks of a similar nature, including, among others, exposure to geopolitical crises, reliance on the same income sources (encompassing the entire Israeli economy), and almost full ownership of IEC by the State (99.85%). Our assessment of very high support by the State derives first and foremost from the critical importance of the Company's activities for the proper functioning of Israel's economy, as an essential service provider, as well as from a history of support by the State. Thus, any lowering of Midroog's assessment regarding the State's support and the interdependence between the State and the Company could result in a significant downgrade of the rating. In our estimation, the efficient relationship between the Electricity Authority and the Company in terms of transparency and cooperation between the parties, especially in light of the successful implementation of the reform following its approval, creates a highly transparent and more stable regulatory environment over the long term.

Entry into an arbitration proceeding against the Tamar partners in connection with an agreement for the supply of gas from the Tamar reservoir

The Company has an agreement for the supply of natural gas with the partners in the Tamar reservoir, effective until December 31, 2030.[6] The agreement, which was signed in 2012 and amended in 2022, provides that starting from December 31, 2024 the parties are entitled to open up the price mechanism with respect to the minimum amount of gas, within a range of plus or minus 10 percent. On July 24, 2025, the Company entered into a nonbinding memorandum of understanding with some of the Tamar partners for opening up the price mechanism as aforesaid; however, since some of the partners that signed the MOU gave notice of the retraction of their approval, the MOU lapsed on October 23, 2025. Further thereto, on December 9, 2025, the Company initiated an arbitration proceeding in the London Court of International Arbitration against all the Tamar partners, in the framework of which it will demand the maximum price reduction set in the agreement. In addition, the Company has agreements for the purchase of gas on the spot market from the Leviathan and Karish reservoirs, effective until February 12, 2027 and October 17, 2026, respectively. In our assessment, changes in the cost of gas could affect the Company's profitability in the short term. However, since these costs are recognized in the tariff, they are expected to balance out in the long term.

The Company plays a highly important role in the proper functioning of the electricity sector, although its market share in the generation and supply segment is contracting

IEC is a government company that, as of the report date, generates, transmits, distributes and supplies electricity and engages in storage activity in Israel. The Company was declared a monopoly by the Competition Commissioner along the value chain of the Israeli electricity sector (generation, transmission, distribution and supply). The Company constitutes a natural monopoly in the transmission and distribution segments and holds an essential service provider license. However, the entry of private electricity producers has led to the contraction of the Company's market share in the generation sector. We note that according to the financial statements as of December 31, 2025, the Company's share of total market generation has decreased to 38%.

According to estimates of the Electricity Authority,[7] in 2030 the Company's installed generation capacity is expected to stand at 23% of the total market generation capacity. As part of the reform that is being promoted in the electricity sector by the State, the Company will focus on the electricity transmission

[6] In accordance with an amendment to the agreement from January 24, 2022, in the last two and a half years of the agreement the Company will not be obligated to purchase the minimum amount, but only the commitment to the operational amount will apply.

[7] Report on the State of the Electricity Sector for 2024.

and distribution grid segment, while its market share in the generation segment is expected to contract further in the coming years, due to the continued entry of additional means of generation into the generation segment, alongside the reform in the electricity sector in general and in IEC in particular. Additionally, in line with the reform plan, the Company will not compete in the high-voltage, extra-high-voltage and ultra-high-voltage consumer supply segment, with the matter to be reviewed by the State at the end of five years, based on competition conditions in the market. Furthermore, the low-voltage-consumer supply segment will be opened to competition gradually, with the Company permitted to compete when its market share has fallen below 60% of all the consumers in this segment, in accordance with a regulatory arrangement to be established. In 2024, the Company's market share in the supply segment stood at 65% of overall consumption in the economy.[8] Additionally, on May 7, 2024, the Minister of Energy and Infrastructure signed off on a new electricity transmission and storage license for IEC for 20 years. The license regulates the activities of the Company as the owner of the delivery system with responsibility for the construction, maintenance and supervision of the delivery system, for the detailed engineering design of the transmission and transformation system as per the provisions of the license, and for its operation in accordance with agreements to be signed with the system operator. In Midroog's estimation, the granting of the license strengthens the Company's position in the sector.

Completion of construction of the combined-cycle facilities and conversion of six coal-fired generation units to gas firing; gradual phasing out of coal use

As part of the reform plan, the Company was required to construct two combined-cycle facilities (CCF) with a total capacity of 1,200 MW, for the subsidiary Netiv Haor Orot Rabin Ltd. CCF 70 received a commercial operating license on January 26, 2025, and CCF 80 received a commercial operating license on January 7, 2026. On November 23, 2025, the Minister of Energy published a decision on "Policy Principles – Examination of the Scope and Manner of Extending the Preservation of Electricity Generation Units 1-4 at the Orot Rabin Power Plant,"[9] in view of the need to maintain the reliability, availability and continuity of the electricity supply in the event of an emergency situation in the coming years. In accordance with the decision, the Company will maintain units 1-4 at Orot Rabin in a "hot preservation" status, which is to continue until December 31, 2028, at up to 400 hours per unit per year. Additionally, further to the project for the conversion of coal-fired units 1-4 at the Rutenberg power plant and coal-fired units 5-6 at the Orot Rabin power plant, an amendment to the emissions permit for the Rutenberg site was received on February 22, 2026, updating the dates for gas synchronization and

[8] Excluding self-generation by high- and low-voltage producers.
[9] Policy Principles – Examination of the Scope and Manner of Extending the Preservation of Electricity Generation Units 1-4 at the Orot Rabin Power Plant.

commercial operation: (1) unit 1 within three months from the date of entry of the permit into force, i.e. May 22, 2026;[10] (2) units 2 and 4 by June 30, 2026; (3) unit 3 by October 30, 2026. Furthermore, an amendment to the emissions permit for the Orot Rabin site was received on February 19, 2026, updating the dates for commercial operation: unit 5 by December 31, 2026; (2) unit 6 by June 30, 2027. We note in this connection that implementation of the policy of phasing out the use of coal to generate electricity is expected to continue, with compliance with the target of discontinuation of the routine use of coal by the end of 2026 depending, according to the financial statements as of December 31, 2025, on Noga concurrently approving the conversion of units 5 and 6 at Orot Rabin. If this does not prove possible, the discontinuation date will be deferred until March 2027. Moreover, it was determined that units 5-6 at Orot Rabin and units 1-4 at Rutenberg would be needed also after the conversion, in order to maintain coal-based generation capacity in times of emergency for a continuous period of 12 months, with the ability to rapidly transition between gas and coal, subject to the receipt of appropriate approvals from the Ministry of Environmental Protection.

According to data of the Electricity Authority,[11] in 2024, some 60% of electricity in the economy was generated by private producers, with the market share of private generation expected to continue growing in the coming years, mainly due to the construction of conventional power plants and renewable-energy-based generation facilities by private producers. Furthermore, in the event that four combined cycle facilities operate in the private market by the end of the decade, and the converted units operate at minimum capacity, IEC's market share in 2030 is expected to fall below 23% in the generation segment.

Electricity tariff and regulatory adjustments

In accordance with the Electricity Sector Law, the Company's revenues are based on the electricity tariff it charges consumers, with the electricity tariff rates and the ways of adjusting them determined by the Electricity Authority. The electricity tariff rates are meant to cover all the Company's costs in meeting its obligations as an essential service provider, subject to cost control (fuel, operation and maintenance costs, depreciation, financing and return on capital). Electricity tariff rates for the different customers are determined according to the type of consumption and the supply voltage. The main tariff rate types are: uniform (domestic) rate, and load- and time-variable rates[12] which vary according to seasons and times of the day. Once in several years the Electricity Authority sets a tariff base reflecting the tariff

[10] Or another date to be approved by the air quality coordinator.
[11] Report on the State of the Electricity Sector for 2024.
[12] "TAOZ" rates.

determination and adjustment methodology. When setting the tariff base, the Authority also determines its method of adjustment. The Authority has set two separate tariff bases: generation tariff base and tariff base for network segments. In addition, the Authority sets a tariff base for system costs, which does not affect the Company's revenues but only the allocation of costs among the consumers. The tariff base for the generation segment was set on January 9, 2023 for the years 2022-2027, and the tariff base for network segments was set on January 8, 2018 for the years 2018-2022, with no new base published as of the report date. In addition, a tariff adjustment mechanism was established, specifying that the tariff would be adjusted annually, with an additional adjustment made as necessary on a current basis. However, in accordance with the Electricity Authority's decision of December 11, 2025[13] regarding a structural adjustment of the electricity tariff, from 2026 onwards, during three years, tariff adjustments will be made automatically every half year. The tariff rates will be determined on the basis of the tariff set in the framework of the annual tariff adjustment for 2025, and they will change according to the indices and factors set out in the decision. Concurrently, a mechanism was established to enable the adjustment of the tariff when differences arise from the accumulation of actual costs above a certain amount.[14] In the framework of the decision, the generation component is split into a fixed component and a variable component and changes have been made to the network tariff rates, including the consolidation of the demand-cluster hours and cancellation of the load- and time-variable rates, as well as the changing of the weights between the capacity component and the energy component in the network, so that the tariff more correctly reflects the costs and creates appropriate incentives. In addition, the Authority left in place the mechanism for automatic tariff adjustment in times of consumption of emergency diesel. At this stage, the energy market price proposed by Noga (MCP), as well as the pricing of external costs of emissions, as proposed in the call for proposals issued by the Authority prior to the decision, have not yet been implemented.

Improvement in the cash flow parameters and in the coverage ratios in 2025 and the following years

Company revenues in 2025 were 2.1% higher than in the previous year, due, among other things, to growth in revenue from infrastructure services, as well as an increase in the electricity tariff which was partly offset by a decrease from the year-ago period in the number of kilowatt-hours sold. The Company also recognized revenues not recognized in previous periods in respect of debts of the East Jerusalem

[13] Decision No. 72806 – Structural Adjustment of the Electricity Tariff.

[14] Differences accumulating above NIS 750 million for IEC, above NIS 350 million for Noga, above NIS 600 million for a single operating segment with no distinction between IEC and Noga, or differences above NIS 750 million in total, with no distinction between IEC and Noga and operating segments.

Electricity Company. Simultaneously, fuel costs of the Company contracted by a substantial 11%, from NIS 6.3 billion in 2024 to NIS 5.6 billion in 2025, attributable in greater part to a change in the fuel consumption mix and a decline in generation compared to the same period a year ago. We note that as of December 31, 2025, coal purchases accounted for 36% of the Company's fuel costs, compared to 46% in 2024. As of December 31, 2025, adjusted EBITDA amounted to NIS 7.7 billion, compared to NIS 5.5 billion in the year-ago period. The higher EBITDA is attributable to the reduced cost of operation of the electricity system, which stood at NIS 21.0 billion at the end of 2025, compared to NIS 22.8 billion the year before. The decrease in the cost of electricity is due to a decline in the cost of fuels and electricity purchases, with expenditures on electricity purchases amounting to NIS 8.7 billion in 2025, compared to NIS 9.8 billion in the year-ago period. The decrease is mainly attributable to a reduction in electricity purchases from Noga net of an increase in the amounts of electricity purchased from high- and low-voltage electricity producers. Under Midroog's base case scenario, EBITDA is expected to be in the range of NIS 7.0-8.0 billion in 2026, and in the range of NIS 9.0-9.5 billion in the years 2027-2028. Likewise, the debt to EBITDA ratio is expected to be in the range of 6.0-6.5 in 2026, and in the range of 4.5-5.0 in the years 2027-2028.

Projected improvement in the debt to cap leverage ratio in the coming years

The Company's gross financial debt in 2025 amounted to NIS 40.8 billion, compared to NIS 42.5 billion in 2024 and NIS 45.2 billion in 2023. The decrease in debt in 2025 is attributable, among other things, to debt repayments totaling NIS 3.6 billion, as against debt issues totaling NIS 2.4 billion. The debt to cap ratio as of December 31, 2025 stood at 43.8%, compared to 47.6% in the year-ago period, with the improvement in the ratio attributable to a decrease in debt as mentioned above, and to substantial comprehensive income of NIS 5.0 billion, stemming, among other things, from a positive movement of NIS 2.0 billion in regulatory deferral accounts.

In Midroog's assessment, CapEx will be in the range of NIS 8.0-9.0 billion in the years 2026-2027, remaining thereafter at annual average of NIS 8.0-9.0 billion, mainly intended for the development of the transmission and distribution system. The Company will issue additional debt in amounts ranging between NIS 4.0 and 6.0 billion in each of the years 2026-2027, which we believe to be consistent with the history of issues made by the Company in recent years. In our estimation, the Company will issue in 2028 significant debt in an amount of NIS 6.5-7.5 billion, in view of the maturity of the EL DOLAR 2028-I bond series for a total of NIS 3.1 billion. Under Midroog’s base case scenario, gross financial debt is projected to be in the range of NIS 43.0-45.0 billion in the years 2026-2027, with the debt to cap leverage ratio projected at 42.0%-44.0%.

A financial policy that includes maintenance of sufficient liquidity reserves

As of December 31, 2025, the Company had liquidity reserves[15] of NIS 2.8 billion, compared to NIS 5.7 billion in the year-ago period. Additionally, the Company has committed credit facilities for significant amounts with several banks.[16] The Company's cash balance reflects the resolution taken by the board of directors to maintain a security reserve of no less than NIS 3.0 billion, including a cash balance and short-term investments of no less than NIS 1.5 billion, with the balance to comprise unused, secured credit lines for a term of more than a year. The liquidity level reflects consistent implementation of the board of directors' resolution and its financial policy. In our estimation, the ratio of sources to uses, which stood at 1.2 in 2025, will be in the range of 1.1-1.2 in the coming two years, due, among other reasons, to significant CapEx investments.

Structural considerations

To secure the Company's obligations in respect of bonds issued in Israel and abroad, the Company created a floating charge on all its assets (including assets under construction) that may be encumbered by law, and on all its rights in respect of such assets, of every kind and nature, existing presently and in the future, including all the bonds rated by Midroog, pari passu with all other floating charges that were created by the Company, pro rata to the amounts of obligations secured from time to time by each of those charges. In addition, to secure other obligations of the Company that are not rated by Midroog, the Company created fixed charges in favor of various lenders on six selective catalytic reducers (SCR) which were purchased by the Company from the BNG company for installation in the Orot Rabin and Rutenberg power plants, as well as on a steam addition that was purchased by the Company from the Doosan company for a gas turbine at the Hagit site.

Midroog examined the structural characteristics of the charges securing the Midroog-rated bonds in respect of which the Company created a floating charge on all its assets (including assets under construction), as well as the characteristics of the assets, in accordance with the Structural Considerations in Rating Debt Instruments in Corporate Finance Methodology Report of September 2019, and it considers them to be collateral of a high level of complexity. Following an examination of the quality of the collateral, including the existence of additional first-ranking fixed charges for an immaterial amount relative to all the Company's assets, and mainly in light of the structure of the debt

[15] Cash and cash equivalents and short-term investments.

[16] As of December 31, 2025, the Company has available bank credit lines for a total of NIS 1,500 million and US$ 250,000. Said facilities are for a term of more than a year.

which is fully secured, Midroog is of the opinion that there is no room for any rating notch-up or notch-down for the bond series rated by it.

The holders of bonds secured by floating charges are entitled, in the event of winding up, to recovery ahead of any other debt, other than a relatively small debt that is secured by fixed charges as detailed above. We estimate on this basis that the bond holders are not exposed to material contractual subordination, also taking into account expectations for high government support in times of need. Accordingly, we set the Company's issuer rating at the same level as the rating of its bond series.

Environmental, Social and Governance (ESG) Considerations

Midroog rates the issuer's exposure to environmental risks as high, mainly due to the growing transition to green energy and the resulting financial and regulatory exposures, along with the exposure arising from the operation of the Company's coal-fired plants, which are set to phase out the use of coal for electricity generation by 2026. This risk is largely mitigated by plans to convert the power plants to burn natural gas to produce electricity. However, in the longer term this policy may create negative exposure, as the dependence on gas is superseded by the use of renewable energy to generate electricity. We note that some of the power plants will retain coal-based generation capabilities, so as to maintain energy reserves for times of need. This activity also is supported by a financial consideration based on mechanisms for cost rehabilitation by the State. Additionally, according to the annual report[17] of the Israel Pollutant Release and Transfer Register (PRTR) for 2023, several power plants of the Company are included among the 15 enterprises listed by the Ministry of Environmental Protection as having the highest external cost of air pollutant emissions.

In Midroog's estimation, the Company is also exposed to socials risks. In particular, public and political interest in the issue of coal-based electricity generation contributed to the decision to advance the target date for the conversion of coal-fired power plants from 2030 to 2026. In the short to medium term, coal-based generation could limit the Company's access to international capital, in view of the global trend towards investing exclusively in green energy. Simultaneously, political and public pressure could influence the tariff adjustment. However, the Company is enjoying an increase in demand due to the country's continued population growth as well as the rise in demand for electricity. We note furthermore that the Company faces an additional risk of potential future debt, arising from a history of delays in the payment for electricity generated for the Palestinian Authority and for East Jerusalem. In our assessment, the likelihood of labor disputes such as those that characterized the Company in the

[17] Annual Report of the Israel Pollutant Release and Transfer Register (PRTR), August 2023.

past has significantly diminished, in the wake of the agreement that was signed between the Company, the board of directors and the trade union in 2018.

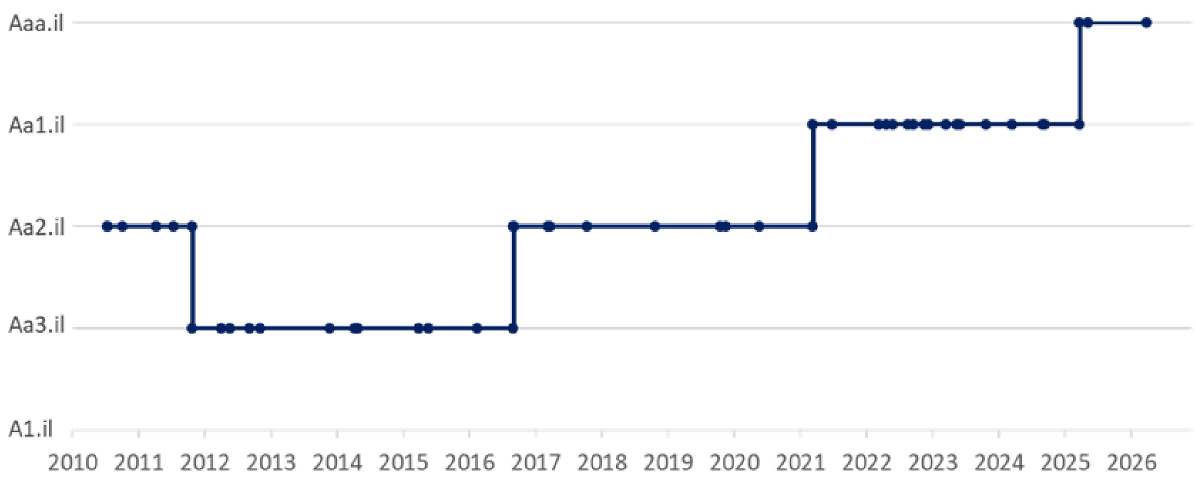
Regarding corporate governance, on March 4, 2024, the appointment of Mr. Doron Arbeli as the chairman of the Company's board of directors came into effect, after some two and a half years in which the Company operated without a chairman. We likewise note that in the Company's report on internal controls over financial reporting which was attached the periodic report as of December 31, 2025, the internal controls were found to be ineffective due to a material weakness, in that the Company did not maintain effective controls to ensure that the rights and benefits according to which salaries and pensions are paid and actuarial liabilities are included, are approved in accordance with the provisions of the law. Disclosure with respect to this significant weakness was first made in the report on internal controls over financial reporting which was attached to the 2009 periodic report.

Company Profile

Israel Electric Corporation Ltd. is a government company (the State of Israel holds approximately 99.85% of its shares[18], engaging in the generation, transmission and storage, distribution and supply of electricity. The Company was incorporated in Israel in 1923, and its activity is regulated and supervised under the Electricity Sector Law. In accordance with the Electricity Sector Law, the Electricity Authority sets the electricity rates and ways of adjusting them and determines the criteria according to which the Company is required to operate. Additionally, the Electricity Authority issues licenses for electricity generation, distribution and supply to all the electricity producers in the economy, and supervises them based on the criteria established by it. The Company is subject to a regulatory framework, which has been maintained, among others, through the Electricity Authority, in accordance with its powers under the Electricity Sector Law, 5756-1996, for over 25 years.

[18] The Company estimates that the rest of its shares are held by the public.

Rating History



Related Reports

[Israel Electric Corporation Ltd. – related reports]

[Rating of Government-Related Issuer (GRI) – Methodology Report, July 2024]

[Structural Considerations in Rating Debt Instruments in Corporate Finance – Methodology Report, September 2019]

[Financial Statement Adjustments and Presentation of Main Financial Measures in Corporate Rating – Methodology Report, December 2024]

[Guidelines for Reviewing Environmental, Social and Governance Risks in Credit Ratings – Methodology Report, February 2022]

[Table of Relationships and Holdings]

[Midroog Rating Scales and Definitions]

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	March 26, 2026
Date of last revision of the rating:	April 9, 2025
Date of first publication of the rating:	July 14, 2010
Rating paid for by:	Israel Electric Corporation Ltd.
Rating commissioned by:	Israel Electric Corporation Ltd.

INFORMATION FROM THE ISSUER

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

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.