The Israel Electric Corporation Ltd.

Financial Reports

For The Year Ended
December 31, 2025

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The Israel Electric Corporation Ltd.

Chapter A

Description of the Company's Business Affairs

For the Year Ended
December 31, 2025

Prominent Disclaimer

This English translation of the **"Description of the Company's Business Affairs"** for the year ended December 31, 2025 ("English Translation") is provided for information purposes only.

In the event of any conflict or inconsistency between the terms of this English Translation and the original version prepared in Hebrew, the Hebrew version shall prevail and holders of the Notes should refer to the Hebrew version for any and all financial or other information relating to the Company.

The Company and its Directors make no representations as to the accuracy and reliability of the financial information in this English Translation, except that the Company and its Directors represent that reasonable care has been taken to correctly translate and reproduce such information, yet notwithstanding the above, the translation of any technical terms are, in the absence of generally agreed equivalent terms in English, approximations to convey the general sense intended in the Hebrew version.

The Company reserves the right to effect such amendments to this English Translation as may be necessary to remove such conflict or inconsistency.

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Chapter A – Description of the Company's Business Affairs

Positions, estimates or opinions of the Company are presented in this report. The positions, estimates or opinions presented as being those of the Company are the Company's only and should not be construed as a position, estimate or opinion of the State or any of its authorities. Therefore, these positions, estimates or opinions do not tie the hands of the State of Israel or any of its authorities to act and/or decide and/or express an opinion in a manner differing from the positions, estimates or opinions of the Company as set forth.

Part 1: Description of the General Development of the Business Affairs of the Company

1. The Company's operations and a description of the development of its business affairs

1.1 General

The Israel Electric Corporation Ltd. ("**Company**" or "**the Electric Company**") was incorporated in Israel on March 29, 1923. The Company is engaged in the generation, transmission, distribution and supply (sale) of electricity to the consumers in Israel and storage activity. See Section 2 below for details on the fields of activity of the Company.

In 1926, the authorities in the British Mandate for Palestine granted the Company a concession that is known as the "Jordan Concession", and a concession that is known as the "Yarkon Concession" (which was granted to Pinchas Rutenberg, the founder of the Company) was endorsed to it (hereinafter: the "**Concessions**").

The Concessions received statutory validity within the framework of the Electricity Concessions Order - 1927 (hereinafter: the "**Electricity Concessions Order**").

The validity of the Concessions was set for a period of seventy (70) years, which ended on March 3, 1996, and from that time on, the provisions of the Electricity Sector Law - 1996 (hereinafter: the "**Electricity Sector Law**"), which replaced the Electricity Concessions Order, and the regulations that have been promulgated thereunder, apply to the operations of the Company. See Section 23.1 below for details on the highlights of the Electricity Sector Law.

As of the publication date of the report, the Company is engaged in the generation, transmission and storage, distribution and supply of the electricity that is consumed in the Israeli national economy pursuant to the licenses that have been granted to it in accordance with the Electricity Sector Law. The Company is defined under the Electricity Sector Law as the holder of an "essential service supplier" license (as this term is defined in the Electricity Sector Law) for its activities in generation, transmission, storage, distribution and supply. For further details regarding the Company's licenses see section 23.1.2 below.

On May 10, 2018, after consultation with the employee representatives and the Histadrut, relevant Government entities and the Company reached understandings regarding the outline of principles with respect to the Company's structural change (the "**Outline of Structural Change**"), within which was approved by the Board of Directors of the Company on the same date. On July 26, 2018, the Electricity Sector Law (Amendment no. 16 and Temporary Order), 2018 (the "**Amendment to the Electricity Sector Law**" or the "**Amendment to the Law**") was approved by the Knesset. The Amendment to the Law includes, inter alia, amendments regarding the validity of the Company's licenses and reference regarding the Outline of Structural Change. For additional details regarding the Structural Change Outline and the Company's license and their validity, and the collective agreement, that was signed on May 17, 2018 between the Company and the New Labor federation and the national union of the employees of the Company regarding the reform and structural and organizational change in the Company, see sections 1.3 and 23.1.2 as well as Note 1e and Note 11 in the Consolidated Financial Statements for the year ended on December 31, 2025 (the "**Financial Statements**").

The Company is a Government and public company and is regulated by a series of regulators among which are the Electricity Authority which determines, inter alia, the electricity rates and the manner of their update, and this pursuant to the provisions of the Electricity Sector Law, and as detailed in section 7.11 below. In January 1999, the Director General of the Competition Authority (the then Anti-Trust Commissioner) declared the Company a monopoly in the electricity sector. For additional details see section 23.9.

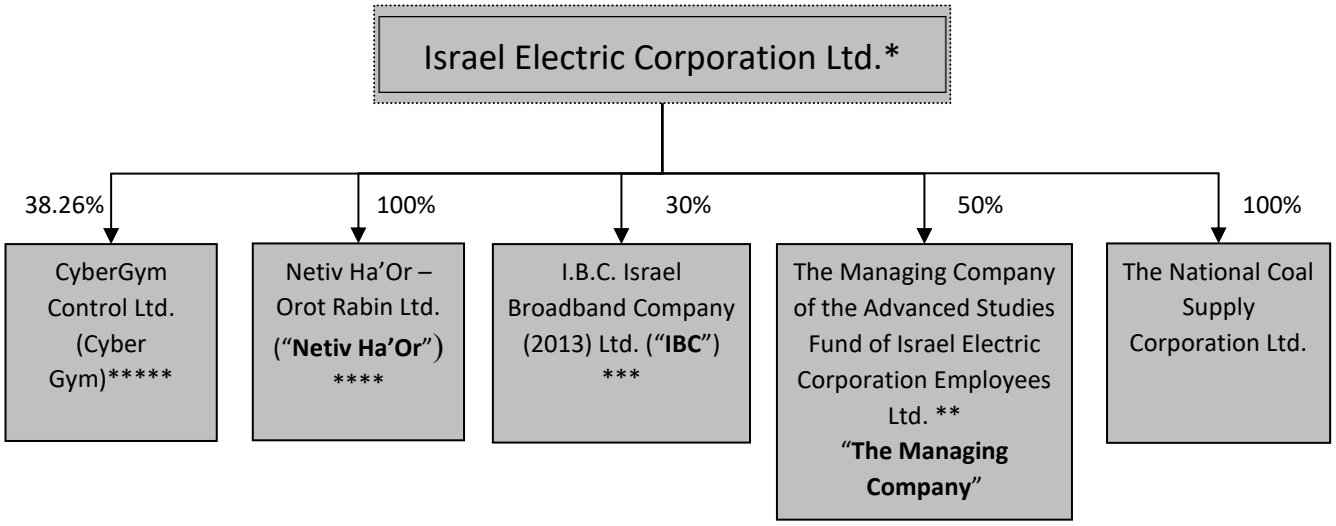
The Company has shares that for a certain period[1] were traded on the Tel Aviv Stock Exchange (the "**Stock Exchange**"), but due to purchase offer published by the State of Israel on September 30, 1986, to the shareholders of the Company and which was taken up by most of the then shareholders, trading in the shares on the Stock Exchange ended. As of the report date, the Company has bonds that are traded on the Stock Exchange. For additional details see section 20.2. As of the date of the report, the State of Israel holds approximately 99.85% of the issued, paid-up share capital of the Company, and therefore, the Company is a "Government Company" as this term has been defined in the Government Companies Law - 1975, (hereafter: the "**Government Companies Law**") and the Company and its operations are also

[1] The Company does not currently have information on the timing or the method by which its shares were previously offered to the public.

subject to the provisions of that law. The balance of the issued and paid-up capital of the Company is held by approximately 130 individuals.

In February 2005, following an application that was made by the Company to the Government Companies Authority ("**Companies Authority**"), in order to clarify the issue of the status of the Company as a public or private company, as per the meaning of these terms in the Companies Law, 1999 (the "**Companies Law**"), the Company was provided with an expert opinion by the legal adviser to the Companies Authority, according to which, in the opinion of the Companies Authority, the Company is a public company. In accordance with the expert opinion, the fact that the source of the shares that are held by the public cannot be identified with certainty does not warrant the denial of the protections that are conferred upon the shareholder public pursuant to the Companies Law, and the Company bears the burden of proving that all of its shares in accordance with that which has been stated above originate merely from private issues. In view of the above-mentioned expert opinion and in view of the definition of the term "public company" in the Companies Law, the Company operates as a public company. Pursuant to its status as a public company and pursuant to the issue of Bonds by prospectus as detailed above and their holdings by the public, the Company is subject to the provisions of the Securities Law - 1968 (hereafter: the "**Securities Law**").

1.2 Diagram of the holding structure of the Company[2]



* In addition, the Company has holdings at a rate of 49.99% of the shares and equity interest in the PMA (Energy Resources Development) Company Ltd., which to the best of the Company's knowledge and as of the date of the report is inactive. Additional subsidiaries of the Company, which are inactive, and have not been included in the diagram: "Jordan Properties Ltd." and "Migrashei Hakablanim Ltd.", for details see Note 10 to the Financial Statements.

** The Company holds 50% of the management shares and of the rights to appoint directors, without rights to share profits. The remaining 50% is held as follows: The Mutual Help Society of Israel Electric Corporation Employees in the Southern Region (Registered Association) (Final Holder) (25%), the Society of Israel Electric Corporation Workers in the Northern Region (RA) (Final Holder) (16.667%) and the Savings and Mutual Help Fund of Israel Electric Corporation Workers Jerusalem Ltd. (Final Holder) (8.333%). The casting share, which enables its holder to right to decide in any case of equal votes at the General Meeting or on the Board of Directors, was assigned personally to Mr. David Hagoel, former Chairman of the Company's Board of Directors. Following the passing of Mr. Hagoel in August 2019, the management company is working to transfer the casting share to another agreed public personality, in accordance with the provisions of the Articles of Association of the management company.

*** The Company holds 30% of I.B.C. Company's shares. Under the shareholders' agreement and IBC's Articles of Association, every shareholder holding (together with its authorized transferees) 11% of IBC's shares will be entitled to appoint one director to the Board of Directors of the Company. Notwithstanding the aforesaid, as long as the Company (together with its authorized transferees) holds at least 7% of IBC's shares, it will be entitled to appoint one director to the Board of Directors of IBC. As of the date of the report, five directors are serving in IBC, two of which have been appointed by the Company. During voting at the Board of Directors' meetings, each director or group of directors appointed by the same shareholder will be vested, together, with the same voting power as the holding rate of IBC shares of the shareholder appointing him/them. For additional details regarding the investment in IBC, see Note 10e to the Financial Statements.

**** Netiv Ha'Or was established as part of the implementation of the structural change (as defined in Section 1.3 below) and pursuant to Government resolution no. 4682 of September 3, 2019, regarding "Granting approval for establishment of a Government subsidiary of the Electric Corporation Ltd – Netiv Ha'Or Company Ltd". The Company holds 100% of the rights attached to the shares, including voting right at the company's General Meetings, the right to appoint directors, the right to participate in the company's profits, and the distribution of the company's assets in liquidation, all subject to the provisions of the Government Companies Law and the Articles of Association of Netiv Ha'Or. According to the Articles of Association of Netiv Ha'Or, out of 7 members of the Board of Directors, 3 directors are appointed as directors who are public representatives and 4 are appointed from among the Company's employees. For additional details see Note 1e9 to the Financial Statements.

***** Following the exercise of the options held by the Company for receiving shares of CyberGym as of June 26, 2022, the Company holds 500,000 ordinary shares, which constitute 38.36% of Cyber Gym's issued share capital. In addition, the Company appointed 2 directors as directors at CyberGym, which as of the date of the report, and pursuant to Cyber Gym's Articles of Association, constitute 50% of Cyber Gym's Board of Directors.

In light of the aforesaid, Cyber Gym is a (non-Governmental) subsidiary of the Company, and the Company is considered the controlling shareholder of Cyber Gym, as these terms are defined in the Securities Law.

[2] Regarding the loan convertible into shares granted by the Company to companies of the KARAT technological incubator see Section 14.

Negotiations are currently underway to sell all of the Company's holdings in CyberGym. For further details, see Note 10 to the Financial Statements.

For additional information, see Chapter D of the Periodic Report – Additional Details of the Corporation ("**Chapter D**") under "Additional Details Pursuant to Circular 2020-5-1 of the Government Companies Authority", section E.

1.3 The nature and the results of each significant structural change, merger or acquisition

On May 10, 2018, after consultation with the employee representatives and the Histadrut, relevant Government entities and the Company reached understandings regarding the outline of the structural change, which was determined for a period of eight years. The outline of the structural change was approved on the same date by the Company's Audit Committee and Board of Directors as a transaction by the Company with its controlling shareholder, for the sake of caution alone (in this section: the "**Decision of the Board of Directors**").

The decision of the Board of Directors and the fulfillment of the Company's liabilities under the outline of the structural change were subject to and contingent upon, without exception, the Government's decision in accordance with the outline of the structural change, anchoring the arrangements required by primary and/or secondary legislation and/or administrative decisions and/or regulation by the Electricity Authority, and granting licenses by the competent bodies in the State, to the extent required by law.

In accordance with the aforesaid, on May 17, 2018, the Minister of Energy (the "Minister") published policy principles regarding structural changes in the electricity sector and in the Company (the "**Minister's Policy Principles**"), on June 3, 2018, a Government Resolution was adopted on the subject of the reform. On July 19, 2018, the Knesset approved the amendment to the Electricity Sector Law.

The outline of the structural change, the Government decision regarding the reform, the amendment to the Electricity Sector Law, the Minister's policy principles, and the decision of the Board of Directors, will be hereinafter referred to together as the "**Structural Change**".

Following are the main actions taken as part of the implementation of the structural change in the Company:

1. During the years 2019-2024, the Company sold 4 generation sites (Alon Tavor, Ramat Hovav, East Hagit and Eshkol).
2. The Ministry of Energy has issued guidelines regarding the future of the Reading Power Station, according to which Noga - Israel Independent System Operator Ltd. ("**Noga**") must examine the land uses required on the station site for the placement of Flexible Open-Cycle Generation Facilities - mobile peak power stations that may be placed on site in times of emergency, storage facilities of significant scope and facilities relevant to the construction of an underwater cable as part of the expansion of the delivery system. After receiving the examination, a decision will be made.
3. Netiv Ha'Or Company, the subsidiary, was established, which constructed and is operating two combined cycle gas turbines in Orot Rabin site ("**CCGT**"). The two CCGTs began commercial operation after receiving generation licenses on January 26, 2025 and on January 7, 2026.
4. On November 1, 2021, the Company sold the full activity of the system management unit to the "Noga"– and ceased to operate as the electricity system manager in accordance with Section 60A(b)(1) of the Electricity Sector Law.
5. In accordance with the regulation set by the Electricity Authority, the supply segment was fully opened to competition during 2024.
6. The Company was granted transmission and storage license and distribution license.
7. Organizational changes and efficiency plans were implemented.
8. The Company's financial indicators were improved.
9. Actions were taken to promote a subsidiary for business development.

For additional details regarding the structural change, as well as additional actions taken as part of the implementation of the structural change, see Notes 1e and 11 to the Financial Statements.

For more details regarding the competition in supply, see section 10.4 below.

For more details regarding the establishment of storage facilities in substations see section 11.1 below.

For more details regarding the Minister's decision on the future of the Reading production station, see section 1e9 below.

Within the framework of the Minister's policy principles, and in accordance with the response of the Electricity Authority within the framework of the Minister of Energy's obligation to consult, it was clarified that the costs of implementation

of the reform are estimated at approximately NIS 7.2 billion, which consist of approximately NIS 6.5 billion in capitalized value for 2017, with respect to efficiency in the Company and increased managerial flexibility in accordance with the collective agreement, and approximately NIS 0.7 billion with respect to additional reform costs.

In accordance with the provisions of section 31(b) of the Electricity Sector Law, when implementing the cost principle for the purpose of determining rates, the Electricity Authority will recognize the costs deriving from the policy principles set by the Minister of Energy, the Minister's policy principles entered into force upon the adoption of a Government resolution and required legislative amendments.

It should be noted that in accordance with the outline of the structural change, on May 10, 2018, the Company's Board of Directors approved a business plan that forms the basis for the financial model presented to the Board of Directors on the date of approval of the said structural change, based on the principles of the outline of the structural change that were formulated during the reform discussions, including the following financial objectives:

(a) The ratio of total liabilities to the Company's balance sheet as it is defined within the framework of the outline of structural change, will not exceed 68% by the end of 2021 and the ratio of net financial debt to adjusted EBITDA of the Company, as defined in the outline of the structural change, will not exceed 5.5 until the end of 2021.

(b) The ratio of total liabilities to the Company's balance sheet as defined in the structural change outline will not exceed 66% until the end of 2025, and the ratio of net financial debt to adjusted EBITDA of the Company, as defined in the outline of the structural change, will not exceed 4.6 until the end of 2025.

For details regarding the Company's compliance with the targets defined for it by the Company's Board of Directors, see section a1c1 of Chapter B of this Report – Board of Directors Report on the Status of the Corporation's Affairs of December 31, 2025 (the "Board of Directors' Report").

The information included in this report, and within the framework of the Financial Statements of the Company, with respect to the manner of implementation of the structural change and its costNetiv Ha'Or as well as the information included in this report and within the financial statements regarding decisions of the regulatory entities required in connection thereto constitutes forward looking information, as per its definition in the Securities Law. This information is based on information the Company has as of the date of the report as well as on future data, and its realization is not certain and is not under the control of the Company but is dependent on receiving regulatory approvals and agreements in regulation by the Electricity Authority and in granting licenses by the State's authorized bodies, insofar as required by law. Such estimates may not be realized or may be realized partially or differently than expected and this due to, inter alia, if the required regulations will not be established and/or the required licenses will not be received and/or insofar as the required consents and approvals as aforesaid will not be received or that will be received in a manner or format different from that described above, all of which are not under the Company's control.

2. Fields of Activity

The Company operates in all stages of the electricity chain, from the generation of electricity in the power stations, its transmission, storage, transformation, distribution, to its supply (sale) to consumers. In addition, the Company engages in the establishment of infrastructures that are required for the operations that have been set forth above.

As of the time of the report, the Company has six primary fields of activity, which are recognized as segments in the Financial Statements, in accordance with that which has been stated below:

1. Activity in the generation segment – the operations of the Company in this field includes all of the operations that are involved in the generation of electricity at the generation sites of the Company and Netiv Ha'Or. See Section 7 below for additional details.

2. Activity in the transmission and transformation segment – the operations of the Company in this field includes the transmission of electricity from the Company's and the private electricity producers' ("**PEPs**") generation sites, using high voltage lines to the Company's switching stations[3], where the process of transformation to extra-high voltage is carried out and from there the continuation of the transmission of electricity is carried out via extra-high voltage lines to the substations[4]. An additional second transformation from extra-high voltage to high voltage is carried out in the substations, and the energy is transferred to a high voltage grid through output transformers. In addition, in the framework of this segment, steps are being taken for supervision, management and control of the transmission and transformation system through the transmission control unit and operating, maintenance and malfunction handling. See Section 8 below for additional details.

3. Activity in the distribution segment – the operations of the Company in this field includes the transfer of electricity from substations to consumers and purchasing electricity from private producers in distribution, via high voltage lines and low voltage lines, including metering the consumed energy at the customers' installations (consumers and producers). This segment includes transformation from high voltage to low voltage through tens of thousands of transformers. See Section 9 below for additional details.

4. Activity in the supply segment - the operations of the Company in this field includes the sale of electricity, including collection and service system of the Company, which is responsible for the preparation and production of invoices, collection activities and consumer services, including customer call service centers, customer reception and customer file coordinators. For additional details, see section 10 below.

5. Activity in the storage segment - the Company's activity in this field includes electricity storage through storage facilities. As of the date of the financial statements, the storage facilities are in the process of being constructed. For further details, see Section 11.1 below.

6. Activity not in the framework of the electricity chain – includes the operations of the Company as part of business entrepreneurship (see section 14 below), investment in the CyberGym Company, and the Company's operation in the IBC communications enterprise (see Note 10 to the Financial Statements).

For details with respect to financial information on the fields of operation of the Company, the principles and results of the attribution of profit and loss and balance statements according to the segments of operation, see Section 5 below and Note 35 to the Financial Statements.

For details regarding the structural change in the Company see Note 1e to the Financial Statements and section 1.3 below.

[3] A switching station is a station that has 400 kV input voltage or which is connected to a power station with an output exceeding 400 megawatts and with a 161 kV voltage.

[4] In accordance with Section 2 of the Electricity Sector Law, a "**substation**" is a transformation station that connects electricity grids of different types that has transformers that increase or decrease voltage.

3. Investments in the Company's equity and transactions in its Shares

To the best of the Company's knowledge, during the two years that preceded the date of the report, no investments were made in its equity and nor were there any material transactions in its shares.

4. Distribution of dividends

4.1 Assignment of Profits

For details of assignment of profits, dividend distribution policy, the Board of Directors' decision regarding the assignment of the 2025 profits, and additional details, see Note 24 of the Financial Statements.

4.2 Distributable profits

The balance of the distributable profits of the Company as of December 31, 2025, is approximately NIS 41,440 million.

Part 2: Other Information

5. Financial information of the Company's fields of activity

Details on variable costs and fixed costs by segments follow:

	For the year ended December 31, 2025 (in NIS million)					
	Generation	Transmission	Distribution	Supply	Activity not within the electricity chain	Total
Fixed:						
Wages	1,157	183	897	282	27	2,546
Depreciation and amortization	1,846	703	1,525	67	-	4,141
Others	572	261	430	248	40	1,551
Total fixed	3,575	1,147	2,852	597	67	8,238
Variable:						
Fuels	5,454	-	-	-	-	5,454
Purchases of electricity and accounting with Noga, net	5,759	(36)	3,054	-	-	8,777
Total variable	11,213	(36)	3,054	-	-	14,231
Total assigned costs	**14,788**	**1,111**	**5,906**	**597**	**67**	**22,469**

	For the year ended December 31, 2024 (in NIS million)					
	Generation	Transmission	Distribution	Supply	Activity not within the electricity chain	Total
Fixed:						
Wages	1,127	176	873	247	29	2,452
Depreciation and amortization	2,188	650	1,465	55	-	4,358
Others	840	236	548	215	45	1,884
Total fixed	4,155	1,062	2,886	517	74	8,694
Variable:						
Fuels	6,096	-	-	-	-	6,096
Purchases of electricity and accounting with Noga, net	6,524	(17)	3,333	-	-	9,840
Total variable	12,620	(17)	3,333	-	-	15,936
Total assigned costs	**16,775**	**1,045**	**6,219**	**517**	**74**	**24,630**

The main types of expenses that the Company has are: fuels, depreciation, wages, equipment and materials and other expenses. The costs of fuels in the Company are mainly variable costs.

Depreciation, wage, supplier, contractor, equipment and material expenses are mostly fixed costs that the Company cannot materially influence in the short term, for the following reasons:

(a) The costs of fixed assets that the Company has (depreciation).
(b) Employment agreements with most employees (wages and others).
(c) Purchase agreements from suppliers and other inevitable costs (such as municipal rates and guarding).

See the explanations in Board of Directors' report Sections a3 and a4 for descriptive details provided by the Board of Directors with respect to the developments that occurred in the financial results of the Company.

For details regarding the Company's revenues, profits, assets and liabilities, broken down by operating segments, see Note 35 to the Financial Statements.

6. The general environment and the impact of external factors on the Company's operations

The assessments of the Company with respect to the trends, events and developments in the macroeconomic environment of the Company that have or may have a material impact on developments in the Company or on its business results as well as the implications in respect of them on the Company.

6.1 Regulation in the Company's fields of activity

The operations of the Company are affected to a great extent by the regulation applying to its operations, including the provisions of the Electricity Sector Law and its regulations, pursuant to which it is given licenses for operations, the policy and resolutions of the Government (including resolutions of the Ministry of Energy and Infrastructures, Ministry of Environmental Protection, and the Ministry of Finance), the criteria (as published from time to time in the Official Gazette) and Resolutions of the Electricity Authority[5] (including with respect to the electricity charge rate that is fixed by the Electricity Authority and collected from the customers of the Company), the provisions of the Companies Law and its regulations (inter alia, regarding the manner of the Company's conduct as a public company), the provisions of the Government Companies Law and the regulations thereunder and resolutions of the Government Companies Authority (*inter alia*, on the matter of the conduct of the Company as a Governmental Company, the manner of adoption of resolutions by its organs, the manner of preparation of its Financial Statements, appointment of directors and special functionaries and so on), the provisions of the Natural Gas Sector Law – 2002 ("**Gas Sector Law**") and resolutions of the Natural Gas Authority ("**Gas Authority**"), provisions of the Economic Competition Law, 1988 ("**Economic Competition Law**"), and decisions of the Competition Authority and the General Director of the Competition Authority (pursuant to the Company being a monopoly or pursuant to its execution of agreements that require the receipt of approval from the Competition Authority), the provisions of the Budget Foundations Law, 1985 ("**Budget Foundations Law**") (the Company is a "budgeted entity" as per its meaning in the aforesaid law), the provisions of the Securities law and the regulations thereunder, and the regulations and directives of the Securities Authority (by virtue of the Company being a reporting corporation and a public company, as these terms are defined in the Companies Law), the provisions of the Law of Promotion of Competition and Reduction of Centralization - 2013 ("**Centralization Law**"), and regulation pertaining to business licensing, planning and construction and environmental protection (See Sections 7.12.8, 7.12, 9.9 and 22.3), and additional legislation, as also detailed in Section 23.4.1. See Section 23 for details on restrictions to and regulation of the activity of the Company.

For further details on the risk factor, see section 29.1 below.

6.2 Geopolitical, economic and security situation in Israel and its surroundings

The economic, political and security situation in the State of Israel directly affects the Company, whose assets and operations are located in Israel.

Operation Lion's Roar

For details regarding the expected and possible impacts of the "Lion's Roar" Operation on the Company's operating results, see Note 1h2 to the Financial Statements.

Swords of Iron war

For details regarding the expected and possible effects of the "Swords of Iron" War on the Company's operating results, its financial position and cash flows, see Note 1h2 to the Financial Statements.

For details regarding the decisions of the Power Authority following the Swords of Irn War see Note 3p to the Financial Statements.

For details regarding the risk factor, see section 29.1.1.

Crane Collapse at Rutenberg

On March 13, 2023, following extreme weather, a crane on the coal jetty in the "Rutenberg" power station collapsed into the sea. For additional details see Note 1h1 of the Financial Statements.

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[5] Within the Amendment to the Electricity Law, which entered into effect on January 1, 2016, a new authority, named the "Electricity Authority", was established at the Ministry of Energy (then the Ministry of National Infrastructures, Energy and Water), instead of the Public Utilities Authority - Electricity and the Electricity Administration at the Ministry of Energy. According to the aforesaid, in this report, the term "Electricity Authority" should be construed while paying attention to the dates it relates to - if it is about information relating to dates prior to January 1, 2016, it means the Public Utilities Authority - Electricity, and if it is about information relating to dates as of January 1, 2016, onward, it means the Electricity Authority which was established within the aforesaid Amendment to the Electricity Sector Law.

The contents of this Report and the Company's Financial Statements, with respect to the Company's assessment of the effects of the "Swords of Iron" War on the Company and its results, constitute forward-looking information, as defined in the Securities Law - 1968, based on information and assessments available to the Company as of the date of this Report. These assessments may not materialize or be partially or materially different from what was expected, inter alia, as a result of factors beyond the Company's control, including the great uncertainty regarding the scope and duration of the war, its impact on the Israeli economy, including the electricity sector and regulatory decisions made in this context.

Fire at Rutenberg site:

On April 17, 2025, a fire broke out in the collector of Unit 4 at the Rutenberg power station, while contractor work was being carried out as part of its renovation. The unit was shut down at the time for conversion to gas. The fire was extinguished within a few hours with the assistance of external firefighting forces.

For additional details regarding the fire, see Note 1h3 to the Financial Statements.

The contents of this report and in the Company's Financial Statements, with respect to the Company's assessment of the effects of the fire at the Rutenberg site on the Company and its results, constitute forward-looking information, as defined in the Securities Law, -1968, based on information and estimates available to the Company as of the date of this report. These assessments may not materialize or may materialize partially or materially different from what was expected, inter alia as a result of factors beyond the Company's control.

6.3 Natural gas

For the purpose of the generation of electricity, the Company depends to a great extent on the supply of natural gas from the "Tamar", "Leviathan" and "Karish" fields. There are risks of natural gas supply shortages due to gas supplier limitations and/or limitations associated with the natural gas transmission system and/or gas export policy in relation to local demand.
These risks are compounded by the fact that the Company has no facilities for the storage of natural gas.
For details of the possible implications of the disruptions in the supply of natural gas, the depletion of or malfunctions in natural gas deposits in Israel, and violations of the purchase contracts by the gas suppliers, as well as possible consequences of the "Swords of Iron" War, see Note 1h2 to the Financial Statements and section 29.2.2 below.

6.4 The effect of market data

For details regarding the impact of market data and the Company's policy for managing market risks such as currency risks, the consumer price index, commodity purchases and interest, see Note 25C to the financial statements.

6.5 The policy of the Israeli Government with respect to increasing competition in the Electricity

The Company as a monopoly

As of the date of the report, the Company generates, transmits, stores, distributes and supplies electricity in the State of Israel. In January 1999, the Company was declared by the Commissioner of Competition (at the time – the Commissioner of Antitrust), a monopoly in the fields of supply of electricity (generation and sale of electricity), electricity transmission and distribution, and provision of backup services for electricity consumers and producers. However, in recent years, with the entry of private electricity producers, a steep decline has occurred in the Company's market share of electricity sales to large customers (ultra-high and high voltage), and in 2016 the Company's market share in electricity sales to large consumers at high voltage dropped for the first time below 50%. Also in 2023, the Company's share of actual generation fell below 50% of the total generation in the economy for the first time. As of December 31, 2025, the Company's share of generation in the economy is approximately 38%.

As of the Financial Statements Approval date, as a result of a series of decisions made by the Electricity Authority in recent years to promote competition in the supply segment, and in particular the decision to expand competition in the supply segment to include basic meters, there has been a decrease in the Company's market share in the supply segment. For additional details regarding competition in the supply segment, see Section 10.4 below.

Renewable energies

In July 2020, the Minister of Energy stipulated policy principles regarding the increase of renewable energy electricity generation target to 30% by 2030. In October 2020, the Government adopted Government Resolution no. 465 regarding the advancement of renewable energy in the electricity sector, and the amendment of Government Resolutions, which adopted the policy principles stipulated by the Minister as stated. In addition, the Government stipulated an interim target of 20% renewable electricity generation by December 31, 2025. On March 14, 2022, as part of the State's response to the climate crisis, the Government approved the National Plan for the prevention and reduction of air pollution in Israel. On May 29, 2022, the Electricity Authority and the Ministry of Energy and Infrastructures (the **"Ministry of Energy"**) published an operative action plan for reaching targets of generating electricity from renewable energies for 2025 and for 2030. On January 29, 2025, the Ministry of Energy published an update to the Renewable Energy Roadmap document for 2030, which describes the measures required to meet the 30% renewable energy target in 2030.

On October 31, 2024, Government Resolution No. 2282 was published about promoting the energy security of the Israeli electricity sector, amending and cancelling government resolutions. In accordance with the resolution, in order to provide energy security in demand areas alongside the benefits of reducing air pollution and greenhouse gas emissions in accordance with government goals and to prepare the electricity sector for an emergency and in following previous government resolutions on the matter, mechanisms were defined for promoting renewable energy - ground-based solar and agro-voltaic projects and promoting conventional power.

On May 18, 2025, policy principles set by the Minister of Energy regarding the establishment of a target for the construction of solar installations on the roofs of residential buildings by 2030 came into effect. In accordance with the decision, a target of 100,000 new solar installations on roofs of residential buildings by 2030 was set, which will be built in addition to the solar installations that currently exist. It was also decided to postpone the date of setting the target for home storage installations in order to accumulate data that will allow for a quality analysis of the market for these installations in residential buildings.

As part of the Minister of Energy's consultation process with the Electricity Authority, the Authority published a public hearing on the subject of setting renewable energy generation targets in 2035. The Authority's position is that a target of 35% renewable energy generation in 2035 creates a balance between the need to reduce emissions and the need to set an achievable target that takes into account the unique challenges in Israel.

Energy savings

The State of Israel is operating to save consumption (reduce demand). Thus, among other things, the Ministry of Energy is taking steps to increase the awareness of energy savings. The Company is also acting in accordance with this policy and encourages its consumers to "intelligent consumption" of electricity[6], and is also acting to reduce energy consumption at its sites.

Energy storage

For details regarding energy storage, see section 11.1 below

Net Zero Emissions

On February 9, 2025, the Ministry of Energy and Infrastructures published an outline for net zero emissions in the energy sector by 2050. This after published a draft for public comments. The outline is based on three main alternatives for achieving the zero-emissions goal, as well as a number of policy measures required to meet the goals. According to the publication, the outline will be a strategic road map for the continued development of the energy sector and will be re-examined from time to time according to the technological developments in the energy sector in general and the clean energy in particular.

6.6 Raising finances

See Section 29.3.1 for details.

[6] See the website of the Company: www.iec.co.il.

6.7 Prevailing weather conditions in Israel

One of the main impacts of the climate crisis is extreme weather events, such as extreme temperature events, floods, and unusual rainfall events. Periods of "extreme" weather (a particularly harsh winter or hot summer) may affect the scope of demand for electricity, as well as the reliability of supply of electricity, and the Company's capability to supply electricity to all its consumers. The Company has examined the effects of extreme climate phenomena on the electricity chain as a whole and is working to build a work plan to prepare for these cases.

The Company constantly makes arrangements under an organized methodology to deal with extreme situations that are characterized by, inter alia, peak demands for electricity. The Company is preparing for the summer and winter in accordance with the Company procedure both in terms of availability of the generation units and in terms of available fuels inventory.

Additionally, the Company is preparing for summer and winter peak demands through maintenance and renovation of the generation units to the extent aimed at ensuring their reliability as required.

An increase in the installed production scope in the electricity sector has occurred in recent years, mainly as a result of the entry of private electricity producers "PEPs" into generation activity in the electricity sector and the integration of renewable energies in a way that reduces the potential impact of extreme weather conditions on the reliability of the electricity supply.

For more details on the activities of PEPs, see section 7.4.1.2 below.

A designated committee whose function is to manage the Company's preparation for extreme weather events operates in the Company as a result of the climate crisis.

For further details see section 29.1.2 and 29.1.3 below.

Part 3: Description of the Business Affairs of the Company by Fields of Activity

A separate breakdown of each field of activity of the Company follows. See Part 4 below for a description of matters relating to the operations of the Company as a whole.

7. The Generation Segment

7.1 General information on the generation segment

7.1.1 The structure of the activity in the field and the changes that have occurred

As of December 31, 2025, the Company holds and operates thirteen (13) sites of power stations with a total installed generation capacity of approximately 9,474 megawatts. The sites, which are located, throughout the territory of the State of Israel, are located on land that is owned by the Company or leased to it by the State. Each of the sites of the power stations of the Company has a single unit or several separate units for electricity generation. On December 31, 2025, the Company had forty-two (42) generation units (including CCGT 70Netiv Ha'Or) of which ten (10) steam generation units eight (8) Combined cycle gas turbine units (CCGT), fifteen (15) jet gas turbines and nine (9) industrial gas turbines.

In addition, on January 7, 2026, Netiv Ha'Or received a license to operate CCGT 80, signed by the Minister of Energy and Infrastructure, which is valid until December 26, 2049, after the Electricity Authority's plenary decision on the subject was received on January 6, 2026. Upon receipt of the aforementioned generation license, commercial operation of Unit 80 began.

In accordance with the structural change, the generation licenses of the Company's generation units that are not included in the sold generation sites will remain in effect until the end of the engineering life of the generation units (excluding CCGT 70-80 for which it was determined that they will be valid until December 26, 2049), while the Electricity Authority will determine the engineering life of said generation units. As of the date of the report, said decision of the Authority has not yet been made.

In addition, as part of the implementation of the structural change, Netiv Ha'Or Company was established in March 2020, which is a wholly owned subsidiary of the Company, which is constructing, through the company, two H technology CCGTs operated by natural gas at the Orot Rabin site with an installed capacity of approximately 1,280 megawatts. For additional details see Note 1e9 in the Financial Statements

On January 26, 2025, the Electricity Authority's decision was published regarding the granting of electricity generation license to Netiv Ha'Or for operation of CCGT 70. This decision determined that the provisions applicable to the Electric Company, both as a producer and as essential service provider, would apply to the licensee, so that the activity of the generation unit would be like the activity of the Company's other units, including the conduct manner with the system administrator. The unit will operate using conventional combined cycle technology (CCGT) using natural gas with an installed capacity of 653.5 MW (under ISO Standard) and diesel backup. In view of the fact that Netiv Ha'Or is fully owned by the Company, the Authority allows the maintenance of the backup stock (Diesel) in the Company's tank, adjacent to the CCGT owned by Netiv Ha'Or. Recognition of investment and operating costs will be in accordance with cost control by the Authority, as the Authority practices with respect to the Company's units. Such generation license for CCGT 70, signed the Minister of Energy and Infrastructure was received by Netiv Ha'Or on January 26, 2025 and is valid for a period of 24 years and 11 months from the signing date of such minister.

On January 6, 2026, the Electricity Authority's decision was published on the issue of granting an electricity generation license to Netiv Ha'Or to operate CCGT 80.

In accordance with the Electricity Authority's decision, CCFT 80's activity vis-à-vis Noga - Israel Independent System Operator Ltd. will be similar to the Company's other generation units, including Unit 70. The return on investment and operating costs will be through recognition of costs to be determined by the Electricity Authority and after examination by the Electricity Authority and that the determination of the tariff derived from these costs will be made within the framework of tariff updates for all of the Company's generation units and in a manner to be determined in the Company's tariff base.

As part of the generation license, provisions were determined regarding the scope and conditions of the license, and, inter alia, it was determined that Netiv Ha'Or, as the licensee, will be subject to the provisions applicable to the Electricity Company as the holder of an essential service provider license, as well as the provisions applicable to the Electricity Company as the holder of a generation license according to the Law, regulations and standards, as defined in the generation license, unless the Authority determines otherwise regarding a particular matter.

Upon receipt of the aforementioned generation license, commercial operation of Unit 80 began.

For details regarding the charging of the generation license that will be granted to the subsidiary - Nativ Haor, to the extent that it meets the conditions for receiving it, see Note 3s to the financial statements.

For additional details regarding Netiv Ha'Or and its actions to construct two CCGTs see Note 1e9.

For details regarding the possible effects of the implementation of the outline of structural change on the Company, and regarding the Company's actions relating to the implementation of the outline of the structural change, see Note 1e to the Financial Statements. For details of the manner in which the structural change is expected to affect the Company as far as competition, see section 7.4.3 below.

The Company runs the generation units in accordance with instructions delivered from the Noga Company. These instructions are based, inter alia, on environmental restrictions, the cost of fuels per generated kWh[7], operational and system constraints. The entity that decides on the mix of the operating stations at any time is the Noga Company, subject to the regulation that applies to the Company, which is regulated, inter alia, by the criteria[8] and decisions of the Electricity Authority, decisions of the Minister of Energy, and regulation by the Ministry of Environmental Protection.

For details of the directives of the Minister of Energy regarding the decrease of electricity generation at the coal powered generation and regarding emission permits under the Clean Air Law, 2008 ("**Clean Air Law**") for the Orot Rabin and Rutenberg coal powered power stations and conversion to gas, including the scope and method of preserving units 1-4 in Orot Rabin site see section Note 1g and 3v to the Financial Statements.

The electricity generation volumes and timing are dictated by the figures of electricity consumption by the end consumers at any given moment. See Section 13 below for details on seasonality in the consumption of electricity. See Section 7.5 below for details on developments in electricity consumption, recorded peak demands and trends in demands.

The Company's generation units

The use of natural gas for the generation of electricity reduces air pollution and greenhouse gas emissions that form during the process of generation of electricity with other fuels such coal and liquid fuel.

Despite the transition process to the use of natural gas for producing electricity and the conversion of the steam generation units to natural gas power, which started in February 2004 in accordance with what is stated below, the Company decided to maintain the ability of the steam driven power stations to be "dual-fuel"[9], and they will be able to generate electricity using natural gas (as a primary fuel) and by coal as detailed in section 7.1.1.1 below. This is to preserve their ability to generate electricity even during times of shortage in natural gas or because of a disruption in its supply.

For additional details regarding the policy of the Government to increase competition in the Electricity Sector, see section 6.5 below. In addition, in accordance with Section 17 (a) of the Electricity Sector Law, as an essential service supplier, the Company is committed to purchasing electricity that is generated by private electricity producers (PEPs) with high voltage and low voltage. See Section 7.4 below for further information on private producers of electricity and the competition in the field of electricity generation.

For details regarding the sale of the Eshkol Site see Note 1e9 to the Financial Statements.

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7 Kilowatt hour (kWh). A "**kilowatt**" (kW) is a unit for measuring output. One kilowatt equals a thousand watts. A "**kWh**" is an energy unit that is equal to continuous consumption of a kilowatt for one hour.

8 The book of criteria is published for the public on the website of the Electricity Authority: http://www.pua.gov.il/31-339-he/Electricity.aspx. See section 23.1.3.1 for details of the book of criteria.

9 A generation unit that can be powered by at least two types of fuel.

A table follows that lists the generation units of all types, and the generation capacity in megawatts as of December 31, 2025:

Type of unit	Site	Number of units	Installed generation capacity (in MW)
Steam driven power station generation units			
Coal powered units			
Coal primary fuel, fuel oil secondary fuel (only at units 5-6)	Orot Rabin	6	2,590
Coal primary fuel (no secondary fuel)	Rutenberg	1	550
Total coal units		**7**	**3,140**
Natural gas converted units			
Natural gas primary fuel, coal secondary fuel	Rutenberg	3	1,700
Total gas converted steam units		**3**	**1,700**
Total steam driven power station generation units		**10**	**4,840**
Gas turbines			
Industrial gas turbine			
	Tzafit	2	220
	Eilat	1	34
	Atarot	2	68
	Gezer	4	592
Total industrial gas turbines		**9**	**914**
Jet gas turbines			
	Hartov	1	40
	Eitan	1	40
	Ra'anana	1	11
	Caesarea	3	130
	Haifa	2	80
	Kinarot	2	80
	Orot Rabin	1	15
	Rothenberg	2	40
	Eilat	2	58
Total jet gas turbine		**15**	**494**
Total gas turbines		**24**	**1,408**
Combined cycle gas turbines			
	Hagit	2	734
	Gezer	2	744
	Tzafit	1	360
	Netiv Ha'Or 70	1	640
	Haifa	2	748
Total combined cycle units		**8**	**3,226**
Total generation units in the Company		**42**	**9,474**

7.1.1.1 A breakdown of the generation units of the Company follows:

(A) Steam generation units

The steam generation units of the Company, which generate electricity using gas turbines, are powered, in accordance with what has been stated above, using coal or natural gas as their primary fuel. Some of the generation units, in accordance with that which has been depicted in the table above, are "dual fuel", that can be powered both by coal (as a primary fuel) and fuel oil, or may be powered both by natural gas (as a primary fuel) and coal.

Units 5-6 at the Orot Rabin site are intended to undergo a gradual conversion to operate on natural gas. Unit 3 at Rutenberg is in the process of conversion to natural gas. Units 1,2,4 at Ruthenberg have undergone conversion to gas during 2023 and 2025 (Unit 1 was designated as commercial while units 2,4 were not yet designated as commercial) when on September 5, 2025, the conversion of Unit 4 to gas was completed and it was connected to the chimney of Unit 3. The Company is awaiting approvals from Noga to carry out and complete the testing procedures and to commercially operate the unit.

As part of the conversion to gas, the ability to operate on fuel oil was eliminated and coal is used as a secondary fuel. The conversion project began in March 2022 and is expected to end in 2027. On the date the last unit was taken for conversion (Unit 6 at Orot Rabin), the period of using fuel oil at the Company is expected to end completely. For additional details regarding the conversion of the coal-fired units to use natural gas and regarding the decisions of the Company's Board of Directors on the matter, see Note 1g to the financial statements.

For details regarding the reduction of coal use, see the Minister of Energy's policy principles regarding: "Ceasing the use of coal in the generation segment regularly, the Minister's decision on the conversion of coal-fired units, the decision of the Electricity Authority regarding "Assessing the profitability of conversion policy in accordance with the Minister's policy principles, the Ministry of Energy guidelines on the operation of units 1-4 at the Orot Rabin site, as well as emission permits for the coal-fired generation units See Note 1g to the Financial Statements.

On April 17, 2025, a fire broke out in the collector of Unit 4 at the Rutenberg Power Station, while contractor work was being carried out as part of its renovation. The unit was shut down at the time for conversion to gas use. The fire was extinguished within a few hours with the assistance of external firefighting forces. For further details regarding the fire, see Note 1h4 to the Financial Statements.

The foregoing in this report and in the Company's financial statements, regarding the Company's estimates on the completion of the coal-fired unit conversion project, constitute forward-looking information, as defined in the Securities Law, - 1968, based on information available to the Company as of the date of the report. These estimates may not be realized or may be realized in part or differently than expected, inter alia as a result of factors beyond the Company's control, including to the extent that the required regulations are not received and/or to the extent that the required approvals and consents are not received or are received in a different manner or format.

(B) Open cycle[10] gas turbines

Gas turbines are divided into two types: jet gas turbines and industrial gas turbines.

The construction of industrial and jet gas turbines (all at open cycle) entails relatively low investments and their construction time is short. However, generating electricity using jet gas turbine units is more expensive than generating it using steam generation units or industrial gas turbines. The operation of jet gas turbines may be initialized and shut down in a relatively shorter time than the startup and shutdown of steam generation units.

Therefore, the Company generally operates jet and industrial gas turbines in open cycle, mainly during periods of peak demand.

(C) Combined cycle generation units

The combined cycle is a combination of an industrial gas turbine and a steam turbine. Using combined cycle technology, the residual heat that is emitted from industrial gas turbines is exploited and used to run an additional steam turbine with no additional fuel for generation, meaning that instead of the gases being emitted into the air (in a high temperature), they are used for additional generation of electricity. This action contributes to considerable saving (in specific fuel consumption) in the utilization of fuel and protection of the environment, because production capacity increases without an increase of emission of pollutants into the air.

Functional Continuity Project

For details regarding the connection of power stations to diesel fuel pipelines through the construction of a dedicated line as part of a functional continuity project, see Note 33b2b2 to the Financial Statements.

[10] Open cycle – jet or industrial gas turbine type generation unit that operates on gas or diesel, that does not include a steam addition to utilize the heat emitted from the unit.

7.1.1.2 Generation with natural gas

As of December 31, 2025, approximately 58.2% of the total installed generation capacity of the Company is by units that may be powered by natural gas.

7.1.1.3 Duration of use of the generation units

For details of the useful lifetime of the Company's generation units, see Note 2h to the Financial Statements.

7.1.2 Restrictions, legislation, regulation and special constraints applying to the field of activity

The operations of the Company in the generation segment, like its other fields of operation, are contingent upon the receipt of licenses pursuant to the Electricity Sector Law and is subject to various restrictions set in Section 6A of the Electricity Sector Law (while paying attention to the transitory provisions set in Section 60A of this Law) and various Laws.

As a general rule, the Company is prohibited from establishing new generation units, including engineering planning, planning activities according to the Planning Law, construction, operation, maintenance or replacement, and all with regard to generation units that are used or expected to be used by the electricity sector, as well as advising on the aforementioned activities. See Section 23 below for additional details.

For details regarding the Electricity Sector Law concerning the structural change, see Note 1e to the Financial Statements and section 1.3 above.

As of the signature date of the report, the Company has 41 generation licenses, that have been granted separately for each generation unit and in addition 2 additional generation licenses were granted to the subsidiary Netiv Ha'Or for the generation units it operates (hereinafter: the "**Generation Licenses**"). For details of the amendment to the Electricity Sector Law, which includes, inter alia, amendments to the validity of the Company licenses, see section 1.3 above and Note 1e to the Financial Statements.

The revenues of the Company in the generation segment are affected by the electricity rate which is determined by the Electricity Authority in accordance with the Electricity Sector Law. For details regarding the electricity rate and the manner of its determination, see Note 3 to the Financial Statements.

7.1.3 Changes in the volume of the operation in the field of electricity generation and in its profitability

The Company estimates that the primary factors that may affect the volume of operation in and the profitability of the field are the conclusion of the establishment phase of two new CCGTs and their operation by the subsidiary, Netiv Ha'Or, the closing of coal-fired power stations and/or their conversion to natural gas , preservation of units 1-4 in Orot Rabin power station, change in the electricity charge rates that are established by the Electricity Authority, the nature of the Electricity Authority's regulations, and future regulatory changes.

7.1.4 Critical success factors in the field of activity and the changes that have occurred therein

The Company assesses that the business success of the generation segment, as well as the Company's compliance with the rate outline of the generation segment, depends, inter alia, on the availability of the gas from the suppliers of the Company, , on the recognition of the total costs required for the generation of electricity in the electricity charge rate, and on the decisions of the relevant regulatory entities with respect to the operation of the Company in the generation segment, as well as the Company's coping with the competition in this segment (for additional details see section 7.4). Additionally, the Company's success is influenced by the implementation results of the structural change. For details of the main points of the structural change in the generation segment see Note 1e1 to the Financial Statements.

7.1.5 Changes in the array of suppliers and raw materials for the field of activity

The suppliers and the raw materials for this field of operation are suppliers of natural gas, coal, diesel oil and fuel oil, which are used for the generation of electricity. See Section 7.9 below for details with respect to the array of suppliers and raw materials.

For further details regarding the reduction in the use of coal, see Note 1g1 to the Financial Statements.

For further details regarding the end of fuel oil use upon the completion of the conversion of a generation unit at the Orot Rabin and Rutenberg sites to natural-gas operation, see section 7.1.1 above.

7.1.6 The main barriers to entry and to exit for the field of operation and the changes that have occurred therein

7.1.6.1 Entry barriers

By the Company's assessment, entities that operate with a significant production volume in the field of electricity generation are required primarily to make an initial investment of significant amounts of capital, whether by way of investment in shareholders' equity or by way of banking or other financing, for the purpose of the construction of generation facilities, and are later required to have the financial strength for the purpose of their regular maintenance. In addition, the field has complicated regulation, owing to which an entity that wishes to generate electricity is required to undergo a procedure for receiving an electricity generation license from the Electricity Authority (which is performed in a number of stages over a long period), to comply with strict quality requirements and standards, to receive permits with respect to environmental protection, the location of sites and the receipt of construction permits, to ensure the availability of raw materials, including fuels, and their costs. In addition, professional knowledge and experience in the field of electricity generation, a good reputation in the industry and availability of land for constructing the electricity generating facilities are important.

7.1.6.2 Exit barriers

The primary exit barrier of the field of operation is the regulation regulating the operations of the Company and the fact that it is an "essential service supplier" license holder, in accordance with the Electricity Sector Law.

7.1.7 Alternatives to the products in the field of operation and the changes that have occurred

Electric energy generation can be carried out with fuels, or by alternative technologies for fuels and the technologies existing in the Company, such as solar energy, wind turbines, pumped storage and distributed electricity generation systems.

7.1.8 The structure of the competition in the field and the changes that have occurred

As of the date of the report, the field of electricity generation in Israel features a significant growth in the market share of renewable energies and private electricity producers. Additionally, as part of the outline of structural change, the Company sold the Alon Tavor, Ramat Hovav, Hagit East and Eshkol generation sites.

For further details regarding the outline of the structural change, see Note 1e in the Financial Statements.

For additional details regarding the structure of the competition in the field and the continuing increase in the volume of activity of the private electricity producers and renewable energies in the generation segment, see section 7.4. For details regarding the actions taken by the Company to implement the structural change (including the sale of Alon Tavor, Ramat Hovav Hagit East and Eshkol and construction of the two CCGTs by the Netiv Ha'Or Company) and the expected impacts in this context on the structure of the competition in the generation segment, see Note 1e to the Financial Statements and sections 1.3 and 7.1.

7.2 Products and services

In accordance with what has been stated above, the Company operates for the supply of electricity to customers, from the generation of electricity at the generation sites, continuing through its transmission and transformation, to its distribution and supply to the end points of all consumers. The electricity that is generated at the generation sites of the Company is not sold to outside parties but is moved to the end consumers via the transmission segment and is supplied to them through the distribution segment as well as serving as backup for the private electricity producers.

7.3 The distribution of revenues from products and services:

For details regarding the Company's revenues from sales of electricity that were assigned to the generation segment in 2025 see Note 35d to the Financial Statements.

7.4 Competition

7.4.1 General; private electricity generation – the Government policy and the resolutions of the Electricity Authority

7.4.1.1 General

Since the enactment of the Electricity Sector Law, it has been the policy of the Government of Israel to encourage competition in the Electricity Sector while increasing the electricity generation capacity by private electricity producers. Accordingly, the Government of Israel and the Electricity Authority have been taking steps, including legislative changes, promulgation of resolutions, adoption of resolutions and other arrangements (including publication of tenders) whose aim is to encourage the entry of private electricity producers into the Electricity Sector, thus encouraging competition in the generation sector.

For details regarding the Government's decision on the structural change and for details regarding the reduction of the Company's activity in the generation segment and the sale of power stations in the framework of structural change, see Note 1e to the Financial Statements.

For details on the Minister's decision on the future of the Reading production station, see Note 1e9 to the Financial Statements.

On October 25, 2020, a government decision was made regarding the promotion of renewable energy in the electricity sector according to which the target for renewable energy electricity production by 2030 was increased to a rate of 30% and an intermediate target of 20% was updated by December 31, 2025.

To the best of the Company's knowledge, the Company's major competitors in the field of electricity generation are the private electricity producers including: "O.P.C Power Stations Ltd., "Dalia Power Energies Ltd., Adeltech Group, which holds, among others, Adeltech Holdings 2006 Ltd. and Adelcom Ltd., Keystone Power, Shikun & Binui Energy, and Generation Capital Fund Ltd., which holds, among others, PowerGen Ltd.

In addition, to the best of the Company's knowledge, there are four large power stations that are in various stages of construction, which are expected to be commercially operated in the coming years: Kesem Energy Ltd. (850 MW), Eshkol Avshal Energies Ltd. (850 MW), Dalia Energies Expansion Ltd. (846 MW), as well as a power station to be built under a State tender at the Sorek site (670-900 MW). Additionally, on October 31, 2024, Government Resolution No. 2282 was published on the subject of promoting the energy security of the Israeli electricity sector, amending and repealing Government resolutions. In accordance with the resolution, measures were determined, among other things, to remove barriers and locate land for solar projects in addition to promoting two conventional power plants in Area C with a total capacity of at least 1,260 megawatts, while establishing uniform conditions and criteria for authorization to prepare plans for these power plants.

For additional details regarding the Israeli government's policy regarding increasing competition in the electricity market, see Section 6.5 above. For the main points of the structural change and its effects on the Company's operations in the generation sector, see Note 1e to the financial statements and Section 1.3.

Over the past few years, the Electricity Authority has published a number of regulations and decisions aimed at achieving the Government's goals for increasing competition in the electricity market and for generating electricity from renewable energy, including a decision dated May 20, 2025 on principles for bilateral market regulation for generation and storage facilities connected to or integrated into the transmission network, allowing these facilities to carry out bilateral transactions on the transmission network with virtual suppliers and a decision regulating the activities of generation facilities in the distribution network, and in particular their possibility of selling electricity directly to private suppliers. For further details see section 10.4.

In addition, on February 16, 2026, the Ministry of Energy and Infrastructure published the Ministry's plan to install 100,000 new solar installations on the roofs of residential buildings by 2030, in addition to the installations that currently exist, after public comment on the issue. According to the plan, buildings with solar roofs will constitute approximately 15% of residential buildings in Israel.

Furthermore, as part of the Minister of Energy and Infrastructure's consultation process with the Electricity Authority, the Authority published a public hearing on January 19, 2026 on the subject of setting renewable energy generation targets for 2035. As per the Authority's position, a target of 35% generation with renewable energies by 2035 embodies a balance between the need to reduce emissions and the importance of setting an achievable target, which takes into account the unique challenges of the electricity sector in Israel. The Company provided its comments on the matter.

The Authority checks that the regulations it has established to increase competition do not cause market failures. Thus, when formulating the rules and standards applicable to conventional facilities participating in the energy market in the transmission network, protection mechanisms were established, alongside the competitive model based on price bids for the sale of energy by producers to the system operator, that were intended to compensate producers in certain cases. Following thorough monitoring and analysis, the Authority found that the price bids of private producers are biased upwards and that there is abuse of protection mechanisms. Therefore, with the aim of reducing this phenomenon, the

Authority decided to establish a supervised rate for additional payments paid to producers connected to or integrated into the transmission network, in accordance with protection mechanisms. The purpose of the decision is to ensure that the additional payments to producers will be based on reasonable and fair rates.

On November 27, 2025, the Authority published a decision on the subject of "Examination of alternatives regarding the manner and scope of preservation of units 1-4 at the "Orot Rabin" site". For further details, see Note 3v to the Financial Statements.

7.4.1.2 Private electricity producers

The legislative and regulatory arrangements which apply to the private electricity producers were set while distinguishing between the various generation technologies used by the private electricity producers, and between the different voltage levels to which the facilities will be connected (according to the facility's capacity). Accordingly, the Electricity Authority set relevant arrangements which change in accordance with the types of major private electricity producers, as detailed below:

a. Conventional private electricity producer

A producer producing electricity with electro-mechanical power stations operated by fossil fuel, such as petroleum refinery products or natural gas. In accordance with the Electricity Sector Regulations (Conventional Private Electricity Producer), 2005, a private producer with a facility powered by natural gas, whose installed capacity exceeds 100 megawatts, is required to ensure that its generation unit is dual-fuel; such a producer will ensure a stock of backup fuel for its facility for 100 hours of continuous operation at full production load.

b. Private electricity producers that generate using cogeneration facilities

A producer that operates facilities that produce from one energy source, simultaneously, electrical energy and useful thermal energy (that is mostly used for industrial and private purposes).

c. Pumped energy ("Stored Energy") private electricity producers

A producer that generates electricity by using an electrical pump connected to the electricity grid for the purpose of pumping water from a lower to a higher water reserve and transferring the water from the higher to the lower reserve while exploiting height differences between them in order to operate a turbine for generating electricity. The facilities will be connected to a "high voltage" transmission system.

d. Electric energy storage

Energy storage facilities make it possible to store energy which is generated in electricity generation facilities using various technologies, at a certain time period and for use at a later date. In this manner, it is possible to store energy created by facilities using photovoltaic technology and use it in the evening, when these facilities cannot generate electricity. For more information on the purposes of storage in the transmission and distribution network, see Section 11.1.1.

e. Renewable energy private electricity producers

A producer who generates electricity using energy derived from continuous natural processes when their use does not lead to their depletion or significant reduction of their reserves, such as: the sun, wind, water, waste, biomass, except fossil fuel. The timing of the electricity generation by these producers depends on the availability of the energy source on which they are based on. Most of the facilities are connected to the distribution system.

7.4.2 Private electricity producers – the actual situation

7.4.2.1 General

The Company, as an essential service provider, is obligated under the Electricity Sector Law as follows:

(1) To provide service to the general public without discrimination, in accordance with the standards established by the Authority, reliably and efficiently, and all according to the conditions of its license and according to any Law;

(2) To purchase electricity from generators and/or storage of high-voltage and low-voltage generation license owners, or from those who generate or perform storage of electricity and are exempt from the duty to have a license pursuant to section 3(b)(1)(a) or (b) of the law, in full or in part, and to provide infrastructure services and backup services, all according to the terms of its license and the law;

It is noted that the obligation to purchase electricity from generation and storage licensees connected to the transmission grid as well as from private producers with generation and/or supply licenses was transferred to the Noga Company in accordance with its license, after completion of the sale of the system management unit by the Company on November 1, 2021.

(3) To provide backup services to the owner of a self-generation license, at his request, all in accordance with the terms of his license and according to any Law;

(4) To act to ensure the provision of its full services during the entire period of its license, including the provision of services according to the development plan approved under Section 19 of the Law, while taking all the necessary actions to provide the aforementioned services.

In light of the above, the Company is committed to:

(a) To connect the private electricity producers to its distribution and transmission grid, in order to enable the private electricity producers, inter alia, to engage with holders of supply license or to supply electricity themselves to end consumers to the extent they hold a supply license.

(b) To connect or integrate generation and/storage facilities to the distribution network at the request of connection/integration applicants, subject to the facility meeting the threshold conditions set forth in the criteria, and while the Company, acting as distributor, specifies the relevant restrictions that will apply to the facility, all subject to quotas and/or regulations determined by the Electricity Authority and provided that there is free space in the distribution network.

7.4.2.2 The Company's engagements with private electricity producers

As of the date of sale of the system management activity from the Company on November 1, 2021, the management of energy purchase agreements with private high-voltage electricity producers was transferred to the responsibility of Noga. The Company enters into agreement with private electricity producers in the distribution segment only. The total installed generation capacity of high-voltage and low-voltage producers, with whom the Company entered into agreement as of December 31, 2025, increased by approximately 11% compared to the installed generation volume as of December 31, 2024 and is approximately 4,742 MW.

7.4.3 Repercussions of the competition in the generation segment for the Company

The Company assesses that in the upcoming years a continued increasing trend can be expected in the installed generation volume of the private electricity producers, including generation using renewable energies, as well as reducing its activity in the generation segment, due to the prohibition on the Company to establish new generation units, especially with the continued implementation of the outline of structural change. The Company assesses that such an increase may have a number of repercussions, including the following:

(A) Scope of the competition

Since the legislation of the Electricity Sector Law in 1996, the Government encourages the entry of private electricity producers into the Electricity Sector. Furthermore, pursuant to the outline of structural change, the Company reduced its operation in the generation segment, for further details with regard to the implementation of the structural change, and for the main points of the outline of structural change and its impact on the Company's operation in the generation segment see Note 1e1 to the Financial Statements and Section 1.3 above. All these, together with the Government's policy to encourage decentralized production and renewable energy are expected to cause a continued decline in the Company's share of the total generation of the sector in the coming years.

(B) Impact of the competition on the Company's profitability in the generation segment

The major rate components in the generation segment are the fuels costs, capital services costs and operating costs.

Following the entry of the private electricity producers (and the sale of the Alon Tavor, Ramat Hovav, Hagit East and Eshkol power stations as part of the implementation of the structural change), a decrease has occurred in the Company's share of production of electricity by the sector, which according to the Company's estimate is expected to continue and to lead to a decrease mainly in the fuel's costs and partly in the variable operation expenses in the generation segment.

Within the regulation presently existing, the Company's profitability is derived from the structure of its active assets, and therefore the Company estimates that is not expected to be materially damaged as a result of the entry of private producers or as a result of the sale of the Company's generation sites as part of the implementation of the structural change. The smaller the scope of activity and the scope of assets, the lower the total profit in this segment. However, the Company is not exposed in terms of tariff coverage of its full expenses and the rate of profitability to which it is entitled.

However, it was indicated that the rate base set for the Company normative availability rates (Including an asymmetric penalty reward mechanism) with which the Company's units are required to comply, since the Company's units generally serve as "residual" units in the economy, with the aim of filling the gap between generation and demand at any given moment, the continued entry of renewable energies and the increase of the private generation's market share, may increase the number of times the Company's units will be shut down and restarted, will lead to an increase in the breakdown rates and the scope of maintenance. The manner of operating the units may damage their performance and impact the Company's ability to meet the normative availability values set for it. The Company is working with the Electricity Authority to ensure that the mechanism by which availability rates are measured will take into account the wear and tear of generation units.

(C) Impact of the private producers on the Company's operation:

The rate mechanism which exists at present should ensure that the costs recognized for the Company will not be materially damaged as a result of entry of private producers. Nevertheless, the entry of private producers in ever growing numbers is expected to reduce the scope's share of operations of the Company from the perspective of electricity generation of the totals sector's activity and increase the reserve levels in the sector.

- Generally, Noga and private electricity producers who sell high-voltage and low-voltage electricity to the Company have an impact on volume of the Company's operation in the generation segment.
- Generally, the private electricity producers who also operate as suppliers and sell electricity to private suppliers and/or end users have an impact on the volume of the Company's operation in the generation and supply segments.
- The independent electricity and decentralized electricity producers who do not use the Company's infrastructure have an impact on the entire operation of the Company, i.e. in generation, transmission, distribution and supply segments.

The exposure of the Company, if any, to a situation in which the generation units it owns will no longer be required by the sector in the long term, as a result of a massive entry of private producers and increase of the volume of reserves in the sector beyond that which is required, has not yet been handled. The Company estimates that it will be compensated with respect to stranded costs (that is costs with respect to generation units which are not in use), insofar as will be created in future, even if legislation amendment will be required for this.

This information in this report and within the Financial Statements with respect to the estimations of the Company with respect to the expected increase in the installed volume of generation of private electricity producers as well as with respect to the expected volume of electricity consumption by private electricity producers, the consequences for the Company including the effect of the transition of Company customers to consumption from private electricity producers and the effect on the amount of revenues of the Company and its profitability, as well as the Company's estimates with respect to the expected decrease in the actual electricity generation by the Company including as a result of implementation of the structural change, as well as with respect to the possible implications of the entry of private electricity producers into the generation, transmission, distribution and supply segments, as well as in all that relates to compensating the Company with respect to abandoned costs, insofar as will be created, is forward looking information, as per its definition in the Securities Law, which is based on information that is in the possession of the Company as of the date of the report and on forecasts of the Company whose materialization depends on factors over some of which the Company has no control, such as: the methodology of definition of operation regimes for the various generation technologies, an estimate of possible times for commencing the generation at the power stations of the various private electricity producers, and a change that may occur in them, agreements in which the private electricity producers will enter into with customers of the Company, and an estimate of the odds for implementation of each private electricity project, the scope of entry of private electricity producers into the electricity sector, the manner in which the rate will be determined and the costs which will be recognized for the Company in practice and decisions of the state authorities authorized to compensate the Company for abandoned costs and amend legislation to that end, as necessary. Therefore, the Company has no certainty that its estimates and expectations will indeed actually materialize in view of the existing uncertainty with respect to the future regulation, including new charge rate arrangements, to the extent that they are formed, the economic and political reality, including the consequences for the volume of electricity consumption on the national economy.

7.5 Generating capacity

The table below shows the generation capacity, in megawatts, of the Company, and the peak demand of the Company, in megawatts, in 2025 and in 2024:

	For the year ended on December 31	
	2025	2024
	Megawatts	
Company's installed generation capacity at peak hours	(*) 9,474	(**) 9,474
Of which: generation by the Company at peak demand times	6,395	5,479

(*) This sectorial peak demand was measured on August 13, 2025.
(**) This sectorial peak demand was measured on July 21, 2024.

Following the sale of the System Management operation to Noga, the Company does not publish data for the peak demand in the whole sector or the generation capacity available at peak demand times.

7.6 Fixed assets, land and facilities

7.6.1 General

All assets of the Company are divided into five (5) main types:

Power stations – generation facilities that are used for the generation of electricity at an output exceeding 5 megawatts, including structures, machines, conductors, transformation facilities, cooling facilities and systems used for this purpose.

Substations and switching stations – facilities that are used in the transmission segment and connect the various electricity grids and have a process of transformation of electricity voltage from extra high voltage (400 kilovolts) to high voltage (161 kilovolts) or from high voltage (161 kilovolts) to medium voltage (33 or 24 kilovolts).

Transformation rooms – enclosed rooms that are used in the distribution segment and are in the street or in part of a residential building, containing transformers whose function is to adjust the voltage conveyed in medium voltage lines to a voltage that is usable by electricity consumers (low voltage).

Utility lines – overhead or underground power lines that are used in the transmission segment (up to the transformation station) or distribution segment (from the transformation station) of electricity and that include pylons.

Administrative logistic sites – warehouses, offices and other such properties that are used by all activity segments of the Company.

The number of sites mentioned above that are used for all of the activity of the Company is extensive, including approximately 14 power stations; approximately 175 substations and switching stations; approximately 19,000 transformer rooms; thousands of additional pylons on real estate regarding which the Company has no rights in the land and approximately 60 administrative logistic sites, and in total approximately 19,500 properties with rights in the land, which include dozens to hundreds of facilities and properties of various kinds.

7.6.2 The breakdown of the fixed assets and facilities described below relates to the property and assets that are held by the Company and/or that are used by it in its fields of operation.

A breakdown of the power stations used by the generation segment at the different sites follows:

	Name of site	Location	Type	Land rights
1	Rutenberg Power Station	Ashkelon	Power station	The area is leased from the Israel Land Authority (ILA) until 2032, some till 2054 (regarding the three lease contracts, the Company has an option for extension of the lease by 49 extra years); The coastal strip and the marine areas are by authorization from EAPC (EAPC) until 2017 (the end of the EAPC concession). The authorization contract defines that EAPC will extend the authorization to the Company if its contract with the State will be extended. Accordingly, as of the date of the report, negotiations are being held with EAPC for the regulation of all the Company's activities at the site following the law that regulated the continued operations of EAPC. Within the framework of the reform agreement, the Company undertook transferring an area of approximately 60,000 m^2 in the station to the State; this area was designated for the construction of a Project. The Company is in the process of dismantling the facilities in the area and evacuating it for the purpose of transferring it to the State. As of the date of approval of the Financial Statements, the agreement to transfer the area to the ILA has not yet been signed.
2	Reading Power Station	Tel Aviv	Power station	The Company has lease rights in the complex. Certain parts are designated to be transferred to Tel Aviv Municipality as part of the Asset Arrangement and NOP 10A3. Most of them have already been transferred and as for the balance – they are in the negotiation and coordination phase towards signing an agreement. The obligation under the reform is to sell an additional 70,000 m^2. This sale is on hold until clear instructions are received from the regulators regarding the future of the site. For additional details see Note 1e1a and 1e9 to the Financial Statements.
3	Haifa Power Station	Shemen Beach, Haifa	Power station	Owned by the Company, except a certain plot being leased from ILA until 2016. The lease renewal is being handled with the Israel Land Authority

	Name of site	Location	Type	Land rights
** 4	Hagit Power Station	Next to Elyakim Interchange	Power station	About half of the area is being leased from ILA until 2051, the rest is owned by the Company. The eastern part of the station was sold as part of the implementation of the structural change.
** 5	Gezer Power Station	Next to Nesher plant in Ramla	Power station	The area is being leased from ILA by contract until January 2046, with an option for extension by 49 additional years.
6	Orot Rabin Power Station	Hadera	Power station	Most of the area is owned by the Company (ownership rights have not yet been registered to the title of the Company); about a fifth is being leased from ILA until 2040; the rest is being leased from the Caesarea Development Fund under two contracts, one until 2042 and the other until 2048. There is a cautionary remark to the benefit of the Company in the Land Registration Bureau for all of these lease agreements.
* 7	Substation[11] and gas turbine Raanana	Raanana Industrial Zone	Power station	Owned by the Company
* 8	Atarot substation and gas turbine	Atarot Industrial Zone	Power station	Leased from ILA until 2022. There is an option for the Company to extend the lease by 49 years more, The Company is in the process of renewing the lease from ILA. The lease rights are registered at the ILA only.
* 9	Kinarot substation and gas turbine	North of Tiberias	Power station	About half of the area is being leased from Mekorot[12].The rest is under authorization from Mekorot.
* 10	Hartov substation and gas turbine	Beit Shemesh Industrial Zone	Power station	Leased from ILA in three agreements until 2018, 2020 and 2021 (there is an option for the Company to extend the lease by 49 years more, the Company is negotiating to realize the 3 options).
* 11	Eitan substation and gas turbine	Moshav Eitan	Power station	The Company has lease rights registered in the Land Registration Bureau until 2056.
* 12	Eilat substation and gas turbine	Eilat	Power station	Leased from ILA until 2028 (there is an option for the Company to extend the lease by 49 years more). Lease rights are registered
* 13	Tzafit substation and gas turbine	Tzafit	Power station	Most of the area is leased from ILA until 2034 (there is an option for the Company to extend the lease by 49 more years).
* 14	Caesarea substation and gas turbine	Caesarea	Power station	Subleased from the Caesarea Development Fund until 2048. The rights of the Company are registered with the Caesarea Development Fund. For part of the lease contracts a cautionary remark to the benefit of the Company has been registered at the Land Registration Bureau.

(*) At this power station there is also a substation.
(**) At this power station there is also a substation and switching station.

See Section 8.6 below with respect to fixed assets and facilities in the transmission and transformation segment.

All of these properties and rights have floating charges applied to them, which the Company created as collateral for some of its liabilities. For details of floating and fixed charges created by the Company as collateral for its liabilities see Note 19h to the Financial Statements.

For details regarding the structural change and the actions taken by the Company to implement it and for the establishment of Netiv Ha'Or, including the reduction of its activity in the generation segment including by sale of the Eshkol generation station (the sale of which was completed in June 2024) see Note 1e to the Financial Statements and section 1.3 above.

For details regarding the generation license of Nativ Haor, in favor of the Company, see Note 3s to the financial statements.

[11] Substation.

[12] In accordance with an agreement with Mekorot dated March 1979, the Company has a right to possess and use "for a defined period under the condition that it does not exceed the primary lease period that will be registered to the benefit of Mekorot at the Land Registration Bureau". As of the time of this report, no primary lease has been registered to the benefit of Mekorot for the land.

7.7 The development of the generation segment

7.7.1 General

For details regarding the Minister of Energy decisions on reducing the use of coal and the status of conversion to gas including the updates on emissions permits, see Note 1g to the Financial Statements.

For details regarding the Minister of Energy's policy principles of November 23, 2025, pertaining to examination of the scope and manner of extending the preservation of the 1-4 generation units at the Orot Rabin power station and the updates on emissions permits, see Note 1g to the Financial Statements.

7.7.2 The expected development of additional generation capacity

As detailed in section 7.1.1, within the implementation of the structural change, the Company reduced its operation in the segment by means of the sale of four existing Company generation sites operated by gas, including the infrastructures and land of each site.

In addition, according to the structural change outline, Netiv Ha'Or, the Company's wholly owned subsidiary, was established, which has concluded the establishment of two generation units operated using natural gas at the Orot Rabin site using combined cycle technology (CCGT) with installed capacity of 1,280 Megawatt. As of the date of the report, as part of the implementation of the structural change, the Company, among other things, sold the Alon Tavor, Ramat Hovav, Eshkol power stations and the eastern part of the Hagit power station. In addition, the Company operates through the subsidiary two CCGTs (CCGT 70 and 80) commercially in accordance with generation licenses received in January 2025 and January 2026, respectively.

Except as detailed above, in accordance with the structural change outline, the Company or Netiv Ha'Or will not construct, replace, operate, design, maintain or engage in the development of power stations in Israel, either on its own or as a contractor for a third party, nor will it engage in electricity generation, including within the framework of microgeneration or renewable energies in Israel. In addition, the Company will not act to obtain new generation licenses or to establish new power generation stations and replace existing stations, nor will it act to obtain permits to operate power stations for other entities in Israel. However, the foregoing does not prevent the Company or Netiv Ha'Or from engaging in the operation and maintenance of their power stations and the planning required for these activities.

For details regarding the establishment of Netiv Ha'Or and actions the Company has taken and is taking to implement the structural change, and the possible effects of the implementation of the structural change on the Company and on the development of additional generation capacity, see Note 1e to the Financial Statements.

7.7.3 Emission reduction plan

As part of the development plan of the Company, and in accordance with instructions by the Ministry of Environmental Protection, the Company is required to take action to reduce airborne emissions.

For details regarding the amendment of the emission permit, and for further updates, see section 7.12.2.1 and Note 1g to the Financial Statements. For details regarding the recognition rate in the emission reduction project at the coal-fired power stations, see Note 3j to the Financial Statements.

7.7.4 The major projects in the generation segment

The following are the major projects of the Company within the Development Plan in the generation sector (data in NIS millions):

Project name	Scope of expected comprehensive investment*	Scope of Investment until the Balance Sheet Date **	Budget completion rate	Remainder of Investment
CCGT Orot Rabin unit 70-80 through the Netiv Ha'Or subsidiary	3,990	3,913	98%	77
Conversion to gas – Rutenberg units 1-4, Orot Rabin units 5-6	1,750	1,306	75%	444
Preservation Orot Rabin units 1-4	110	97	88%	13
Total	**5,850**	**5,316**	**91%**	**534**

* The "Scope of expected comprehensive investment" column is an updated estimate for 2026 as was approved by the Board of Directors of the Company in December 2025. It is clarified that it is only an estimate, which even if approved, may change from time to time, inter alia according to the progress of the project, the duration of the project, and costs the Company will bear with respect to it. Additionally, the total investment is less cost with respect to remeasurements and capitalization of interest during construction.

** The "Scope of Investment until the Balance Sheet Date" column is composed of cumulative performance in current prices, pursuant to the IFRS principles less costs for re-measurements and interest capitalization at the time of construction.

7.7.5 The development budget of the generation segment for 2025

In 2025 a sum of NIS 997 million was invested in the generation system in current prices, including investment works in the active power stations and periodic renovations of the power stations (after deduction of remeasurements and depreciation)[13].

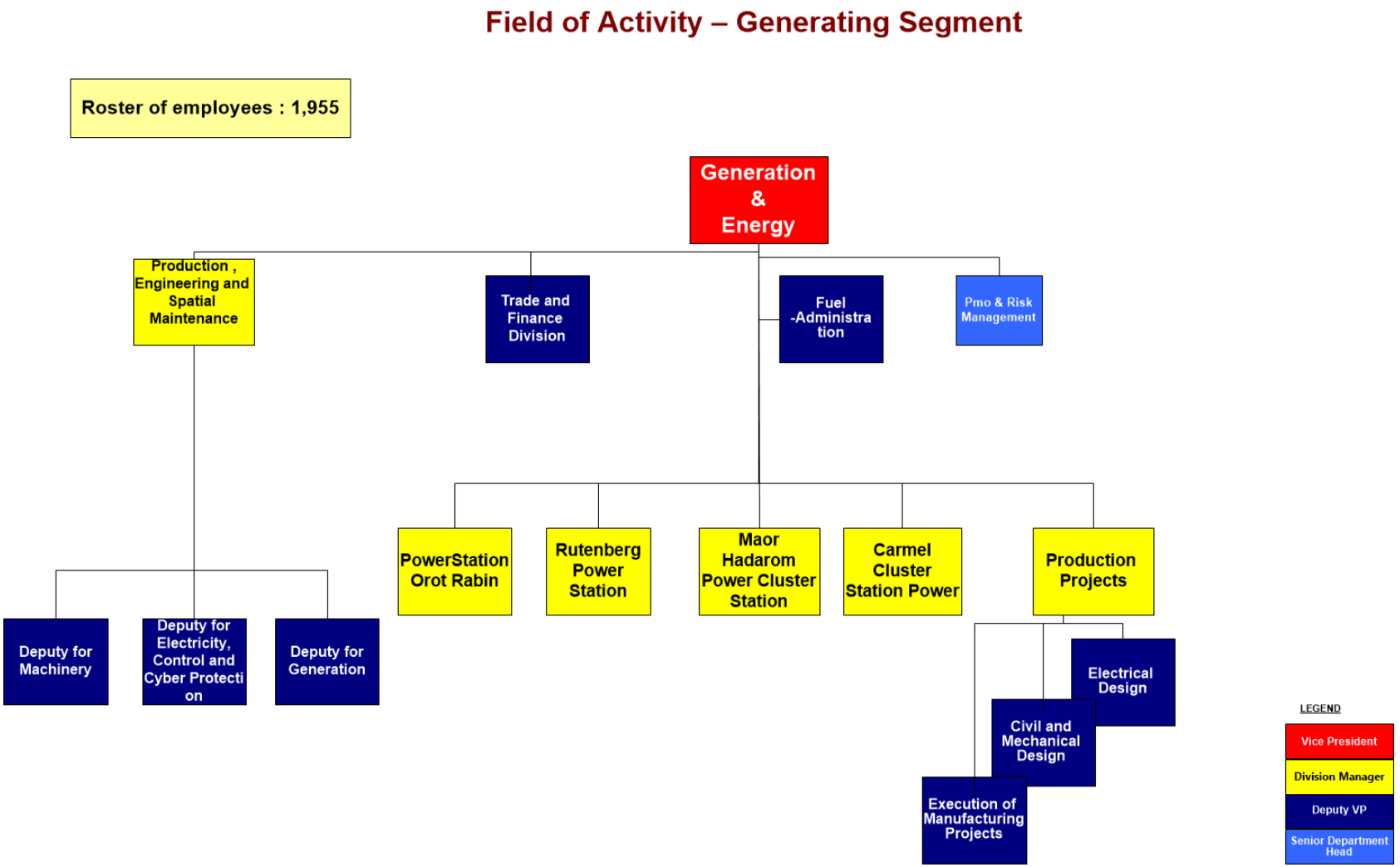
Pursuant to the decision of the Board of Directors, the development budget for the generation system for 2026 is approximately NIS 1.2 billion, and approximately NIS 316 million of this amount are expected to be invested in conversions to gas, approximately NIS 348 million of this amount is expected to be invested in investments in operating power plants, and approximately NIS 313 million of this amount is expected to be invested in capitalized renovations in power plants.

The aforementioned regarding the Company's expected development budget in the generation sector constitutes forward-looking information, as defined in the Securities Law. This information includes forecasts, subjective assessments and other plans of the Company and is based on future data, the realization of which is uncertain and is not within the Company's sole control.

[13] Remeasurements is a term attributed to a net accounting datum related to actuarial measurements and estimates. For additional details see Note 2x to the Financial Statements.
The Company's budget data are adjusted for depreciation (excluding depreciation of transportation and mechanical equipment) as of 2018. The performance data were adjusted accordingly.

7.8 Human capital

The organizational structure of the generation segment:



As of December 31, 2025, the generating segment employs 1,955 workers, compared with 1,531 workers as of December 31, 2024. The number of employees relates to the organizational assignment in the division of production and energy, and the generation branch and generation projects branch (the branch was transferred in December 2025), and does not include employees who are assigned to other branches who work for the segment. The increase derives from organizational change. See Sections 15.4 and 15.5 for details on benefits and the nature of the employment and transaction agreements with workers of various kinds, the investment of the Company in training and instruction and further information.

7.9 Raw materials and suppliers

7.9.1 The raw materials that are used by the Company to generate electricity are fuels of various kinds: natural gas, coal, diesel oil and fuel oil.

7.9.2 **The table below shows the distribution rate of generation (in percent) by the types of fuels that have been used in the generating segment for electricity generation in 2025 and 2024:**

	For the year ended on December 31	
	2025	**2024**
Natural gas	75.0%	64.6%
Coal	24.5%	34.9%
Diesel	0.4%	0.3%
Fuel oil	0.1%	0.1%
Total	**100%**	**100%**

7.9.3 **The table below shows the total costs of fuels (including attributed salary costs) that were used for the generation of electricity in the generating segment in 2025 and 2024:**

	For the year ended on December 31,	
	2025	**2024**
	in NIS million	
Coal	2,028	2,906
Natural gas	3,258	3,045
Diesel fuel	198	193
Costs of holding emergency diesel fuel of the electricity sector	133	134
Fuel oil	15	25
Change in provision for fuel oil sludge	-	(1)
Total	5,632	6,302

7.9.4 The following table shows the average costs of fuels used by the Company for 2025 and 2024:

Power stations powered by:	For the year ended on December 31 in agorot per kWh 2025	2024
Natural gas	13.8	14.3
Coal	26.1	25.3
Diesel fuel	158.5	184.3
Fuel oil	94.1	86.9

A table showing the cost in 2025 and 2024, follows, for primary raw materials that the Company used:

Power stations powered by:	For the year ended on December 31 Average annual cost per ton in nominal NIS 2025	2024
Natural gas *	878	935
Coal **	618	594
Diesel fuel	6,230	6,086
Fuel oil	2,568	2,634

* A ton of gas is calculated according to a conversion factor of 52.4 units of MMBTU per ton. The average cost in 2025 and 2024 per MMBTU unit is NIS 16.8 and NIS 17.8, respectively.

** A ton of coal is calculated based on a calorific value of 6,244 calories per ton.

7.9.5 Fuel sources

As of the date of the report, the natural gas is purchased from the "Tamar", the "Leviathan", and "Karish" reserve partners in accordance with existing contracts with each supplier. Diesel fuel is purchased from the refineries in Israel and coal is purchased from sources outside of Israel, and the Company has almost no control over the availability of the coal, and any disturbance in the supply of coal, including in the case of a long war and closure of seaports and airports, may have an adverse effect over the ability of the Company to supply electricity in accordance with the criteria of availability and reliability and over the financial results of the Company. To reduce the adverse effect of such disturbances, the Company maintains limited reserves of all fuel types that are used for the generation of electricity. The Company's policy is to maintain a coal inventory sufficient for continuous operation of the entire coal system for five weeks with a high load coefficient. Due to the Sword of Iron War, during 2024, a directive was received from the country's emergency authorities and the Ministry of Energy to increase the level of coal inventory and the Company worked and is still working accordingly until receiving other directives from the emergency authorities. In addition, the Company holds an inventory of diesel oil and fuel oil, while the period of consumption for which this inventory will be sufficient is dependent on the availability of other fuels and the demand curve. For further information on the holding of inventories, see Section 7.10. It is noted that in accordance with the Electricity Sector Law and the licenses of the Company, the Company is required to have a fuels inventory in accordance with Noga –in its capacity as the power authority and the instructions of the Director of the Fuel Administration in the Ministry of Energy.

For details regarding the effect of the Swords of Iron War on the purchase of emergency diesel stocks and other effects, see Note 1h2 to the Financial Statements.
For details of diesel oil inventory for emergency see Section 7.10.3 below.
For details regarding the purchase of natural gas, see section 7.9.9.2 and Note 34a to the Financial Statements.
See Section 18 below for details of the material outputs of the Company.

The Company's estimate according to which the coal inventory it has will suffice for five weeks at full load constitutes forward-looking information, as the term is defined in the Securities Law. This information is based on assessments and forecasts existing in the Company as of the date of the report and that may not materialize or may materialize partially or in a manner different than expected, and this, inter alia, for reasons not under the Company's control, such as the scope of actual electricity consumption in the relevant period and the coal inventory that the Company will have on that date.

7.9.6 Coal

In each of the twelve-month periods ended on December 31, 2025, and 2024 the Company consumed approximately 3 and approximately 4.5 million tons of coal, respectively.

The Coal Company purchases all the coal that it needs through the National Coal Supply Corporation Ltd. (hereafter: the "**Coal Company**"), which is a fully owned subsidiary of the Company.

The Coal Company purchases coal from several sources overseas. In 2025, coal was purchased from South Africa, Colombia and Russia. The Coal Company enters commitments with the coal suppliers based on contracts for a term of at least one year. For details regarding developments in the coal supplier mix, see Section 29.2.2 below.

The coal purchases are made via the world's largest and most reliable coal suppliers. The policy of the Coal Corporation is to decentralize coal purchases between countries and within countries to the extent possible, in accordance with the restrictions as to the quality of the coal that can be burned at the power stations.

None of the Company's coal suppliers supplies more than 40% of its total annual coal purchases. The Company estimates that the Coal Company is not dependent on any of its coal suppliers.

Most of the purchases of coal in accordance with the documents for the purchase of coal are made by the Coal Corporation on a FOB[14] price basis, with all of the costs involved in the sea transportation and unloading of coal at the generation sites of the Company added to the purchase price, while the rest of the remaining purchases are made on a CIF price basis[15], while the purchase price includes the costs involved in the sea transport of the coal.

For restrictions regarding the quality of the coal that the Company is required to comply with, see sections 7.12, 8.9 and 9.9 below.

For details regarding the directives of the Minister of Energy pertaining to a decrease of electricity generation at the coal generation units and for details regarding the emission permits under the Clean Air Law for the coal-fired power stations Orot Rabin and Rutenberg sites, see section 7.12.2.1 below and Note 1g to the Financial Statements.

7.9.7 Fuel oil

The Company uses fuel oil mainly for operational purposes at the coal and converted power stations.

In each of the twelve-month periods that ended on December 31, 2025, and December 31, 2024, the Company consumed approximately 5 and approximately 9 thousand tons of fuel oil, respectively.

See Sections 7.12, 8.9 and 9.9 below for details on the application of the environmental protection laws to the use of fuel oil and additional oils.

For more details about ending the use of fuel oil with the completion of the conversion of a generation unit at the Orot Rabin and Rutenberg sites to run on natural gas, see section 7.1.1.1 above.

7.9.8 Diesel oil

In each of the periods of twelve months that ended on December 31, 2025, and 2024, the Company consumed approximately 29 and approximately 30 thousand tons of diesel oil, respectively.

The Company uses diesel oil for generation needs during peak demands, as a backup fuel and for fitness tests in the dual fuel generation units according to the directives of the system administrator.

For details regarding the purchase of diesel by the Company in connection with the Swords of Iron War and as part of the sectoral fuels, as well as for details regarding the decisions of the Electricity Authority in connection with the recognition of the ownership of temporary diesel inventory, see Note 1h2 and Note 33b2g to the Financial Statements.

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[14] Free On Board – a term from the sea freight or international commerce field that refers to the delivery of the goods to the buyer once the goods cross the rail of the vessel at the port of origin, the rail of the vessel constituting the critical point at which the risks, expenses and responsibility are moved to the buyer.

[15] Cost Insurance and Freight – a term from the freight or international commerce field that means that the seller makes sure to transfer the goods to the vessel that will transport the goods to the buyer, insurance and freight and transport costs until the goods reach the port of the buyer.

7.9.9 Natural gas

7.9.9.1 General

As of the date of the report, the Company has three sources for the supply of natural gas – the "Tamar" reserve, the "Leviathan" reserve, and the "Karish" reserve.

In 2025, the Company consumed approximately 3.5 million tons of natural gas (approximately 183 million MMBTU) and in 2024, the Company consumed approximately 3.1 million tons of natural gas (approximately 164 million MMBTU).

7.9.9.2 Contracts for the purchase of natural gas

(A) Agreement for the supply of gas from "Tamar Field"

For details regarding the negotiation process conducted by the Company and the Tamar Partners on the price opening for the minimum quantity, regarding the developments in this regard including the expiration of the non-binding Memorandum of Understanding that was signed between the parties on July 24, 2025 and initiating arbitration process, see Note 34a1 to the Financial Statements.

(B) Agreement to purchase short-term gas from the "Leviathan" field

For details regarding the conclusion of the existing SPOT agreement and signing a new SPOT agreement with "Leviathan" partners, see Note 34a2 to the Financial Statements.

(C) Entering a SPOT agreement for the purchase of natural gas from the "Karish" reserve

For details regarding the extension of the SPOT agreement under which the Company entered into agreement to purchase natural gas from the "Karish" reservoir, see Note 34a3 to the Financial Statements.

(D) Natural gas transmission agreement

For details of an agreement entered into by the Company with IGL for the transmission of natural gas and the consideration cost paid by the Company to IGL under the aforesaid agreement, see Note 33b2d to the Financial Statements.

7.10 Working capital; inventory

As stated, the Company operates as a single combined, coordinated system, and therefore the working capital is examined in the terms of the Company as a whole. However, details will be presented below with respect to the policy and duties of the Company with respect to the holding of inventories of fuel that is assigned to the generating segment:

7.10.1 Coal – It is the policy of the Company to keep at each of the power stations inventory that is appropriate for consecutive operation of the entire coal system of five weeks with high load coefficient. in accordance with the updated directive of the State Emergency Authorities (Ministry of Energy), the Company is required to maintain coal inventories of 1.7 million tons at the storage sites at the coal-fired power stations starting in August 2026. The Company worked and is still working accordingly until receiving another directive from the emergency authorities. In the event of a breakdown in the coal unloading system, coal will be transported from site to site in accordance with an emergency procedure that the Company has in place. See Section 7.9.6 above for additional details.

7.10.2 Fuel oil –inventory of fuel oil of 17 million tons, most of which is stored at the "Orot Rabin" site in Hadera and part at the "Rutenberg" site in Ashkelon. At the "Orot Rabin" in Hadera and "Rutenberg" in Ashkelon the use of fuel oil is for operating needs. The inventory will be gradually reduced to zero with the ending of fuel oil as a backup following the sale of the Eshkol site and the completion of the conversion of the coal fired units to natural gas. For further details, see Section 7.9.7 above for additional details.

7.10.3 Diesel oil – upon completion of the construction of CCGT 80 in Orot Rabin, the policy of the Company is to hold an inventory target of 136 thousand tons. For further information see Section 7.9.8.

Diesel oil for functional continuity of the electricity sector – in accordance with the instruction of the Ministry of Energy, the Company holds diesel oil inventory for the backup of electricity sector, which will provide a solution in time of emergency. The calculation mechanism for this activity is anchored in a separate agreement with the Electricity Authority and not within working capital fuels. For additional details regarding this issue see Note 8b to the Financial Statements. For details regarding the purchase of diesel fuel by the Company in connection with the Swords of Iron War and as part of the existing fuels, see Note 1h2 to the Financial Statements.

7.10.4 The Company policy for maintaining a fuels inventory is mainly for backup and availability of the electricity system in case of failure in the supply of gas and in time of emergency.

7.11 Restrictions on and supervision of the operations of the Company in the generating segment

The Company has licenses for generating electricity, pursuant to the Electricity Sector Law. See Section 23.1.2 for details on the validity of the generation licenses of the Company, the manner of their extension, the restrictions that apply to them, and sanctions that will apply due to non-compliance with the conditions of the licenses. For the purpose of the generation of electricity, the Company operates units for the generation of electricity and ancillary facilities that are required for the generation of electricity, whose construction and operation are subject to complex, extensive regulations, which include the receipt of licenses, permits and approvals (including pursuant to the Planning and Construction Law, 1965 (the "**Planning and Building Law**"), the Business Licensing Law, 1968 ("**Business Licensing Law**") and pursuant to environmental protection laws) with which the Company must comply. For details of the regulation applying to the Company, including the generation segment, see Section 23 below.

Additionally, the Company is subject to the decisions of the Electricity Authority regarding the electricity tariff.

For details of the manner of determining the rate, including the manner of calculating the costs, manner of calculating the recognized assets, depreciation, return on equity and return on the foreign capital, the rate update mechanism, and for details regarding the emission reduction project at the coal-fired power stations, and for additional details, see Note 3 to the Financial Statements.

7.12 Environmental risks and the ways in which they are managed – the generating segment

7.12.1 Environmental hazards and environmental regulation – general

The activity of the Company in the generating segment is exposed to various environmental hazards, which include the emission of pollutants into the air that include fuel combustion products, the storage and use of hazardous materials and fuels, the pollution of soil and water sources, use of seawater for cooling, industrial effluents, asbestos, coal ash and more. For details regarding the environmental risks and the regulations applicable to the Company in these areas, in addition to what is detailed below, see Sections 22 and 29.2.3 below.

Therefore, the generation activity is subject to extensive regulation in the environmental protection field. Over the course of recent years, the applicable environmental requirements (or those pending legislation) for the operations of the Company and the supervision and enforcement of those requirements have become stricter. The Company estimates that this trend is likely to continue and even intensify in the coming years, in accordance with the increased awareness and international requirements and, *inter alia*, in accordance with the common practice in western countries.

Among the laws from the field of quality of the environment that apply to the generating operations of the Company include, *inter alia*, the Hazard Prevention Law 1961 (hereinafter: the "**Hazard Prevention Law**"); the Planning and Construction Law; (the Business Licensing Law; the Water Law - 1959; the Prevention of Water Pollution from Land Sources Law - 1988 (hereafter: the "**Prevention of Water Pollution from Land Sources Law**"); the Hazardous Materials Law - 1993 (hereafter: the "**Hazardous Materials Law**"); the Coastal Environment Protection Law - 2004 (hereafter: the "**Coastal Environment Protection Law**"); the Clean Air Law; the Prevention of Hazards from Asbestos and Harmful Dust Law - 2011, (hereafter: the "**Prevention of Hazards from Asbestos and Harmful Dust Law**"); the Freedom of Information Law - 1998; the Non-Ionizing Radiation Law - 2006 (hereafter: the "**Non-Ionizing Radiation Law**"; the Energy Sources Law – 1989 ("**Energy Sources Law**"); Environmental Protection Law (Emissions and transmissions to the Environment - Reporting and Registering Duties) – 2012 ("**Register of Emissions to the Environment Law**"); the Pharmacists Regulations (Radioactive Elements and their Products) – 1980 ("**Pharmacists Regulations**";) and the relevant regulations and various bylaws (jointly hereafter: the "**Environmental Laws**").

The Company is studying the ramifications of the Environmental Laws, is acting to prevent or minimize the environmental risks that may occur during the course of its operations, is preparing for the financial, legal and operational consequences of the laws and is allocating money in its budgets for the purpose of fulfilling the provisions of the Environmental Laws applying to it and those that are expected to apply to it.

However, there is no confidence that the costs and commitments within the existing and anticipated Environmental Laws will not exceed the amounts that have been allocated by the Company for these purposes, particularly in view of the trend of stricter environmental regulation in recent years and the volume of investments that is required in order to comply with it. The Company estimates, as of the time of this report, and based on the provisions of the Electricity Sector Law, that the material costs that will be imposed on it as a result of new regulatory requirements in the field of environmental protection will be covered within the framework of the electricity charge rate. However, the resolution with respect to the recognition of costs is under the authority of the Electricity Authority.

The aforesaid with respect to the assessments of the Company regarding the stricter environmental requirements that apply to the Company's activity, as well as the estimations of the Company regarding the cover of the material costs that will be imposed on the Company as a result of these regulatory requirements within the framework of the electricity rate,

is forward looking information, as per its definition in the Securities Law, because their realization depends on various factors, and they are not under the control of the Company and whose realization is not certain.

The Company assesses, as of the date of this report, that it is materially in compliance with the material provisions of the Environmental Laws. The Company possesses the environmental licenses required for its activity and where missing it is acting to obtain them. Non-compliance with the provisions of the Environmental Laws and the conditions of the permits and licenses provided to the Company by virtue of them may expose the Company and its managers to criminal and administrative exposure, including imposing fines and sanctions and issuing closing injunctions for installations, and exposure to expenses for cleaning and rehabilitation of environmental damage.

7.12.2 Air

7.12.2.1 The Clean Air Law

As required under the provisions of the Clean Air Law, the Company holds emission permits for emission sources it operates.

For additional details regarding the emission permits for the sites of the coal-fired power stations, including conversion of the coal fired units to gas; the future of units 1-4 at the Orot Rabin site; see Note 1g to the Financial Statements.

The information included in this report and in the Company's financial statements regarding the estimate of the Company pertaining to the costs involved in fulfillment of the provisions of the emission permits, the expected decrease in the scope of actual electricity generation by the Company, is forward-looking information, as this term is defined in the Securities Law. This information is based on forecasts and estimates existing in the Company as of the date of the report, which may not materialize or may materialize partially or in a manner other than that anticipated, and this, inter alia, in view of the fact that their materialization depends on various factors that in part are not under the control of the Company.

According to the spokesmanship's announcement published on the website of the Ministry of Energy and Infrastructure, on January 30, 2024, the Minister of Energy and Infrastructure adopted the decision of the professional team and decided to cease electricity production at the Reading Power Station in Tel Aviv. For further details regarding the announcement of the Minister of Energy and Infrastructure regarding the future of the Reading Power Station, see Note 1e9 to the Company's Financial Statements.

On June 7, 2023, the Ministry of Environmental Protection announced that the treatment of the reading site's emission permit will be suspended until a decision is made regarding the future of the station and the selection of an alternative.

The law authorizes the Minister of Environmental Protection to set a levy with respect to emission of pollutants into the air, which will be levied on the emission permit holders. As of the publication date of the report, the said levy has yet to be set. For details of the Government's resolution regarding the transfer to a low-carbon economy, see Note 1c to the Financial Statements.

For details regarding energy efficiency and Government resolutions in this matter, see Section 22.5 below. For details of the directive of the Minister of Energy pertaining to reducing the use of coal, see Note 1g to the Financial Statements.

For details of the electric sector target plan for the year 2030, see Note 1d to the Financial Statements.

7.12.3 Land and water

The facilities of the Company store contain hazardous materials, as well as infrastructures and facilities that contain and store fuels and hazardous materials. The Company is working on the prevention and treatment of soil and water pollution from these materials, infrastructures and facilities.

The Company may be required, at various sites, within the framework of various requirements, to seal spill containment pallets of fuel tanks in order to prevent leakages that may cause pollution of earth and water sources. These requirements may impose costs on the Company, which may even accumulate to material costs, in accordance with the conditions of the site and the infrastructure installed in it.

This estimate is forward looking information, as defined in the Securities Law, based on future data whose realization is not certain and not under the control of the Company, but depends on the manner of interpretation of these requirements by the Ministry of Environmental Protection, and their implementation, if and as far as will be required, as stated above.

During handling of a closure of a site, as well as under the instructions of the Ministry of Environmental Protection, the Company is sometimes required to dismantle old fuel infrastructures. During the dismantlement of fuel infrastructures, a need may arise to perform polluted soil and water sources rehabilitation works. These works may involve material costs for the Company. As of the report date and based on the provisions of the Electricity Sector Law, the material costs that will be imposed as a result of new regulatory requirements in the field of environmental quality will be covered within the framework of the electricity tariff. However, the decision regarding the recognition of costs is within the powers of the Electricity Authority.

As part of the Company's activities to fulfill the conditions required in its business licenses, the Company is implementing a multi-annual plan for executing tests of the intactness of the fuel installations it.

Regarding land fuel pipelines – see section 7.12.8 on the matter of planning and construction.

The Water Authority and the Ministry of Environmental Protection periodically provide the Company with guidelines regarding PFAS sampling in soil and groundwater at some of its sites.

Further to the correspondence with the Water Authority regarding the detection of a high concentration of substances from the PFAS family in some of the sampling points at the Orot Rabin site, on March 4, 2024, a letter was received from the Water Authority stating that in light of the risk to the water sources in the vicinity of the site, a review of restoration alternatives for the groundwater at the site must be prepared. According to the letter, the review must include, among other things, a treatment alternative found suitable for this site from among those presented in the letter: treatment of the groundwater by restoring the source of contamination to the target values expected to enter into force in 2026, depending on the relevant exposure distance, or managing the risk by preventing the spread of contamination to beyond the boundaries of the site.

On August 24, 2024, the Company submitted its comments to the Water Authority, in which the Company informed the Authority that as the examination of various alternatives progressed, significant difficulties arose in completing the examination and providing any recommendations and that it was necessary to formulate a uniform policy, nationwide, in cooperation with the relevant Government ministries (including the Ministry of Energy, Ministry of Finance and the Ministry of Environmental Protection) which will refer to the required threshold values and proven and accepted optimal treatment alternatives in relation to the requested target values. It was further stated that only after the aforementioned methodology is formulated, and a required public debate is held on this complex issue, will it be possible to set a reasonable timeframe for completing the survey of alternatives and to submit it. On November 28, 2024, a response was received from the Water Authority rejecting the Company's claims. Consequently, the Company submitted an alternatives survey to the Water Authority. As of the date of this report, the Water Authority has not yet responded to the submitted alternatives survey.

On April 9, 2024, a request was received from the Ministry of Environmental Protection, including a requirement to complete a historical survey at the site, including details of the fuel tanks and foam tanks linked to them, details of the types of fire-fighting foam with regard to PFAS content, details of methods of performing fire-fighting system tests and fire-fighting training in the past, etc. The Company submitted the historical survey as required and consequently at the request of the Ministry submitted in February 2025 an updated soil survey. The Company is in contact with the Ministry of Environmental Protection and is updating the soil survey as required.

On February 10, 2026, a request was received from the Ministry of Health regarding the detection of PFAS compounds in drinking water wells in the Zichron Yaakov area, in which the Ministry of Health requested a meeting at Hagit site to discuss measures to prevent contamination of drinking water sources with PFAS compounds and is prepared to examine a method of treating runoff water coordinated with the Ministry of Environmental Protection and the Water Authority.

Consequently, on February 17, 2026, the Company received a request from the Ministry of Environmental Protection including a demand to conduct a historical review regarding the use, possession and management of fire-fighting foams containing PFAS at the Hagit power station, including historical activities carried out on behalf of the Company at the Hagit East site, as well as identical reviews for the Haifa and Caesarea power stations.

Regarding additional conditions in toxic permits for fire-fighting foams containing PFAS, see Section 7.12.6.

7.12.4 Instructions of the Ministry of Environmental Protection for soil investigations

From time to time, the Ministry of Environmental Protection updates the principles of the policy in the field of prevention of soil pollution and treatment of pollutants in the soil, and publishes professional instructions which deal with, inter alia, the subject of preventing the cause of soil pollution, instructions to report on soil pollution being caused, immediate treatment of leakage of pollutant material to the soil and instructions for reviewing and rehabilitating polluted soil. Insofar as the professional instructions will be integrated in binding permits or documents that will be received by the Company, this may have material implications for the Company. As of the report date and based on the provisions of the Electricity Sector Law, the material costs that will be imposed as a result of new regulatory requirements in the field of environmental quality will be covered within the framework of the electricity tariff. However, the decision regarding the recognition of costs is within the powers of the Electricity Authority.

In January 2020, the Ministry of Environmental Protection approved updated schedules for the Company, for executing land surveys at the Company's sites (not including the Alon Tavor and Ramat Hovav sites, which were sold to third parties as stated above). The land surveys are undertaken at all the sites in accordance with plans submitted for approval by the Ministry of Environmental Protection and schedules agreed upon with the Ministry of Environmental Protection.

The Company's estimates regarding the possible material costs of the professional guidelines of the Ministry of Environmental Protection for the Company is forward-looking for information, as per its definition in the Securities Law

which may not materialize, or materialize in a different manner than expected by the Company, and this is, inter alia, in light of the manner of integrating the principles and guidelines in binding documents.

7.12.5 Effluents

During the generation of electricity, industrial effluents are formed in the generating segment facilities. The industrial effluents at coastal power stations are exploited, after treatment, for reuse for the purposes of the station, and those which are not exploited for reuse are removed to sanitary wastewater treatment facilities, or dumped into the sea in accordance with the offshore discharge permits that are given to individual sites pursuant to the Prevention of Sea Pollution from Land Sources Law.

As part of the offshore discharge permits for individual stations, the Company is required from time to time to improve the existing means in the effluents treatment facilities in the various sites. This may involve costs that may be significant.

This estimate is forward-looking information as is defined in the Securities Law, which may not materialize or may materialize in a different manner that expected by the Company, and it is, inter alia, according to the decision of the Ministry for Environmental Protection, as stated in section 7.12.12 below.

7.12.6 Hazardous materials

The Company holds, uses and stores hazardous materials at the power station sites. The Company holds poison permits as required by law for the purpose of dealing with hazardous materials and acts to obtain them when they are missing. The Company is taking the actions for the purpose of compliance with the conditions of the permits.

Additional conditions to the toxins permit regarding tank farms were received in several Company sites. The conditions stipulate, among other things, obligations and prohibitions regarding the manner of operation and maintenance of fuel tanks in tank farms, the performance of watertightness tests, requirements with regards to reporting and handling of environmental events, making the American prototype standard (API 2610) mandatory, obligations with regards to the preparation of procedures, and obligations with regards to the characterization of existing spill containment pallets in the tank farm.

On November 16, 2023, a draft was published of additional conditions for toxins permits for marine terminals.

On November 7, 2024 additional conditions in the toxins permit regarding PFAS compounds were published on the Ministry website. The Company accepted these conditions in some of its sites and is in contact with the relevant regulators on the matter.

7.12.7 Asbestos

On February 26, 2024, the Company received the Ministry's letter regarding the removal and burial of gaskets containing asbestos at the power station sites. Among other things, the letter includes a demand for the immediate removal by March 31, 2024, of some of the types of seals that contain asbestos that are exposed to the air, the submission of a plan for the proactive removal of some of the types of seals that are not exposed to the air, and the preparation of maintenance and operation procedures.

On May 5, 2025, instructions were received to carry out actions pursuant to Section 9 of the Asbestos and Harmful Dust Prevention Law, which includes a requirement to transfer information, carry out actions and submit a comprehensive plan for the removal of components classified as high-risk. On June 15, 2025, the Company submitted its reference to the Ministry, which includes a plan for the evacuation and removal of seals classified as high-risk at the Company's active sites and a reference to the date of evacuation and removal of seals in closed and shut-down production units. This is taking into account, among other things, the complexity of the removal, the scope of the units, and the fact that the removal involves prolonged shutdowns.

On August 6, 2025, the Ministry's response to the removal plan submitted by the Company was received. In this regard, the Ministry requested additional information, demanded that the asbestos be removed from units that are not active by the end of 2025, that the schedules presented for removing the seals in Rutenberg 1 and 2 be significantly shortened, and that the seals be removed from units 1-4 in Orot Rabin by the end of 2026.

On August 27, 2025, the Company submitted its comments to the Ministry of Environmental Protection. in this regard, the Company clarified, among others, that any shutdown of units for the purpose of removing seals, not in accordance with the approved shutdown plan, would require the approval of Noga.

The Company is updating the plan as needed and is in contact with the Ministry of Environmental Protection on the subject

As of the Financial Statements approval date, the Company is unable to assess all of the implications that may arise for the Company in this regard. Therefore, the provision included in the Financial Statements is in accordance with the assessment based on the plan submitted by the Company to the Ministry of Environmental Protection.

The aforemention in this report and the Company's Financial Statements, with respect to the Company's assessment of the effects of the Ministry of Environmental Protection's requirement to remove and bury asbestos-containing seals, constitute forward-looking information, as defined in the Securities Law, -1968, based on information and estimates available to the Company as of the date of this report. These estimates may not materialize or may materialize partially or materially differently than anticipated, inter alia as a result of factors beyond the Company's control, including regulatory decisions that will be made in this regard.

Several anonymous complaints were received by the Company from employees regarding exposures of employees to alleged asbestos hazards. The inquiries were sent at the same time to the Ministry of Environmental Protection. The Company sent a response, detailing the status of the treatment as well as providing the employees with additional information.

Rutenberg

On April 2, 2024, a summary of a tour conducted at the Rutenberg site was received as well as an administrative order on behalf of the Ministry of Environmental Protection regarding this site. As part of the summary, it is claimed, among other things, that asbestos hazards were found at the Rutenberg power station, including brittle asbestos sheets exposed to the air in a worn-out condition, missing signage and lack of appropriate work procedures and that the upgrading and maintenance works at the station are carried out without reference to the issue of asbestos components. As part of the order issued by the Ministry, the Company was required, among other things, to stop all work at Unit No. 2 in Rutenberg, close the unit to the entry of employees, take immediate measures and produce documents.

The Company issued a response to the summary of the tour and the order. According to the Company, the station was well prepared for the conversion works, with the assistance of a senior asbestos inspector and the most available knowledge and took into account the aspects of asbestos that were known to the Company before the conversion works began. In addition, the Company, on its own initiative, carried out surveys, made appropriate engagements, worked to prepare a suitable work plan through an asbestos inspector and also worked to issue a suitable permit.

On April 17, 2024, instructions were received from the Ministry for the prevention of asbestos hazards as part of the conversion/maintenance works in Unit 2 at the Rutenberg power station and permits were also received to continue the asbestos removal works.

Following the requirements of the Ministry of Environmental Protection, on June 30, 2024, the Company submitted to the Ministry of Environmental Protection an updated plan for treating asbestos sheets in the generation units on the site. The Company is in contact with the Ministry of Environmental Protection and operates in accordance with the submitted plan and the asbestos work permits.

Reading

On April 1, 2024, a request from the Ministry of Environmental Protection was received according to which in the crude oil pipeline within the Reading Power Station complex a layer of insulation was found that appears to contain brittle asbestos in a different form from the asbestos insulation sections in other lines in the area, and therefore immediate removal of the insulation in this section is required. The Company delivered its position to this inquiry and stated that it refers to a fenced compound that is not active, the piping is wrapped in a layer of tar that encloses the layer of asbestos so that in fact the fibers are trapped under this layer. Therefore, the Company requested the Ministry's approval to handle the underground infrastructures, including the insulation of the crude oil pipeline, as part of the processes of abandoning and dismantling infrastructures on the site for which there is a provision in the Financial Statements. The Company also stated that as more exploratory excavations are carried out during the works currently being carried out, and additional pipes wrapped in asbestos are found, they will be removed specifically, under a permit. On July 29, 2024, the Ministry's response was received, which includes a demand for the immediate removal of friable asbestos from the crude oil pipeline in the relevant section.

The Company submitted a plan to remove the asbestos and clear the pipeline. The total costs required to remove the asbestos in the relevant segment are not material.

There are inactive land fuel pipelines in the area of the Reading power station, exiting and entering the station. Asbestos fibers were found on some of these pipelines during several samplings carried out in October 2020 and in January and February 2021. For additional details regarding the actions taken by the Company and the plan submitted to the Ministry of Environmental Protection in this matter, see Note 1g5 to the Financial Statements.

7.12.8 Planning and construction

Within the framework of the generation activity, in the environmental aspects of its activity, the Company is subject, inter alia, to the provisions of planning and construction laws. The power stations of the Company are subject to various environmental provisions that are described in outline plans and in construction permits. With the transfer of the system management activity to Noga, the responsibility for carrying out part of the statutory planning and environmental effect surveys was transferred to Noga.

On September 27, 2021, the Government approved the decision of the Ministerial Committee for Interior Affairs, Service, Planning and Local Government of September 19, 2021 to approve National Infrastructure Plan number 81 – fuel pipelines from the north to the Port of Ashdod. The plan allows the replacement of the two existing pipelines as well as changing the route of the fuel pipelines under the Company's responsibility.

For further details regarding the marine pipelines see section 7.12.9 below.

7.12.9 Preservation of the coastal environment and prevention of marine pollution

The Coastal Environment Preservation Law prohibits, inter alia, to harm the coastal environment as per its definition in the law (a strip of 300 meters from the shoreline), unless a duly issued permit to do so is issued. Within the framework of this law, the Coastal Environment Preservation Committee was established, and is required to approve various plans within the coastal environment. Within the framework of the law, the Company is sometimes charged with requirements with respect to and restrictions relating to Development Plans of coastal power stations.

A significant portion of the manufacturing facilities of the Company are along the coast of the Mediterranean Sea, and therefore the Company is preparing for the prevention of the pollution of the sea with fuel, increasing its preparedness for marine pollution incidents, and for protecting its facilities from sea pollution from an external source.

In February 2020, the Company received a decision from the Ministry of Environmental Protection that the three marine connector pipelines in Reading must be dismantled and removed from the sea in their entire length. The Company is in contact with the Ministry of Environmental Protection and is working to remove the marine connectors according to the approved schedule, which consists of various stages and conditions and is updated, among other things, according to the sea conditions.

Further to the announcement of the Ministry of Environmental Protection that the operation of 24" pipeline must not be continued beyond December 2022, and that the Company must plan actions to properly abandon the pipeline and, simultaneously, to promote a new and proper underwater pipeline for the continued operation of Paz Ashdod Oil Refinery.

There was correspondence and meetings with the Ministry of Environmental Protection, following which the Company turned to an international company dealing with classification of this type of pipelines, for its opinion as to the possibility to continue to use the pipeline and as to the suitable conditions for the continued use as aforesaid. The Company delivered the findings of the examination to the Ministry of Environmental Protection, following which the position of the Ministry of Environmental Protection was received on December 20, 2022, under which the Ministry approves the continued use of the 24" pipeline until the end of 2027, subject to conditions including a requirement to meet conditions set by the international classification company as well as, inter alia, the Company's complete responsibility for operating maintenance and preventing hazards from the pipeline and shutdown and dismantling the pipeline without any additional extensions at the end of 2027.

It is noted that simultaneously with the inspection and maintenance of the pipelines, works are performed for the advancement of planning and an outline plan for the construction of two new submarine pipelines with a different route, and all, among other things, due to the construction of Southport. See section 7.12.8 for information regarding a National Infrastructure Plan for fuel pipelines to the north of the port of Ashdod.

On May 31, 2021, the Company received the environmental conditions for the temporary business license for the submarine fuel pipelines at the Eshkol site, which were in effect until December 31, 2022. A temporary business license for 3 months was received on January 3, 2023, for the continued operation of the pipelines at Eshkol, including conditions regarding the installment of a vapor extraction system in the 16" connector, as well as remote sensing means for the detection of a fuel spill. On January 17, 2022, the Company received additional conditions for the toxins permit of the Eshkol site regarding the marine fuel pipeline, which include conditions that overlap and sometimes contradict the conditions in the business license. The Company forwarded its comments to the Ministry of Environmental Protection in this matter. It should be noted that the marine fuel connectors at the Eshkol site are not part of the Eshkol station which the Company is selling in accordance with the implementation of the structural change. For more details, see Note 1e to the Financial Statements.

On December 6, 2023, the Company received an alert for an alleged violation of the terms of the business license regarding the installation of a remote sensing system at the Eshkol marine pipeline. According to the Ministry of Environmental Protection, the plan submitted by the Company for the installation of a thermal camera system does not

meet its requirements, is not approved, and the Company is required to install a radar and camera-based system. According to the Company's position, the submitted plan meets the requirements of the terms of the business license, the Company responded to the alert, updated the Ministry of Environmental Protection on the completion of the installation of the camera system in accordance with the plan submitted and is in contact with the Ministry of Environmental Protection on this matter.

On March 13, 2024, a summary of a tour conducted by the National Marine Environment Protection Unit of the Ministry of Environmental Protection at the marine mooring in Eshkol was received. As part of the summary, the Ministry noted that the camera installed in the mooring does not meet the requirements of the Company's business license and does not constitute means of remote sensing for oil slicks in the sea. The Company was required to submit a detailed and revised plan to be submitted for the installation of means for the detection and warning of an oil spill at sea in the mooring, which will include a computerized system combined with a camera and radar, including timetables for installation and operation by August 31, 2024. It was also stated in the tour summary that if the Company's position is that it is not possible to install a radar-based system in the current marine mooring in Eshkol, these claims must be supported through repeated opinion. These requirements were even incorporated into the updated poisons permit conditions received for the site.

The Company submitted a plan for the installation of measures to detect oil slicks, subsequently, on October 6, 2024, the comments of the Ministry of Environmental Protection were received, in which it was stated, among other things, that the obligation imposed on the Company is to submit a plan that includes detailed schedules for installation of the system and to comply with them. The Company submitted the plan and is in contact with the Ministry in this regard.

In accordance with the extensions received by the Company, the temporary business license of the marine moorings in Eshkol is valid until the beginning of May 2026. In accordance with the conditions given, by December 31, 2027, the permit holder will permanently discontinue the use of Pipe 24 existing at the marine mooring, dismantle it, remove it from the sea, and dispose of it in accordance with the instructions of the Commissioner and in accordance with the provisions of any law and effective December 31, 2027, the permit holder will not operate the 16" pipeline in the marine mooring or inject fuels into it unless a treatment system is installed and operated in this mooring that was approved prior to its installation by the Commissioner.

On February 27, 2025, the Company received a warning for an alleged violation of the conditions of the Rutenberg power station's flow permit and a summons to a hearing.

On April 29, 2025, a summary of the hearing was received, which included requirements regarding infrastructure aspects of the drainage systems and the implementation of procedures for conducting tours. On June 3, 2025, the Company submitted its response to the Ministry's claims, in which it requested alternative actions. As of the approval date of the Financial Statements, the Ministry had not yet submitted its response to the aforementioned request.

7.12.10 Fly ash

Within the framework of the generation of electricity at coal power stations "Orot Rabin" and "Rothenberg", fly ash is created. Since 1998, the fly ash formed has been sold by the Company for use in the construction and infrastructure industries and agriculture.

As of August 2018, the removal of the fly ash for uses is performed pursuant to the coal ash use permits of the Orot Rabin and Rutenberg power stations, which are renewed annually.

7.12.11 Business Licensing

Most of the generation units of the Company operate pursuant to business licenses that have been given permanently, or temporary licenses, and ancillary conditions of the licenses that are updated or renewed from time to time. These were intended to regulate the operation of the generation units and the generation sites in general, *inter alia*, with the goal of reducing or preventing environmental risks and hazards. The Company is acting to regulate the business licenses for the remaining generation units and for other licensable items in accordance with the provisions of the law and the requirements of the authorities, the regulation process for some of them being at advanced approval stages. The operation of the sites of the Company or part of them without a business license constitutes a violation of the Business Licensing Law and may lead to the termination of the operations of the business. For further information on the Business Licensing Law and the state of licensing of the various licensable items at the Company, see Section 23.8.

7.12.12 Integrative licensing

The integrative licensing procedure is intended to comprehensively examine the environmental effects of the plant on the environment in all aspects and accordingly determine detailed conditions for each plant, while considering its unique conditions and the integration between its various environmental effects.

On April 16, 2024, the Environmental Protection Law (Optimization of Environmental Licensing Procedures) (Legislative Amendments), - 2024, was published in the Official Gazette. The Law makes, among other things, indirect amendments to the Clean Air Law and the Hazardous Substances Law, in order to create a unified environmental permit that includes the requirements for emission permits, the poisons permit and environmental requirements in the business license. The Company is studying the Law and its implications for the Company's activities.

7.12.13 Material events or matters with respect to environmental protection

As of the date of the report, to the best of the Company's knowledge, it is not exposed to material events or matters with respect to environmental protection in the generating segment except for what was stated above.

7.12.14 Material legal or administrative proceedings with respect to environmental protection

Various legal proceedings, criminal and civil alike, have been filed against the Company and directors thereof with respect to the generating segment, on grounds of violation of environmental laws.

The criminal proceedings relate primarily to water and land, seawater and air pollution, and those whose adjudication is over did not involve material fines for the Company or its directors. See Note 34b to the Financial Statements.

7.12.15 Company policy in environmental risk management

The Company considers itself to be responsible and committed in taking steps to protect the environment and reduce environmental hazards throughout the electricity supply chain.

The Company is operating in accordance with a strategic policy and environmental vision to protect the environment out of responsibility for society and the environment, with a long term, prospective sustaining view, for minimization of the environmental consequences that stem from its activity and for leadership in the field of hazard prevention and environmental effect abatement.

The principles of the environmental policy of the Company include the integration of environmental considerations throughout its fields of activity, including in decision making processes; design and operation of facilities; adopting the best proven and economical technologies; adoption of proven, advanced environmental criteria; intelligent use of raw materials and natural resources and encouraging economical use of electricity; the reduction and recycling of waste and byproducts; integration of landscape, regional and environmental considerations in the design of new facilities and maintenance of existing ones; the holding of an open, transparent dialog with the public, joint activity with environmentalist, state, public and international entities, including participation in environmental studies, in the development and initiation of advanced technologies and adoption of environmental values in the organizational culture.

For information on the Company's preparedness for weather changes and extreme weather events resulting from the climate crisis, see Section 6.7 above and Sections 29.1.2, 29.1.3.

7.12.16 Environmental costs and investments of the Company in environmental protection

A breakdown of the investments of the Company in environmental protection is as follows (the data are compatible with the development and operating plans):

Environmental costs and the Company's investments in environmental quality	For the year ended on December 31 in NIS millions *		
	2025	2024	2023
Total investment in environmental protection facilities	Approx. 438	Approx. 579	Approx. 756
Current costs (without depreciation)	Approx. 148	Approx. 144	Approx. 159

* The data in the table are in current prices, in accordance with IFRS rules, less costs for remeasurements and interest capitalization at the time of construction.

Investments during 2025

In 2025, the Company invested approximately NIS 388 million, in environmental protection aspects in the generating segment, inter alia, in the conversion to gas at units 1-4 at Rutenberg and units 5-6 at Orot Rabin. (In addition a total of approximately NIS 50 million in the transmission system, distribution and special projects).

In addition to the investments that have been described above, the Company spent in 2025 within the framework of costs of operation of the power stations and ancillary expenses to fuels, approximately NIS 144 million for compliance by the production system with environmental protection requirements (and in addition, a total of approximately NIS 4 million which are not attributed to the production system). The Company estimates that the environmental costs that the Company bore in 2025 were invested mostly in future prevention and reduction of environmental damage.

Budget for 2026

The Company is allocating in its budget money for compliance with environmental conditions and laws. For 2026, the Company allocated within its current operation and development budgets a total of approximately NIS 902 million (after remeasurement and depreciation deduction) for compliance with environmental protection requirements including, among others, acts to protect fauna and flora, the air, land, underground water and surface water, asbestos removal, effluents treatment, noise reduction, protection from radiation and waste treatment.

The environmental costs the Company has allocated in its budgets for 2026 will be largely invested in preventing and reducing environmental damage.

Gas conversion budget

Within the framework of the five-year budget which was approved by the Board of Directors in December 2025 the Company allocated a sum of approximately NIS 1.75 billion for converting the coal-fired power stations to gas (6 generation units) in respect of the whole of the aforesaid period. Until the end of 2025, a sum of approximately NIS 1.3 billion was invested and in 2026 NIS 316 million was allocated for the project of conversion to gas. The data are net of remeasurements and interest capitalization.

The estimates of the management of the Company with respect to the expected scope of investments in the field of environmental protection is forward looking information, as per its definition in the Securities Law, which is based on the Company's budget and work plans. The estimates of the Company with respect to the expected volume of investments in the environmental protection field may fail to materialize or materialize partially or differently than estimated, inter alia due to factors that are not under the control of the Company, including a change in the regulatory requirements applying to the Company, a change in the volume of generating operations of the Company and the fuels with which the Company generates and other events, including those that stem from the lateralization of risk factors of the Company.

7.13 Legal proceedings

With respect to pending legal proceedings against the Company, including proceedings for the generation segment, see Note 34b to the Financial Statements. For details with respect to legal proceedings in which the Company is the plaintiff in the proceedings see Section 25.

8. The Transmission Segment

8.1 General information on the transmission segment

8.1.1 The structure of the field and the changes that have occurred

On May 7, 2024, the Minister of Energy and Infrastructure signed a transmission and storage license for the Company ("Transmission and Storage License" and/or "License"), for a period of 20 years from the date of the Minister's signature, which details the various roles and areas of responsibility of the Company in the field of transmission and storage. The license regulates the Company's activity, as the owner of the delivery system, which is responsible for the establishment, maintenance and supervision of the delivery system, for detailed engineering planning of the transmission and storage system in accordance with the provisions of the license, as well as for its operation in accordance with the agreements to be signed with the system administrator. This license replaces the provisions regulating the activity of the transmission segment in the license that the company received in 1997 for the transmission, distribution, supply, sale and trading of electricity (the Unified License).

Pursuant to the Structural Change Outline, the Company will continue to operate as an essential service provider and will carry out the transmission and transformation activities, inter alia, pursuant to the transmission and storage license it had received pursuant to the development for the transmission and transformation system as will be approved from time to time by the Minister of Energy, with the agreement of the Minister of Finance and after consultation with the Electricity Authority. For further details regarding the Structural Change Outline, see section 1.3 and Note 1e to the Financial Statements.

Within the framework of this field of activity, the electricity that is generated by the Company and by the private electricity producers is transferred by the Company via its transmission grid. The transmission grid is deployed throughout the State of Israel and the territories that have been subject to its rule since June 1967 (East Jerusalem and the West Bank) (in this section, for the sake of convenience only, "**the country**"). The transmission grid consists of an extra high voltage grid (400 kV) and a high voltage grid (161 kV), as well as an old 110 kV grid at a reduced volume for providing private consumers. Regarding the 110 kV system, see the Electricity Authority's decision dated January 20, 2025, regarding the cancellation of the 110 kV system in Mishor Rotem area).Through the transmission grids, electrical energy is transmitted from the generation units to the switching stations (stations of 400 kV voltage) and to the major substations (stations of 161 kV voltage) and from the switching stations and the major substations to substations that are built nationwide. At the switching stations and substations of the Company, transformation activity is performed, changing the electricity voltage levels from extra high or high voltage (through connection transformers at switching stations) and from high to medium (through the output transformers at the substations). The electricity transmission at extra high voltage facilitates the transfer of energy between the power stations generating the energy and the switching stations and substations of the transmission segment, at relatively low losses. After transformation to medium voltage (distribution grid), the energy is transferred to high voltage users and through grid transformers to low voltage users. See Section 9 below for details on the distribution segment. Some of the customers of the Company are extra high voltage customers that include mainly private electricity producers and big consumers such as industrial plants, the Mekorot Company, desalination facilities, and more (see section 12 below). Construction, operation, maintenance and handling malfunctions are included in the execution of activity of the segment of electric energy transmission.

The Company has three types of substations: (1) permanent; (2) temporary, and (3) mobile. The mobile substations are stationed at various sites adjacent to the load center or at existing substation sites, usually until the construction of a permanent substation in the area, for a period (at statutory planning level) of five to ten years. In addition, there are private substations of private electricity producers or big consumers connected to high voltage grid that are divided into 2 types:

- New substations owned by a consumer or producer of high voltage or extra high voltage. The operational and maintenance responsibility for the high voltage and extra high voltage in these stations lies with the Company.
- Old substations that are owned by a consumer of high voltage (enable to intake a private producer too after examination and accommodating the private substation to the new conditions).

In accordance with the outline of structural change and sale of the system management activity to Noga in November 2021 as part of the implementation of the structural change, the Company carries out transmission control for operation and control of the transmission and transformation segment. The control is performed through the Company's transmission control system (TSO) this uses a computerized EMS system, and in the future by using a TMS system. A transmission control segment includes a transmission control array which manages, operates and controls the transmission and transformation system.

On January 18, 2023, the Electricity Authority published Decision No. 64701 on the subject of "Principles for integrating the Electric Company in the field of energy storage in the transmission and distribution grid," which allows the Company to establish storage facilities in substations and increase the Company's storage share in relation to the private market from 10% to 15%. These facilities will be considered both as facilities established in the transmission grid and the distribution grid, meaning that the decision advances an initial quota for the establishment of storage facilities with a capacity of 150 MWAC.

On September 26, 2023, the Electricity Authority published a decision detailing the deployment plan for the first five storage facilities to be constructed in the Company's substations.

As of the date of publication of this report, five storage facilities are in test-run process and ten additional facilities are in the tender process stage for their construction. For further details, see Section 11 of this report.

On January 30, 2024, an announcement was published by the Minister of Energy and Infrastructure regarding storage facilities and a land conversion facility to connect to submarine cable to be constructed at the Reading generation site. A detailed NOP for the transmission strip for the submarine cable Ashkelon - Haifa which is 180 kilometer long is being promoted by the Ministry of Energy within the framework of NOP 10/C/13. The conversion facility for connecting the submarine cable at Reading is one of several network connections to the existing transmission system that are planned at this stage. Also, in December 2025, the Minister of Energy contacted the Company, the Electricity Authority and Noga, following work carried out by Noga to rank overhead transmission lines regarding their potential impact on the population residing in buildings close to the lines in terms of exposure to a magnetic field at a frequency of 50 Hz. The report formulated a ranked list that includes 25 sections with a total length of 38 km that are defined as having high priority for treatment and the scope of the implementation cost will not exceed NIS 1 billion. In accordance with the letter, in December 2025, the Minister of Energy adopted the report and instructed to establish a joint team of Noga, the Electricity Authority and the Company to promote the implementation of the project at the proposed ranking.

On November 13, 2023, the Minister of Energy, after consultation with the Electricity Authority and with the consent of the Minister of Finance, approved the electricity sector development plan for the transmission and distribution system for the years 2023-2030.

8.1.2 Restrictions, legislation, regulation and special constraints applying to the field of activity

The activity of the Company in the transmission segment, like its other fields of activity, is subject to legislative provisions, such as those which have been stipulated in the provisions of the Electricity Sector Law, Electricity Law, 1954 and its regulations, rules and regulations issued by the Ministry of Energy and in the Book of Criteria Published by the Electricity Authority and to constraints that are related to licensing issues and requirements for permits from various authorities and government ministries such as the Electricity Authority, the Ministry of Energy and the Ministry of Environmental Protection and to the Development Plan in the Electricity Sector, which is approved by the Ministers of Energy and Finance, in consultation with the Electricity Authority, by virtue of their authority under section 19(A) of the Electricity Sector Law.

Pursuant to the outline of the structural change, the Company will continue to operate as an essential services provider and will carry out the transmission activity in accordance with the transmission and storage license that was granted to it. In addition the Company will operate in accordance with the development plan for the transmission system that will be prepared by a system management license holder (as of the date of the report – Noga) and as will be approved by the Minister of Energy with the consent of the Minister of Finance and after consulting with the Electricity Authority, if the system management license holder is required to prepare such a development plan pursuant to section 19(A) of the Electricity Sector Law. Prior to submission of a development plan as aforesaid, the system management license holder has an obligation to consult with the Company as a transmission license holder regarding the schedules to perform the operations included in the plan and alternatives to those actions. In the event of disagreements between the said licensees regarding the feasibility of carrying out the operations, including the feasibility of carrying them out under such schedules, the system management license holder will submit to the Minister of Energy, in addition to the said development plan it has prepared, also the position of the transmission license holder regarding the dispute. In addition, the Minister of Energy, in his appeal to the Electricity Authority and the Finance Minister, will note the dispute, and forward them the positions as submitted to him. In addition, in accordance with section 19(A3) of the Electricity Sector Law, the Company, in its capacity as a distribution license holder, will prepare the development plan used for distribution and submit to the Minister of Energy for his approval with the consent of the Minister of Finance, and after consultation with the Electricity Authority; the plan will be prepared in accordance with the instructions of the system management license holder regarding the connection points and the reciprocal influences between the transmission system and the distribution system. For additional details regarding the distribution segment, see section 9.1.2 below.

For additional details on the structural change in connection with the transmission segment, including details regarding the amendment to the Electricity Sector Law which includes, inter alia, amendments to the validity of the Company's licenses including the unified license, and details regarding the transmission and storage license that was granted to the

Company within the implementation of the structural change and the validity of the license as aforesaid, see section 1.3 and Note 1e to the Financial Statements.

On January 19, 2026, the Electricity Authority published a hearing regarding the determination of renewable energy electricity generation targets for 2035. For further details see section 7.4.1.1 above.

See Section 23 for details on restrictions, legislation, regulation and special constraints applying to all of the activity of the Company.

8.1.3 Changes in the scope of activity in and profitability of the field

The main trends and changes that may affect the volume of transmission and transformation activity are the following:

(A) Pursuant to the outline of the structural change, the Company will continue to operate as an essential services provider and will carry out the transmission and transformation activities in accordance with the transmission and storage license that was granted to the Company and in accordance with the development plan for the transmission and transformation system as will be approved from time to time. For additional details regarding the structural change outline with respect to the transmission segment, and details regarding the amendment to the Electricity Sector Law which includes, inter alia, amendments to the validity of the Company's licenses including the general license, and details regarding the transmission and storage license that was granted to the Company pursuant to the outline of the structural change and the validity of the license as aforesaid, see section 1.3 and Note 1e to the Financial Statements.

(B) Due to the increase in the generating capacity in the national economy, whether by private energy producers or by the Company, the entry of renewable energies and the increase in the reserve[16] of the electricity generating ability, the Company is required to build additional switching stations, substations and high and extra-high voltage lines, as well as upgrading existing power transmission lines to stronger ones. For further details regarding renewable energy goals see Note 1d to the Financial Statements.

(C) The plan for the development of the electricity sector for the transmission and transformation system for the years 2023-2030 expresses the need to build additional substations, in addition to the transformation at existing stations and the adaptation of equipment in the system to the required transfer capability.

(D) Due to the strict environmental requirements and the restricted areas in the cities, the Company is expected to build internal substations (*that is,* a station in which all electrical equipment is enclosed in a building and isolated by gas) of larger scale, where some of which will be buried underground. In addition, in this regard, the Company is expected to add system transformers to the private substations. In addition, there are demands on the part of outside parties to bury overhead transmission lines underground and divert existing lines, among others, within the framework of "intelligent avoidance" policy, which is application of reasonable measures for reducing magnetic field levels where possible, In addition, on December 22, 2025, the Minister of Energy published a document under which he adopts a report regarding ranking of overhead High Voltage lines of 161 kw in terms of magnetic field and instructed to establish a joint team of Noga, the Electricity Authority and the Company to advance the implementation of the ranking project proposed in section 8.1.1. According to the letter, the scope of the implementation cost according to the proposed ranking will not exceed NIS 1 billion. Burying overhead High Voltage lines is expected to allow for the treatment of safety hazards, strengthen the electricity grid, and facilitate the advancement of construction plans.

(E) The construction of a larger number of private switching stations and substations by private electricity producers and high voltage and extra high voltage customers will lead to a greater investment of the Company in the construction of transmission grid and substations, introduction into utilization of the installations of the private producer and/or consumer, for tests and maintenance. This is in light of the Company being an essential service provider in the transmission field.

(F) The entry of PEPs for generating electricity, leads to decentralized production which generates challenges related to output flows in the transformation system, creating different operating regimes, depending on the production work regime (such as day/night).

(G) Changes in the Criteria for the level, standard and quality of service provided by a licensed essential service supplier in the field of transmission, which are determined by the Electricity Authority, may require the Company to make greater payments as indemnification to electricity producers and consumers that are connected to high voltage grids. The implementation of a criterion for high voltage may impose on the Company fines due to failure to meet the prescribed schedule for connecting a new consumer or failure to supply electricity for various reasons.

(H) Burying high voltage 161 kW lines in accordance with the energy sector development plan, as an alternative to the overhead line, extends the time of constructing project and increase its cost.

[16] The difference between generation ability and the demand for electricity at that time from consumers.

(I) Environmentalist requirements with respect to electromagnetic radiation and the difficulty to obtain expected line corridors will increase the volume of high and ultra-high voltage cables.

(J) Requirements stemming from laws, standards, and requirements and regulations of government entities, including in the framework of NOP programs, may increase the Company's expenses in this field of activity.

(K) As part of the Government's Resolution 465, dated January 25, 2020 to promote renewable energy in the electricity sector – under which by 2030, 30% of the electricity generation will be with renewable energy, the Company is preparing to implement a multi-year plan to construct extra-high and ultra-high voltage lines, switching stations and substations, install and upgrade power transformers at substations, upgrade transmission circuits at the 161 kW grid and upgrade equipment at existing stations.

8.1.4 Technological changes that may materially affect the field of activity

The technological changes that may materially affect the field of activity and which the Company has started a process of implementation of follow:

(A) Changing communication configuration that is reflected in the separation of infrastructure, in light of the structural change, for the purpose of transferring information from the Company systems for monitoring transmission, monitoring distribution, and for system management. In addition, old equipment is being upgraded at existing stations.

(B) Replacements of transformers at existing substations to new transformers with capacities of 50-75 Megavolt-Ampere transformers including ancillary equipment. The entry of new transformer manufacturers since the closure of the VRT transformer factory (formerly Elco), the replacement of old transformers that have exceeded their operational life span and the entry of new power transformers, remote transformer monitoring systems and real-time control of the status of the transformers.

(C) Addition of installations for storing energy with various technologies.

(D) Deployment of new technologies in the transmission field, such as wires with high energy transmission capability, relatively little weight, and high thermal ability compared to a regular wire with the same cross-sectional area, which are used for increasing the transmission capacity of existing transmission lines to avoid the construction of new lines.

(E) Examination of a new technology for monitoring and drying SF6 gas in substations and closed switchgear without interrupting the switchgear.

(F) Upgrading and improving the level of information security and the protection of cyber space on equipment and systems in the transmission and transformation division in order to meet the regulator's requirements and dealing with known cyber threats.

(G) Operating a transmission control system through intake of a GE-TMS system in transmission control that replaces the EMS system of the system management unit, which left the Company in November 2021. In 2024, TMS computerized system arrived in Israel which is expected to be installed in 2026.

(H) New mobile substations with a capacity of 30 MVA.

8.1.5 Critical factors for success of the field of activity and changes applying therein

The Company estimates that the business success of the transmission and transformation segment depends primarily on the Company's ability to carry out the investments required in this segment pursuant to the development plan, with an emphasis on meeting the goals of systemic projects, identifying risks and providing an appropriate response with the aid of Government entities to remove barriers , on the level of demand for electricity, the costs of maintenance and operation of the transmission and transformation facilities, the professionalism of its personnel in maintaining the transmission and transformation installations, recognition of the total costs that are required for electricity transmission within the electricity charge rate and the ability of the division to increase efficiency. As a rule, this segment is a natural monopoly.

8.1.6 The key entry and exit barriers of the field of activity and changes occurring therein

(A) Entry barriers

The Company estimates that the key entry barrier in the field of activity is the need to receive a transmission license in accordance with the Electricity Sector Law. Pursuant to the amendment to the Electricity Sector Law, a transmission license will only be given to a government company and only one license for this activity will be in effect at any time. As aforesaid, it was determined within the outline of structural change that the Company will carry out the transmission operation in accordance with the transmission license that will be given to it and in accordance with the development plan for the transmission and transformation system as will be approved. As specified in section 8.1.1 above, the transmission and storage license dated May 7, 2024, is for 20 years.

(B) Exit barriers

The regulation that regulates the activity of the Company and its status as an "essential service supplier license" holder in accordance with the Electricity Sector Law, requiring it to construct and transmit electricity to the public at large, reliably and efficiently, in accordance with the terms of its license, are the key barriers preventing exit from the field of activity.

8.1.7 The structure of competition in the field of activity and changes occurring therein

As of the date of the report, the Company is acting as a monopoly in the field of electricity transmission and has no competitors. In addition, the Company is required to allow private electricity producers to use its transmission system. See Section 7.4 above for details.

8.1.8 Alternatives to products of the field of activity and changes occurring therein

There is no alternative product to the Company's transmission and transformation system.

8.2 Products and services

Services in the transmission field are given to high voltage customers (private electricity producers and major consumers such as Dead Sea Works, desalination installations and more) and the grid branches of the Company (the distribution system that sells medium voltage and low voltage electricity to consumers in the State of Israel). The end consumer pays for the transmission component by the general charge rate that is prescribed by the Electricity Authority.

In addition, according to the Book of Criteria (which is updated from time to time), the Company also supplies services of introduction into use, maintenance and operating services at the substations of private electricity producers as regards connection at high voltage and extra high voltage.

8.3 Segmentation of revenues of products and services

For details of Company revenues from the sale of electricity assigned to the transmission segment in 2025, see Note 35 to the Financial Statements.

8.4 Competition

Scope of the competition

As of the date of the report, the Company operates as a natural monopoly in the field of electricity transmission and has no competitors, as in accordance with the structural change, the Company will continue to act as an essential service provider in the transmission and distribution grid and will continue to construct, maintain and operate the network's facilities, so that private electricity producers and consumers will continue to use the transmission and/or distribution grid of the Company.

At the same time, in the coming years, an increase in distributed self-generation is expected by producers and consumers, some of whom are not expected to use the Company's transmission and/or distribution networks.

A similar trend is expected in the connection of server farms, with the State expected to encourage the establishment of energy facilities close to server farms that are large energy consumers, in order not to create dependence for those farms on power from the electricity grid, in accordance with Government Decision No. 3907 of February 22, 2026 on advancing the establishment of advanced server farms to strengthen Israel's leadership in the field of artificial intelligence.

With regard to the rate, the network rate mechanism is based on two components: energy and capacity. The capacity rate is intended to reflect the costs associated with establishing the network, since most network costs are fixed costs that do not depend on the volume of consumption. Accordingly, all customers – both consumers and producers, including yard consumers and self-producers connected to the grid – are charged a capacity rate based on the size of their connection or peak demand, even if they did not consume any energy from the grid.

For details of the structural change see section 1.3 and Note 1e to the Financial Statements.

8.5 Generation capacity – the transmission and transformation segment

8.5.1 The transmission segment (high and extra-high voltage transmission circuits):

A breakdown the length of the transmission circuits[17] of the Company follows:

Date	400 kV lines km of circuit	161 kV overhead lines km of circuit	115 kV lines km of circuit	161 kV underground lines[18] km of circuit
December 31, 2025	1,071.1	4,933.1	29.9	224.7
December 31, 2024	1,071.1	4,835.2	29.9	182.4

As of December 31, 2025, the installed output of 161/400[19] kV connection transformers[20] stood at 16,395 Megavolt-ampere, with no change compared to December 31, 2024.

In addition, the Company is in various stages of construction of an extra-high and ultra-high voltage grid that was constructed in 2025 but has not yet been electrified (and is therefore not part of the inventory – as appears in the table above):

Data of projects and works executed in 2025			
Data	400kV	161 kV overhead lines	161 kV underground lines
Total kilometers of circuit under construction, that have not yet been completed in 2025	52.4	120.0	31.9
The Company's estimate regarding the rate of completion in 2025 according to physical measurement out of the projects executed by the Company	97%	90%	104%

8.5.2 The transformation system:

As of December 31, 2025, the installed transformation ability was approximately 22,469 Megavolt-ampere compared with an installed transformation ability of approximately 20,763 Megavolt-ampere, as of December 31, 2024.

The table below displays a number of switching stations (including also substations) and number of substations of the Company, as of December 31, 2025, and 2024:

	Substation type		
Year	Switching station	Substation	Total
December 31, 2025	13	164	177
December 31, 2024	13	154	167

The material changes in the transmission and transformation system that occurred in 2025 are:

Substations: Gan Raveh substation, Beit HaLohem substation, Mevo Carmel substation, Elad substation, Nahal Tzofim substation and Abelayim substation were established, and the temporary Galia substation was dismantled. Also, the Ashkelon North, Beit HaGdi, Tzohar and Hatzeva mobiles were established and the Mevo Carmel mobile was established and then dismantled. In addition, the Hebron and Havazelet mobiles were dismantled.

Additions to transformation: 50 megavolt-ampere transformers were installed in the Lod substation, the Hebron substation, the Tzomet Carmia substation, the Rotem substation, the Kenyonim substation, the Beit Shean substation, the Yahalom substation, the Caesarea substation, the Sderot substation and the Shirat Dvora substation.

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17 In general, there is more than one transmission line between any two pylons, known as a "circuit "and measured in km.

18 Underground.

19 A connection transformer changes voltage levels in the transmission system (from 400 kV to 161 kV), including 2 connection transformers 161 kV in Dimona.

20 The transmission system is composed of three (3) voltage levels: (1) extra high voltage- 400 kV; (2) high voltage system of 161 kV and (3) a high voltage system of 115 kV (and old system whose use is decreasing).

8.6 Fixed assets, land and facilities

See Section 7.6.1 for details on assets that the Company uses in its fields of activity, including in the field of transmission and transformation.

A breakdown of the switching stations and the major substations that are used by the transmission segment at the various sites follows:

Name of site	Location	Type	Nature of the rights
Caesarea *	Caesarea	Switching station	Sublease, Caesarea Development Company, until 2048
Tzafit **	Next to Kfar Menachem	Switching station	Lease until 2053
Petach Tikva *	Next to Morasha Junction	Switching station	Ownership
Zevulun *	Kfar Hassidim	Switching station	Development agreement with ILA till 2000 with a right to receive a lease. A lease agreement has not yet been signed.
Gan Sorek *	Rishon LeZion	Switching station	A lease agreement was signed with ILA in February 2021, the lease agreement is up to 2068.
Even Sapir *	Southwest of Moshav Even Sapir	Switching station	Lease until 2040
Gezer **	Next to Ramla	Switching station	Lease until 13.1.2046
Ramat Hovav	Ramat Hovav	Switching station	Lease contracts until 2028/2029. A process is being conducted to adapt the contracts for sale that was executed within the reform.
Hagit + Ein Tut ***	Near the Ein Tut interchange	Switching station	327,000 m^2 leased until 2051. The rest is owned.
Yavneh + Nir Galim	Ashdod Junction	Switching station	17,600 m^2 leased until 2023. The rest is owned.
Kishon	Nesher	Switching station	Lease until 2058
Alon Tavor	Alon Tavor industrial area	Switching station	Lease until 2039
Yarkon (Atidim)*	Tel Aviv, Ramat Hahayal	Switching station	Approximately 25,000 m^2 owned. An addition of approximately 12,000 m^2 is possessed
Ayalon (Ganot)	Ganot Intersection	Switching stations	Lease until 2061 (transaction approved in ILA and the Company, site under construction, contract issued, signed in the Company and transferred to be signed by ILA)

* The site includes a substation

** The land of the switching stations and the major substations above include substations and are included within the site of the relevant power stations, as shown in Section 7.6

*** The land of the switching stations above are included within the site of the "Hagit" power station, as shown is Section 7.6

There are two additional substations that are on the premises of power stations. See Section 7.6 for further information.

In addition to the switching stations detailed above, the transmission segment includes 2 future switching stations in stages of installation (Eastern Galilee and Dimona Solar), approximately 130 independent permanent substation sites (not stationed in the power stations or the switching stations), approximately 30 future substation sites or substation sites under construction, approximately 6 independent temporary substation sites, and approximately 12 independent active mobile substation sites (not stationed in the power stations and/or the switching stations and/or permanent or temporary substation sites) that are dispersed nationwide.

8.7 Development of the Electricity Sector – the transmission segment

8.7.1 Manner of determination of the Development Plans of the transmission segment

The duty to submit a multi-annual Development Plan for the transmission and transformer segment of the electricity industry applies to the Noga Company.

On November 13, 2023, the Minister of Energy, after consultation with the Electricity Authority and with the consent of the Minister of Finance, approved the electricity industry development plan for the transmission and transformation system for the years 2023-2030.

The plan includes, inter alia, the construction of new projects and projects that include expansions and improvements of the existing system, for the purpose of adapting the transmission and transformation system to the needs of the Electricity Sector, while considering the availability of the sites and the ability of the Company to realize projects.

A development plan until 2030 is with a viewpoint of the Government's goals in the field of renewable energy. For additional details see Note 1d to the Financial Statements.

The license given to the Noga Company determined that the system management license owner will submit a development plan for the generation and transmission segments pursuant to the Electricity Sector Law. In the transmission sector, the plan will include, inter alia, construction and upgrade of extra-high and ultra-high voltage circuits, switching stations as well as substations, and timetables for implementation. The Company, as a transmission license holder, is required to act in accordance with the development plan for the transmission grid prepared by the system management licensee which was approved by the Minister of Energy (in consultation with the Electricity Authority and with the consent of the Minister of Finance).

Pursuant to the amendment of the law, the Company will continue to act as an essential service provider and will carry out the transmission activities in accordance with the transmission license granted to it and in accordance with the development plan for the transmission and transformation system the preparation of which is under the responsibility of Noga as approved by the Minister of Energy with the consent of the Finance Minister after consulting with the Electricity Authority. For additional details regarding the structural change with respect to the transmission segment, see section 1.3 and Note 1e4 to the Financial Statements.

8.7.2 Main Assumptions and Constraints Underlying the Development Plan

In general, the development plan is based on: (a) a geographical distribution of the load, consistent with the national demand forecast; (b) a plan to develop the generation system, including private electricity producers - meeting government goals; (c) planning criteria; (d) implementation of advanced and proven technologies in the transmission and distribution system; (e) analysis of the project's feasibility; and (f) consideration of all constraints.

The purpose of the development plan is to adapt the transmission and distribution system to the needs of the national economy, while reducing costs and minimizing land resources, in accordance with the level of reliability and quality of electricity determined in coordination with the Ministry of Energy. The plan is built considering uncertainties and planning, land, environmental, regulatory and economic constraints and their implications for the ability to implement the plan.

As stated above, the development plan prepared by Noga, and approved in November 2023 by the Minister of Energy, is valid until the end of 2030.

8.7.3 Development of the transmission system

In accordance with the Company's Development Plan, in 2026-2030, the Company is planning to add to the ultra-high voltage (400 kV) transmission system approximately 372 km of circuitry, conditional to the conclusion of statutory proceedings for the approval of the lines, and to build about 658 km of overhead circuit in the high voltage transmission system (161 kV).

In addition, the Company is expected to perform an upgrade to the extent of approximately 1,067 km of existing infrastructure (poles) and rebuild approximately 502 km of a circuit and add approximately 230 km of underground cable circuits.

8.7.4 Development of 400/161 kV transformation system

The total output expected at the end of 2027 in the existing switching stations and switching stations under construction, under the responsibility of the Company, will be approximately 17,695 Megavolt-ampere as a result of constructing Galil switching station.

8.7.5 Development of 161 kV transformation ability

The development of the substations is being carried out in accordance with a multi-year planning which is coordinated with the Noga Company, while considering the Government's goals for the development of renewable energies by 2030 and the geographical layout of the demand. This forecast is expressed in the construction of new permanent substations, temporary and portable substations and the addition of transformation in existing or private substations.

As of 2025, the Company has at its disposal 164 substations with a total transformation output of approximately 22,469 Megavolt-ampere. By the end of 2027, the Company is expected to have at its disposal an additional 1,917 Megavolt-ampere, and in total the output of the switching stations owned by the Company is expected to be 24,386 Megavolt-ampere.

8.7.6 The development budget of the transmission segment

In 2025, a sum of approximately NIS 2,391 million was invested in the development of the transmission and transformer system. In accordance with the decision of the Board of Directors, the development budget of the transmission system for the year 2026 is approximately NIS 2,758 million (remeasurement and depreciation deducted).

The following are the major points of the current and expected projects of the Company in the transmission and transformer system (data in NIS millions):

Project name/identification	Scope of expected comprehensive investment*	Scope of Investment until the Balance Sheet Date**	Budget completion rate	Remainder of Investment	Expected activation date
Galilee (Hukok) switching station	418	331	79%	87	2027
Hefer switching station	615	68	11%	547	2027
Rocah substation	297	15	5%	282	2028
Jerusalem switching station	598	12	2%	586	2030
Eshkol North	627	450	72%	177	2027
Eshkol Hasharon	291	126	43%	165	2028
Romema-Bikurim	109	14	13%	95	2027
Bikurim- Sprintzak	120	8	7%	112	2027
Eithan-Dimona line	282	159	56%	123	2028

* The total investment in the "Scope of expected comprehensive investment" column is an updated estimate for 2026 that has been approved by the Board of Directors of the Company in December 2025. Additionally, it is clarified that it is only an estimate, which may change from time to time, inter alia according to the progress of the project, the project's duration, and the costs the Company will bear with respect thereto.

** The "Scope of Investment until the Balance Sheet Date" column is composed of cumulative performance in current prices, pursuant to the IFRS principles less costs for re-measurements and interest capitalization at the time of construction.

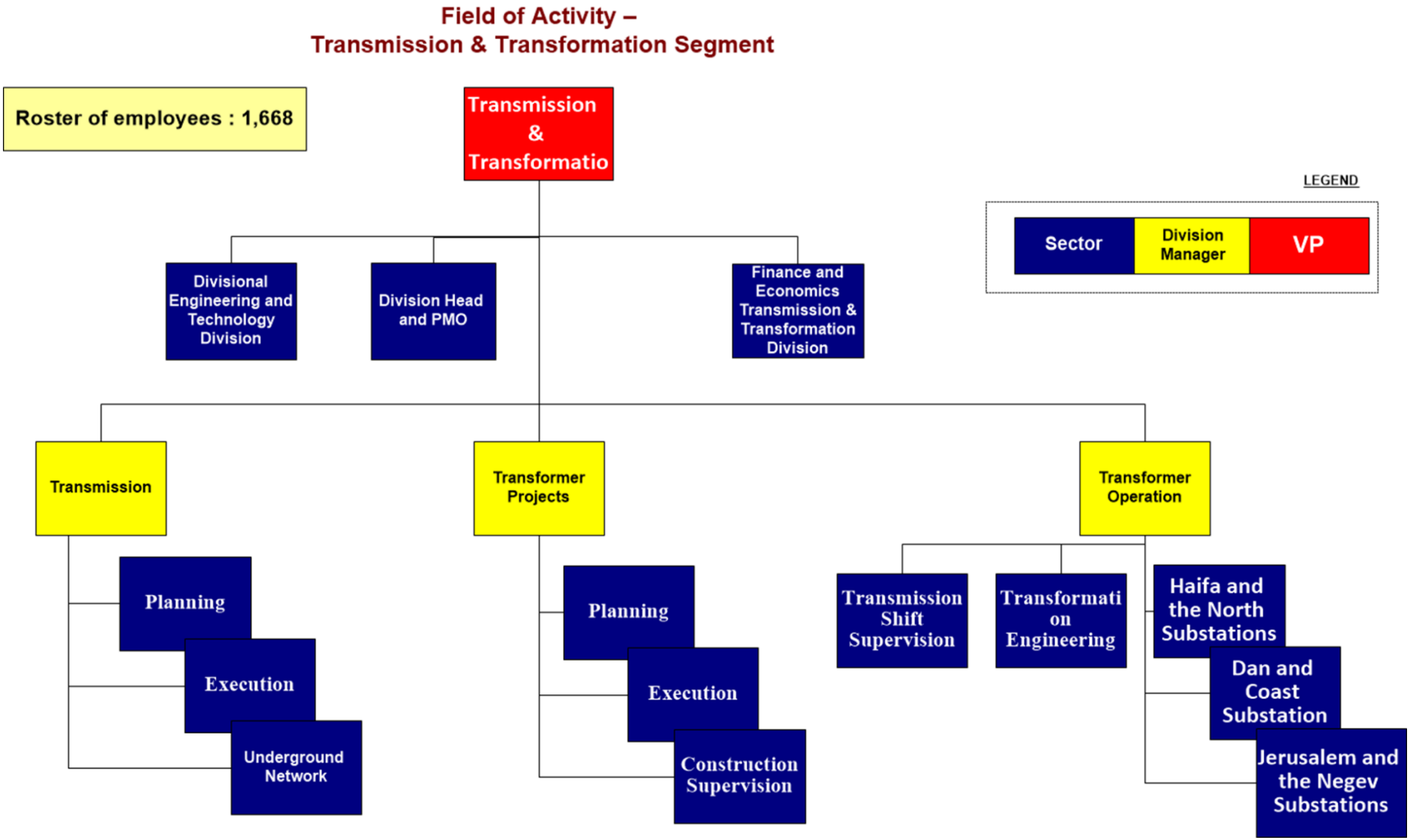
The Company is committed pursuant to the Electricity Sector Law to execute the projects in the Company's Development Plan, which was approved by the Minister.

According to the financial planning that was approved by the Board of Directors in December 2025, the expected scope of investments in the transmission and transformer system in 2025-2030 will be approximately NIS 16 billion, (Including the burial of transmission lines totaling NIS 2.5 billion).

The above-mentioned with respect to the Development Plan of the Company for the transmission segment and with respect to the expected development budget for the years 2026-2030 and the expected activation dates for the aforementioned projects in the transmission segment, is forward looking information, as per its definition in the Securities Law. This information includes forecasts, subjective estimates and other plans of the Company and is based on future data, whose materialization is uncertain and is not under the exclusive control of the Company. The main factors that may affect non-materialization of the forward looking information or changes occurring in the estimated schedule for its execution in accordance with the description above include: a change in the expected growth rate in the demand for electricity, implementation of the structural change (see Note 1e to the Financial Statements); future Development Plans that the Minister will approve for the transmission segment; difficulties in securing licenses and/or changes in regulation in the environmental protection and licensing field; the absence of appropriate charge rate coverage and the ability of the Company to raise the financing required for executing the Development Plan.

8.8 Human capital

The organizational structure in the transmission and transformation segment:



As of December 31, 2025, the transmission and transformation segment has 1,668 employees, compared with 1,694 employees as of December 31, 2024 (the number of employees relates to organizational assignment in the transmission and transformation division – in the transformation projects branch, the transmission branch and the branch of substations operation).
See Note 11 to the Financial Statements for details with respect to benefits and the nature of the employment agreements and additional details.

8.9 Environmental risks and ways of managing them – the transmission segment

8.9.1 Environmental risks and environmental regulation – general

The activity of the Company in the transmission segment is exposed to various environmental risks, which include storage and use of hazardous materials and fuels, pollution of soil and water sources, non-ionizing radiation and more. See Sections 7.12 and 9.9, 11.5 and 22 for details on the environmental risks and the regulation applicable to the Company in these segments.

8.9.2 Land

The Company is promoting actions to prevent soil pollution from its transmission and transformation installations. For details, see sections 7.12.3 and 7.12.4.

8.9.3 Hazardous materials

The transformation operation division has a comprehensive poison permit for the Company's switching stations and substations. See Section 7.12.6 for details on risks from hazardous materials.

8.9.4 Business licensing

See Section 22.3 for details on this subject.

8.9.5 Material events or matters with respect to environmental protection

As of the date of the report, to the best of the Company's knowledge, it is not exposed to material events or matters with respect to environmental protection in the transmission and transformation segment unless specified above.

8.9.6 Material legal or administrative proceedings with respect to environmental protection

See Note 34b to the Financial Statements for details with regard to legal proceedings pertaining to the transmission segment and letters of indemnity that will be given by the Company pursuant to section 197 of the Planning and Construction Law.

8.9.7 The policy of the Company in environmental risk management

See Section 7.12.15 for details on this subject.

8.9.8 Environmental costs and investments of the Company in environmental protection

See Section 22.8 for details on this subject.

8.10 Restrictions and regulation over the Company's operation in the transmission segment

See section 8.1 for details of the license of the Company in the field of activity of transmission. See section 23.1.2 for details of the regulation that applies to the Company, including the transmission segment. See Note 3 to the Financial Statements for details regarding the decision of the Electricity Authority with respect to the electricity rate for the transmission and distribution segments, the grid rate base for 2018-2023 and recognition of retirement costs of the employees of the Electric Company, see Note 3 in the Financial Statements.

8.11 Legal proceedings

For details on this subject, see Note 34b to the Financial Statements.

8.12 Raw materials and suppliers

The primary suppliers of the Company in the transmission and transformation field are:

- Suppliers of transformers to substations and connection transformers to switching stations:
  - ABB POWER GRID - ITALY
  - SIEMENS TRANSFORMER - ITALY
  - G.E GRID SOLUTION - TURKEY
  - ETD TRANSFORMATORY A.S - CZECH Republic
  - BEST - TURKEY
  - SIEUYAN – CHINA
  - TBEA – China GE -Verona for TMS and ADMS projects
- **Suppliers of equipment for arrays, including switching equipment (current interrupters and disconnectors), control, monitoring and protection systems:** General Engineers Ltd., ABB Technologies Ltd., GE- General Electric, Maschinenfabrik Reinhausen, Schweitzer Electrical Laboratories SEL, Shany Tech, Engis Commerce & Development Ltd., Eberle (Alstom Grid), Siemens Israel Ltd., EFCON Ltd., Schneider Electric, Hitachi Energy, Sieuyan – China and SEL (Schweitzer) HAPAM B.V , Grid Solutions S.p.A
- **Mobile substation suppliers:** MVA (best), KONTROLMATIC, HYOSUNG.
- **Suppliers of extinguishing coils and grounding transformers:** Nisco Group Ltd. (Arden Transformers)
- **Suppliers of current transformers and voltage transformers:** KONCAR MJERNI, SIEYUAN, PFIFFNER, ARTECHE
- **Suppliers of energy storage systems:** EFCON
- **Suppliers of batteries capacitors for extra and high voltage:** GE, Ardan Industries (Israel), Energotech - Samwaha.
- **Suppliers of cables 161 kV and accessories:** Synergy Cables, PRYSMIAN, Hengtong Submarine Power, SUDKABEL, NKT.
- **Suppliers of extra-high and ultra-high voltage power poles:** SKIPPER, ERSAN, Brand, MITAS, POLYCOMTEC

9. The Distribution Segment

9.1 General information on the distribution segment

9.1.1 Structure of the field of activity and changes occurring therein

The distribution grid of the Company conveys electric energy from the substations, at which the voltage level drops to the level of the high voltage, for consumption purposes. The distribution system consists of distribution lines of 33 kilovolt, 22 kilovolt to 12.6 kilovolt high voltage levels (all of these are high voltage lines), low voltage lines 0.4 kV and a distribution transformer that interconnects them.

The Company delivers electricity at low voltage to most consumers, and to major consumers (*that is,* consumers that consume a large amount of electricity, such as major factories and private producers) electricity at medium and extra-high voltage.

The operations of the Company in the distribution segment Is carried out in the framework of the distribution license granted to the Company (**"Distribution License"**) in accordance with the Structural Change Outline, (for additional details see Note 1e to the Financial Statements), this since on November 17, 2022, the Electricity Authority reached a decision about granting a distribution license to the Company for a period of 20 years from the date of the Minister of Energy's approval for that. On January 16, 2023, the license was approved by the Minister of Energy. Pursuant to the provisions of section 60a(b)(1) of the Electricity Sector Law, the distribution license replaces the provisions regulating the activity of the distribution segment in the Company's general license of 1997.
The distribution license details, among other things, the Company's various roles and areas of responsibility in the distribution segment. For additional details see Note 3l to the Financial Statements.

In accordance with the outline of structural change, the scope of distribution license in the sector that will be granted to bodies that are not the Company, will not exceed 10% of the annual consumption volume in the sector (but a natural increase in the volume of consumption and the distribution area determined in the license compared with the aforesaid volume of consumption at the time the license is granted will not be taken into account in this matter), for additional details see Note 1e to the Financial Statements and Section 1.3.

On April 18, 2024, the Electricity Authority published a decision on the amendment of criteria chapter b1, a new connection to the electricity grid in a land division, which is an amendment to the previous decision on the subject (Decision No. 61904 of November 17, 2021), with the aim of removing barriers in the electricity sector and promoting connections in land divisions. As part of the current decision, the Electricity Authority has added cases in which a connection applicant may receive one or more additional connections in a land division. For each additional connection, a normative rate is set (low or high voltage, as the case may be) plus the cost of a dedicated infrastructure for the additional connection (including a transformer), as required, less the cost of infrastructure components included in the normative rate paid.

On July 4, 2024, the Electricity Authority published decision number 69204 on the amendment of Standard No. 35al - Transfer of infrastructure between distributors, which was intended to regulate the transfer of responsibility for distribution and supply activities, including the transfer of infrastructure from the historical distributor, from the low voltage distributor or from a licensee who chooses to do so to the dominant electricity distributor (the Electric Company), in a fast and efficient manner, while maintaining the continuity of electricity supply to consumers. In light of the great difference between different historical distributors and the state of their infrastructures, the current decision confers upon the Chairman of the Electricity Authority the power to approve the parties' agreements to a different outline, including the extension of the schedule for the transfer of the network if he finds that such an outline is in the best interest of the consumers or required for security purpose, provided that the transfer of the network is completed within no later than 12 months. It was also clarified that since the decision allows to a distributor to transfer the network to the Company's responsibility anytime and at no charge, the existence of a financial dispute between the parties will not be a reason to delay the transfer of the network.

On June 4, 2025, it was announced that the Minister of Finance approved the distribution grid development plan recommended to him by the Electricity Authority. In addition, on July 28, 2025, the Company received approval of the plan from the Minister of Energy and Infrastructure. For additional details regarding the approval of said plan, see Note 3q to the Financial Statements.

9.1.2 Restrictions, legislation, regulation and special constraints applying to the field of activity

The activity of the Company in the distribution segment, like its other fields of activity, is subject to legislative restrictions, such as those prescribed in the provisions of the Electricity Sector Law, the criteria set by the Electricity Authority, and the Government Companies Law, and constraints related to the issue of licensing and requirements for permits from various local authorities, planning authorities, private entities with infrastructures and various government authorities and offices such as the Electricity Authority, the Companies Authority, the Ministry of Energy and the Ministry of Environmental Protection and emergency and Development Plans in the Electricity Sector. The Company's distribution

license entered into effect on January 16, 2023. Pursuant to the provisions of section 60a(b)(1) of the Electricity Sector Law, the distribution license replaces the provisions regulating the distribution activity segment in the Company's Unified License of 1997 and will be in effect for 20 years from the date of its entry into effect as aforesaid. The scope of the license and the Company's roles duties and areas of responsibility as the distribution license owner were determined within the framework of the distribution license.

For additional details regarding the structural change outline in connection with the distribution segment, including amendments to the validity of the Company's licenses, including the unified license and the distribution license granted to the Company and came into effect on January 16, 2023 in accordance with the structural change outline, see Section 1.3 above and Note 1e to the Financial Statements.

Under section 19(A) of the Electricity Sector Law, the Minister of Energy, in consultation with the Electricity Authority and with the approval of the Minister of Finance, may require a distribution license owner to submit to his approval, in the manner and on the date required, in full or in parts, for his operations under the provisions of the license. The holder of an essential service provider's license will act in accordance with the approved development plan and the obligations that apply to it under any law. A distribution license holder will prepare the development plan that he is submitting, for the electricity grid that is used for distribution, in accordance with the guidelines of a system management license owner regarding the connection points and the reciprocal effect between the transmission system and the distribution system.

On October 15, 2024, the Electricity Authority published a decision regarding ministers' consultations with the Electricity Authority on the development plan for the distribution system for the years 2024-2030. With the signature of the Minister of Energy and Infrastructure on November 27, 2024, the plan entered into force. For further details, see Note 3q in the Financial Statements.

It was further determined that the Company will submit to the Authority by November 15, 2024, a plan until 2030 for adapting the distribution network in areas where there is a security threat to the electricity network that may affect the reliability of supply or the survivability of the system.

The Company requested an extension of time to formulate the plan and submitted the plan to the Authority on February 16, 2025 and on December 9, 2025, the Electricity Authority made a decision regarding criteria for carrying out additional work to improve electricity supply and adapt the distribution network to security threats.

9.1.3 Changes in the volume of activity and profitability of the field

The Company estimates that there are various factors that may affect the volume of activity of the field, such as changes in the volume of electricity consumptions and changes in electricity charge rates, and changes in regulations by the Electricity Authority. Additionally, the increase of the production capacity of the sector, whether by private electricity producers or by the Company, and the transition from centralized to decentralized generation, feeding electric vehicle charging stations, national transportation projects and urban renewal projects and the need to improve supply reliability requires an increase and renewal of the distribution and transmission system. However, the distribution segment as a whole is a natural monopoly, except in certain areas as detailed in section 9.2.1 For details regarding the scope of the competition and the impact on the profitability in the distribution segment, see section 9.4 below.

9.1.4 Technological changes that may materially affect the field of activity

In the short term, the Company does not anticipate material technological changes that may affect the activity field. However, in the medium and long term, the "smart metering" and energy storage fields are expected to affect the Company's field of operation. See Section 9.7.4.2 below for details on the "smart metering".

9.1.5 The critical factors for success in the field of activity and changes occurring therein

The Company estimates that the business success of the distribution segment depends, inter alia, on the level of demand for electricity, the costs of construction, maintenance and operation of the distribution facilities, recognition of the total revenues required for the distribution of electricity within the electricity charge rate and the ability of the distribution segment to improve its efficiency.

9.1.6 Changes in the layout of suppliers and raw materials to the field of activity

The Company is making extensive efforts to significantly increase the circle of suppliers of the Company including suppliers from low cost countries in order to decrease the acquisition costs. Additionally, the Company has begun to operate through long-term engagements and splitting to two or more (as possible) winning suppliers to maintain available sources of supply for all critical items in the distribution segment.

9.1.7 Key entry and exist barriers of the field of activity and changes occurring therein

Entry barriers:

The Company estimates that the main entry barriers to the field of activity are receipt of distribution and supply licenses. In this subject, also see details with respect to granting licenses to historical distributors in section 9.4 below. Pursuant to the outline pf the structural change, the scope of distribution licenses in the sector not owned by the Company will not exceed 10% of the annual consumption volume in the sector (but a natural increase in the volume of consumption and the distribution area determined in the license compared with the aforesaid volume of consumption at the time the license is granted will not be taken into account in this matter). Also, see Section 9.4 below regarding Amendment No. 16 to the Electricity Sector Law in the matter of giving the consumer (as defined in the Electricity Sector Law) the opportunity to distribute and supply electricity without the need for licenses on the parcel of land it owns.

Exit barriers:

The regulation that regulates the activity of the Company and its status as an "essential service supplier", in accordance with the Electricity Sector Law and the provisions of its licenses, which requires it to supply electricity to the public at large, reliably and efficiently, in accordance with the terms of its license, are the key exit barriers from the field of activity.

For details of the outline of structural change and its impact on the distribution sector (including the meters), see Note 1e to the Financial Statements and section 1.3 below.

9.2 Products and services

In accordance with that which has been described above, the Company historically operates as a single, combined and coordinated system, for the supply of electricity to consumers, from the generation of electricity at the generation sites, continuing through its transmission and transformation, to its distribution and supply to the end points of all consumers. In addition, the Company makes connections to homes of consumers and expansions to existing connections.

9.2.1 The structure of competition in the field of activity and changes occurring therein

As of the date of the report, the Company is acting as a monopoly in the field of distribution, except for areas of historical distributers (mostly kibbutzim and a number of industrial zones who are distribution license owners) and new private tracts of land as mentioned in section 9.4, the Company distributes electricity to the vast majority of the consumers in the sector. Furthermore, as the owner of an essential service provider's license, the Company is obligated, inter alia, to allow private electricity producers to use its transmission and distribution system. For additional details see Section 7.4 above.

It is commented that within the framework of Amendment 16 to the Electricity Sector Law, exemptions from the duty to hold licenses for the execution of an activity under the Electricity Sector Law were added to section 3 of the law, subject to conditions and the circumstances detailed in that section, where the purpose of the amendment was to facilitate and simplify the regulatory requirements for carrying out activities in the electricity sector in general and the distribution segment in particular.

Among others, Amendment 16 to the Law determined that a person who generates electricity with a capacity not exceeding 16 megawatts or a higher capacity determined in rules by the Authority with the Minister's approval (rules as aforesaid have not yet been determined) and does not sell it to another will be exempt from a distribution license.

The same Law applies to a person or entity who carries out storage activity at a capacity determined by the Authority in the rules, except for the Electric Company that requires a license according to the Authority's decision of January 18, 2023. Currently, this capacity is also set by the Authority in the rules to 16 megawatts, without limiting the purpose of storage. It is further determined in this framework that a consumer in a tract of land who transfers and/or sells electricity to another holder of rights in the tract of land will be exempt from the obligation to hold a distribution license as well as a supply license for the purpose of transferring and selling the electricity. At the same time, the exemption from the supply license is limited to the fact that the main use of the tract of land is not for the purposes of selling electricity.

This amendment may change the mix of the Company's consumers in the various voltages, since the infrastructure within a land tract as defined by Law will be laid by and at the expense of the consumer.

On January 25, 2023, the Electricity Authority published a decision that details the principles and scopes in which the Company will be allowed to build storage facilities until the year 2030. The decision states that the Company's market share will not exceed 15% of the total scope of storage promoted by the private market, in the previous year and that, as a general rule, the deployment of the storage will be in accordance with a plan to be approved by the Noga Company and under its instructions, supervision and controls. The scope of storage will be calculated every first quarter of each calendar year and will remain unchanged until the end of the year. However, the Authority determines a storage capacity advance so that the Company will not be given additional capacity until the total capacity calculated for it on all test dates, which will occur in the first quarter of 2024, exceeds this power.

The exemption from holding a distribution license also applies to a consumer who generates electricity in the tract of land, provided that he generated the electricity in the generation unit located in the same tract of land, or a person transferring electricity to a consumer from an electricity installation serving for storage which is located in the same tract of land in which the consumer is located. It was further determined that exemption as aforesaid will also be given to a person transferring electricity that was produced in a generation unit to a consumer who is purchasing thermal energy that was produced during the generation of electricity in the same generation unit, provided that the electricity grid is located along the route in which the infrastructure used for the transfer of the thermal energy is located, and adjacent to the said infrastructure.

A person who is exempt in such circumstances from receiving a distribution license and has in his possession in the tract of land a generation or storage facility that are also exempt from licensing according to the rules established by the Authority, will also be exempt from holding a supply license. This amendment may change the mix of the Company's consumers in the various voltages, and reduce infrastructure costs, since infrastructure within a tract of land as defined in the law will be laid by and at the expense of the consumer.

9.3 Segmentation of revenues from products and services

For details of Company's revenues from sale of electricity assigned to the distribution segment in 2025 see Note 35 to the Financial Statements.

9.4 Competition

As of the date of the report, the Company distributes electricity to its customers in substantially all areas of the country and in those areas has no competitors in the distribution line, aside from historical distributers mainly in kibbutzim as well as a small number of industrial areas and EJEC, in accordance with the transitional directive stipulated concerning this issue in Amendment 16 of the Electricity Sector Law, as well as in tracts of land as they are defined in the Electricity Sector Law and the Standards of the Electricity Authority, in which the Company is prohibited from distributing in accordance with the said Amendment to the Law.

For details about receiving a distribution license for the Company, see Section 9.1.1 above.

According to the Electricity Sector Law, the scope of the distribution licenses that will be given to all who are not a government company will not exceed 10% of the annual consumption volume in the sector. However, a natural increase in the volume of consumption and the distribution area prescribed in the license shall not be taken into account in this regard, as compared with the volume of consumption as stated at the time the license is granted. For this purpose, "natural increase in the volume of consumption in the distribution area" - including due to an increase in the number of consumers in the local entity area or industrial area or due to an increase in the area of the local entity or industrial area, provided that for an industrial area - the area added is adjacent to the existing industrial zone. This restriction of scope of licenses of up to 10% does not apply to a company that was a holder of a distribution license up to the date of application of Amendment 16 to the Electricity Sector Law.

Within the Amendment of the Law, definitions were added for the terms "public way" and a "tract of land", so that every tract of land will have one entity that will be registered as a "consumer owner' and/or registered consumer owner (whoever purchases electricity or services from a licensee or wishes to connect to the electricity grid), where in this aspect only the real estate owner may request, the connection owner in the tract of land may sell and supply electricity, for use in the area of the tract of land, without a supply license and to distribute electricity for this purpose without a distribution license, provided that this is not a consumer whose main use in the tract of land is the sale of electricity. A tract of land does not include a public way. In addition, in accordance with the Amendment to the Law, it is prohibited for a distribution license owner to carry out distribution in the limits of the tract of land (except in accordance with the criteria to be determined by the Electricity Authority, inter alia, in residence). At the same time, the distribution license owner is obliged to sell electricity to every consumer in the distribution area defined by its license, at the consumer's request.

Within the framework of the Government's resolution on the reform, it was determined, inter alia, that the Electric Company will be the only one to provide distribution services on public land and on public ways, except on public land or on public ways located in the areas of other distribution license holders, and except in areas where distribution services are provided by a cogeneration producer in accordance with the conditions prescribed by law. For the avoidance of doubt, regarding the deployment of an electricity grid connecting between types of facilities in public land and public ways, such as charging stations and streetlights, in which the Electric Company is not distributing at present, the existing situation will be maintained**.**

It should be clarified that a criterion in the Land Tract as determined in the framework of the Authority's decision from November 17, 2021, may affect the Company's mix of customers in high voltage and low voltage in a way that will increase the number of high voltage consumers relative to low voltage consumers.

On December 6, 2022, the Electricity Authority's decision "A new connection to the electricity grid in a tract of land" was published in the Official Gazette and the new Regulation entered into effect, which mainly determines new grid boundaries between a distributor and a tract of land owner who seeks a new connection and/or increasing the existing connection and other actions to the electricity grid. In general, the criteria anchor that stated in the Government's Resolution as detailed above.

See Note 1e to the Financial Statements and Section 1.3 above with respect to the provisions of the Electricity Sector Law that state restrictions to possession of licenses in general and for the distribution section in particular. Since most of the private electricity producers use the transmission and/or distribution grid and pay infrastructure services for this, the Company estimates that the Company revenues in the transmission and distribution segment are not expected to be significantly harmed due to the entry of the private producers into the electricity sector, and may even increase. However, an increase is expected in independent decentralized generation of producers and consumers, some of whom are not expected to use the Company's transmission and distribution grids. despite the aforementioned, in light of the transfer to a rate structure of capacity and energy, as long as those independent producers are connected to the electricity grid, and as a result they will be obliged to a payment with respect to the grid's capacity and system rate and as will be determined by the Electricity Authority from time to time.

9.5 Distribution capacity

As on December 31, 2025, the distribution system consisted of approximately 32,905 km of high-voltage grid lines (compared with approximately 31,698 km on December 31, 2024); approximately 56,907 distribution transformers with a total output of approximately 29,732 megavolt-amperes (compared to approximately 55,758 distribution transformers with a total output of approximately 28,818 megavolt-amperes as of December 31, 2024) and approximately 44,411 km of low voltage grid lines including connection cables to homes (compared to approximately 43,150 km of low-voltage grid lines as of December 31, 2024).

9.6 Fixed assets, land and facilities

See Section 7.6.1 above for details on assets that serve the Company in its fields of activity, including in the field of transmission and transformation.

The Company has district and regional offices, in total area of approximately 160,000 m^2.

In addition, the Company has approximately 19,000 transformation, switching and bulk rooms dispersed nationwide.

See Section 8.6 above and Note 12 to the Financial Statements for details on the type of rights of the Company to these properties. In addition, the assets of the Company in the field of operation include assets, mainly grids and lines, which are in Judea and Samaria (the West Bank) (including in the territories of the Palestinian Authority) (hereinafter: the "**Territories**"). The Company estimates that the use of these assets for the supply of electricity will continue, and the assets will continue to be owned by the Company. If the ownership of the remainder or some assets in the Territories will be moved from the Company, the Company cannot assess whether the Company will receive full or partial indemnification, if any, for these assets.

9.7 Development of the Electricity Sector –the distribution segment

9.7.1 Manner of establishing the Development Plans of the distribution segment

See Section 23.1.3.2 for details on the duty of the Company to submit a Development Plan and comply with its prescribed conditions and schedules.

The Company presented the Minister of Energy with a development plan up to 2030. The Company is acting with the Electricity Authority to complete the development plans. The Company estimates that the development plans are expected to provide an adequate response to most of the issues raised in the State Comptroller's report on the "Development and maintenance of the electricity grid". The plan has three (3) key components of the distribution grid: a medium voltage grid, transformers for distribution and a low voltage grid. Each of these components is given attention in the Development Plan with respect to their construction or replacement. In addition, the distribution grid has a component of electricity meters, automation and connection to homes, as well as many strategic projects, such as: improving supply reliability, electrification of trains, national projects for charging electrical transport and more. The Development Plan is intended to adapt the distribution system to the needs of the Electricity Sector in view of the introduction of new substations and the development of existing substations, adding of consumers, increase in the predicted load of existing consumers and antiquation of the existing grid, in accordance with techno-economic planning criteria.
In addition, the plan includes investments required to integrate generation facilities in the distribution system, pursuant to the Minister's policy.

Pursuant to the Electricity Sector Law, the Minister, in consultation with the Authority and with the approval of the Minister of Finance, may require a distribution license holder to submit a development plan of the distribution system to the Minister, and the distribution license holder will prepare the plan in accordance with the guidelines for a system management license owner pertaining to the connection points and reciprocal impact between the transmission system and the distribution system. For additional details see section 1.3 and Note 1e to the Financial Statements.

On October 15, 2024, the Electricity Authority published a decision regarding the Ministers' consultation with the Electricity Authority on the development plan for the distribution system for the years 2024-2030.

For more details, see Note 3q to the Financial Statements.

9.7.2 Key assumptions and restrictions underlying the Development Plan

The distribution grid Development Plan of the Company, which as stated above requires the approval of the Minister in consultation with the Electricity Authority and with the consent of the Minister of Finance, is based on the following data and assumptions:

a. A forecast of the number of new domestic and small business connections and connection expansions, that has been received from the statistics and market research department of the Company, which is adjusted to the forecast of connections executed in the Company's grid divisions.

b. A forecast of the number of new large business connections based on average performance of previous years, produced from the ordering system of the Company.

c. High voltage consumer forecast received from the ordering department of the Company.

d. Technical directives for planning of the distribution grid given by Grid Engineering Division.

e. Directives of the Ministry of Energy, the Electricity Authority, local authorities, and statutory authorities for the planning and execution of national infrastructures, such as the directive of the Ministry of Energy of the year 2001 for building an underground grid in urban and industrial areas featuring high population density.

f. Burial of high voltage lines in accordance with the plan of supply reliability approved with the Electricity Authority.

g. Forecast of natural increase of the peak demand for electricity.

h. Forecast of connecting generation facilities using renewable energies in the distribution grid is based on existing connection orders and forecast of connection orders in accordance with future regulation and tenders, subject to a distributer’s response, grid availability and area and roof potential.

i. Instructions from the Ministry of Energy, Electricity Authority, Local Authorities, and statutory authorities, for planning and executing national infrastructures, such as establishing a grid for charging transportation, electrification of trains, etc.

9.7.3 Anticipated development of additional distribution capacity

The anticipated development of additional distribution capacity is based on long term planning of the Company for 2025 in an alternative adjusted to budget frameworks and the structural change, which is submitted to the Board of Directors within the financial planning of the Company, each year.

Within the Development Plan, in the approved alternative of budget frameworks, and subject to its complete execution, in 2025-2030 approximately 10,023 km of overhead and underground high voltage lines are expected to be added. In addition, approximately 901 km of grid will be replaced.

Additionally, approximately 8,187 km of overhead and underground voltage lines are expected to be added. In addition, approximately 248 km of grids will be replaced and approximately 11,171 transformers. During these years, approximately 4,184 transformers are scheduled for replacement.

9.7.4 Development budget of the distribution segment

In 2025, a sum of approximately NIS 3,134 million was invested in the development of the distribution system. According to the decision of the Board of Directors, the development budget of the distribution system for 2026 is expected to be approximately NIS 3,515 million (the data are compatible with the development plan).

According to the financial planning that was approved by the Company’s Board of Directors in December 2025, the volume of investments expected in 2026-2030 in the distribution system will be approximately NIS 19.1 billion.

The above-mentioned with regard to the Company’s development plan for the distribution segment and the expected development budget for 2026 constitutes forward-looking information, as per its definition in the Securities Law. This information includes forecasts, subjective estimates and other plans of the Company and is based on future data, whose materialization is uncertain and is not under the exclusive control of the Company. The main factors that may affect the non-materialization of the forward looking information or changes occurring in the estimated schedule of its execution, in accordance with that which has been described above, include, inter alia: non-implementation of special projects, change

in the expected growth rate in the number of connections, implementation the structure change in the Electricity Sector and in the Company (see Note 1e to the Financial Statements and section 1.3),the Development Plan to be determined by the Minister including changes that will be made to it, difficulties in securing licenses and/or changes in legislation in the environmental protection and licensing field; the absence of appropriate charge rate coverage (see Note 3 to the Annual Financial Statements); the inability of the Company to raise the financing required for executing the Development Plan, a change in the expected rate of growth of demand for electricity and an increase in the number of consumers.

9.7.4.1 Renewing the distribution grid

During 2025, the Electricity Authority published a decision regarding the renewal of the distribution grid, a mechanism to recognize costs across the years. The decision determines incentives for the Company in order to improve the level of service to its consumers and the electricity producers that connect to the distribution grid.
The Company planned and is working on a detailed renewal plan to improve the reliability of the supply, which includes the replacement and burying of high and low grids, the addition of grid automation and other measures. This plan will be included as part of the development plan for the distribution grid that will be submitted for approval by the Minister.

9.7.4.2 Smart metering project

The smart metering project includes: the installation of "smart energy meters" that are capable of managing and operating the metering remotely, which allow continuous measurement of the energy consumption and additional electrical parameters, data storage and two-way communication. The establishment of a smart metering management center and systems that will enable tracking, control and management of the smart metering data, and providing an indication of the state of consumption and additional indications to customers via the Internet, for the purpose of energy efficiency and the preparation of electricity bills sent to customers.

Smart metering greatly benefits the energy sector of Israel and the smart grid. The project aims to promote the energy sector dealing with challenges such as: use of electric vehicles and regulation for the private producers (primarily renewable energies), competition in the supply sector, etc.

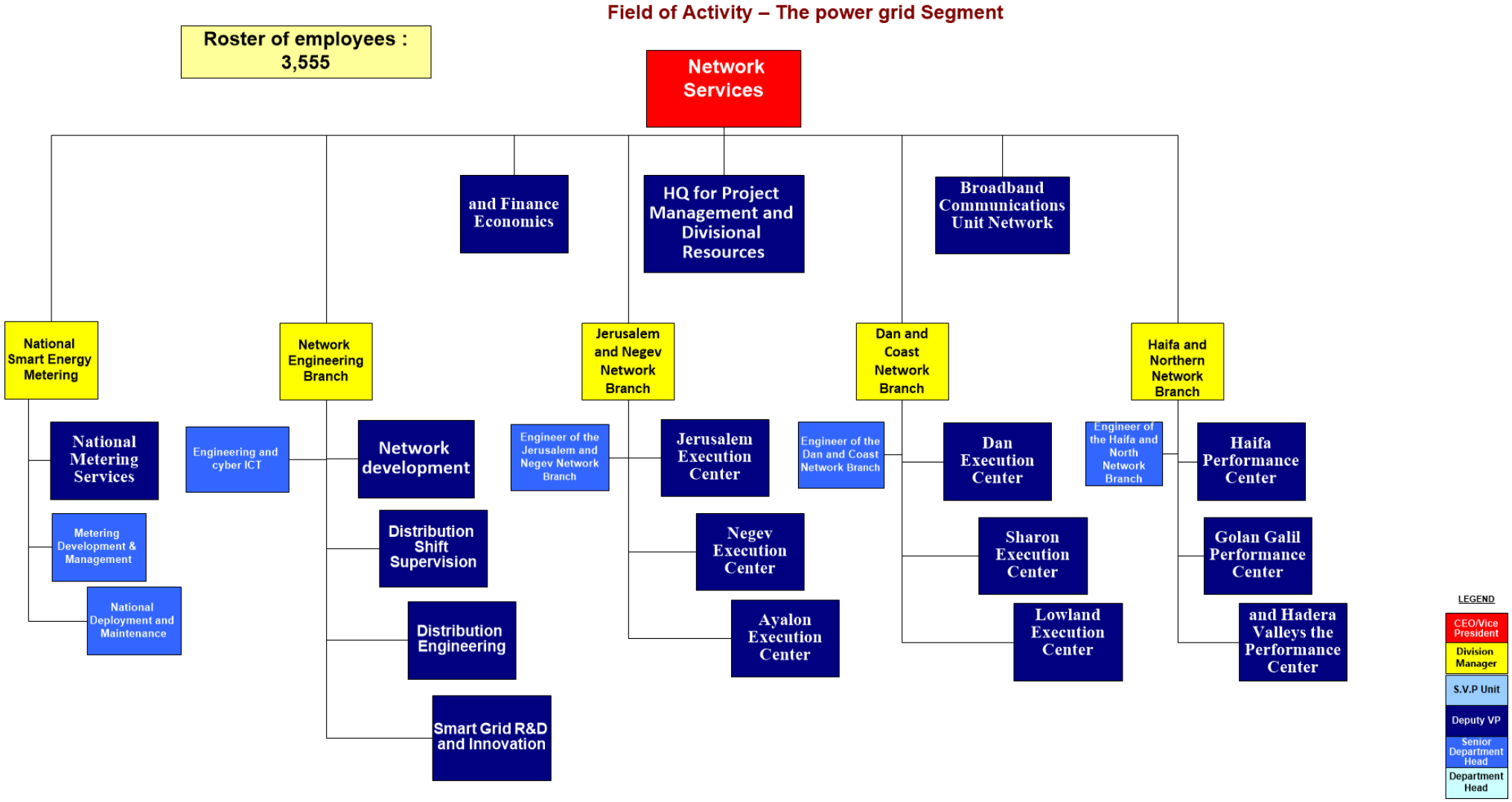
As at the end of 2025, approximately 1.97 million remote smart meters are installed in Israel (domestic and commercial), and smart meters only are installed by the Company from November 2021, in new installations.

In 2025, approximately 685 thousand smart meters were installed nationwide. In 2026, the Company committed to an installation target of 630 thousand smart meters with the Companies Authority.

In February 2020, the Company's Board of Directors approved the outline for the SM project (smart meters) for the interim period (2021-2023) to prepare for the continuation of the project beyond 2024. the Electricity Authority's decision on the 2025 annual update determined that the establishment cost and operating cost over the life of the meter will be NIS 1,100 for smart metering (December 2023 prices) which is supposed to constitute tariff coverage for the Company's expenses. In coordination with the Authority, the deployment of smart meters will be completed in 2028.

9.8 Human capital

The organizational structure of the distribution segment:



As of December 31, 2025, the distribution segment employs 3,555, compared with 3,940 employees as of December 31, 2024 (the number of employees relates to organizational assignment In the Network Services Division – in the Haifa and Northern Network Division, the Dan and Coast Network Division, the Jerusalem and Negev Network Division, the Network Engineering Division, and the National Smart Energy Share Division and does not include employees assigned to other branches and working for the segment and vice versa). The decrease derives from organizational changes. For details of employment agreements and additional details see Note 11 to the Financial Statements.

9.9 Environmental risks and their manner of management – distribution segment

9.9.1 Environmental risks and environmental regulation – general

The Company's operations in the distribution segment are exposed to various environmental risks, including aspects of non-ionizing radiation. For details regarding the environmental risks and regulations applicable to the Company, in addition to those detailed below, see Sections 7.12, 8.9, 11.5 and 22.

9.9.2 Non-ionizing radiation

For the purpose of constructing and operation radiation sources, as they are defined in the Non-Ionizing Radiation Law, the Company is required to hold appropriate permits provided by the Ministry of Environmental Protection pursuant to the law. Setting up or operating a radiation source without a legal permit or with deviation from its conditions may constitute a violation of the law and may even cause, inter alia, the issue of an injunction to remove the radiation source.

The Company holds the permits required for operating the non-ionizing radiation sources it establishes and operates and works in accordance with their instructions.

In accordance with the Non-ionizing Radiation Law, the maximum permitted levels of exposure of persons to radiation from a radiation source will be determined in regulations that were supposed to be promulgated by January 1, 2007. The Non-Ionizing Radiation Law states that as long as no such Regulations have been promulgated on matters pertaining to the Electricity Sector, the Resolutions of the Supervisor of Radiation in the Ministry for Environmental Protection on the issue, inter alia, of conditions in construction and operation permits on matters relating to the Electricity Sector, are to be in accordance with the recommendations in the Experts' Committee Report pertaining to magnetic fields from the electricity grid (hereinafter: the "**Experts' Committee**") of March 2005. The Experts' Committee adopted the ICNIRP threshold value of the maximal exposure from magnetic fields from the electricity grid at the time, namely 1,000 milligauss, and at the same time set the need to implement the principle of care when planning new installations and operating existing installations. The Company is acting on gradual execution of implementation of the principle of care in existing facilities in accordance with the recommendations of the Experts' Committee. Furthermore, according to the Company's estimate and according to tests it has carried out, the electricity facilities it owns meet the ICNIRP directives.

The Ministry of Environmental Protection includes explanatory comments on the issue of non-ionizing radiation in answer to public applications, in non-ionizing radiation measurement reports that are compiled by the Ministry and by private surveyors, and on the website of the Ministry of Environmental Protection. These explanatory comments, in various forms, include information whereby the threshold value for short term exposure to magnetic fields from the electricity grid is 1,000 milligauss, long exposure to levels of more than 4 milligauss is a possible carcinogen and that the recommended average level of 24-hour continuous exposure is to be up to 4 milligauss for the most loaded day of the year, so that according to the calculation by the Ministry, the annual average will not exceed 2 milligauss. These values were also cited in various correspondences received by the Company following which contentions and claims are raised towards the Company. The Company has forwarded its objections to this position to the Ministry of Environmental Protection and to the Ministry of Energy and has asserted that these values are being translated by the public and by some of the authorities into a binding standard, which the Company cannot comply with.

In January 2019, the Ministry of Environmental Protection published Regulations draft by virtue of the Non-Ionizing Radiation Law following an appeal submitted to the High Court of Justice against the Minister of Environmental Protection and others. The Company submitted its comments to the draft. Threshold values were not set in the published draft of regulations, except for a short-term exposure threshold for magnetic fields from the electricity grid of 1,000 milligauss. The draft also states that NIS 31 million will be invested every two years in existing radiation sources, and NIS 70 million will be invested every two years in new radiation sources, in order to implement measures to reduce exposure levels in areas of extended stay.

The Company estimates that the costs caused by the regulations, once they are approved (inasmuch as they are), will receive full recognition as part of the electricity tariff.

The information included in this report and within the Company's financial statements, regarding the Company's estimate that the costs that will be incurred from the regulations, when they will be approved (to the extent that they will be approved), will be recognized in full as part of the electricity rate, constitutes forward looking information, as defined in the Securities Law. This information is based on forecasts and estimates held by the Company as on the date of the report, and which may not materialize or materialize partly or differently than expected, inter alia in light of the fact that their materialization depends on various parties, some of which are not under the control of the Company, including the Electricity Authority and the manner in which it will recognize the aforesaid costs.

9.9.3 Material legal or administrative proceedings with respect to environmental protection

As of the date of the report, to the best of the Company's knowledge, there are no ongoing material legal or administrative proceedings with respect to the quality of the environment in the distribution segment.

9.9.4 Material events or matters with respect to environmental protection

As of the date of the report, to the best of the Company's knowledge, it is not exposed to material events or matters that are related to environmental protection in the distribution segment unless specified above.

9.9.5 The policy of the Company with respect to the management of environmental hazards

See Section 7.12.15 above for details.

9.10 Restrictions to and regulation of the operations of the Company in the distribution segment

9.10.1 Criteria for the reliability of supply – rules of supply of electricity to consumers

See Sections 8.1.2 and 23.1.3.1 for information on the Book of Criteria.

The Electricity Authority published a criterion for compensating consumers and producers with respect to a low level of reliability for supply, which determines the conditions in which customers will be compensated in cases of electricity interruptions exceeding a scope that was determined.

On October 12, 2021, the Company received the Electricity Authority's decision concerning an incentive mechanism with respect to consumer and producer connection to the distribution grid, for improvement of the connection time of consumers and producers wishing to connect to the distribution grid, as well as a decision presenting a model for assessing compliance with the goals set. On November 27, 2025, the Electricity Authority published a decision on continuing incentives for the development of a distribution grid and improving supply reliability. This decision sets goals for the Company in order to improve the level of service to its consumers, with the aim of reducing the minutes of non-delivery to the consumer in the next decade by 30% compared to the average minutes of non-delivery in the years 2022-2023, while reducing the variation between different regions, as well as incentives for meeting the goals. The decision entered into effect in 2025 and will continue until 2032. Meeting the goal will be carried out every year when updating the annual rate for the past year.

On November 7, 2022, the Electricity Authority published a decision regarding incentives for burying high voltage lines existing in built-up areas, the incentive will be given to the Company with the update of the Company's annual rate for the previous year as of the 2024 annual update.

9.10.2 Criteria for the quality and reliability of supply – rules of supply of electricity to consumers

In November 2025, the Electricity Authority published a Decision No. 72707 Support for the implementation of the development plan for the distribution system for the years 2025-2030 regarding indices of the level of supply reliability (Electricity Authority Decision Amendment No. 63158 - Incentives for the Development of the Distribution Network):

(a) Changing the measurement method of the minutes of non-delivery index to measurement based on disconnected customers instead of based on disconnected installed capacity.

(b) Stages for supply reliability target until 2032 of 90.4 minutes of average non-delivery per customer per year, from the minutes of non-delivery that are caused by interruptions in the high-voltage grid and in the transmission and transformation segment only.

(c) The Company will work to reduce the variance among different regions.

(d) The costs of projects that are intended to improve the reliability of supply will be recognized in the electricity rate.

The total customer non-supply index for 2025 was 156.4 minutes, compared to 158.4 minutes in the concurrent period the previous year

The rate of non-supply minutes caused by interruptions in the high-voltage grid and in the transmission and transformation sector in 2025 was 108.6 minutes per customer, compared to 106.5 minutes in the concurrent period the previous year.

The standard deviation between the regions in 2025 was 35.7 minutes for the components of this index, compared to 35.7 minutes in the concurrent period the previous year.

The Company works to improve indices of supply reliability as part of a long-term work plan until 2032.

The Company performs electricity quality characteristics monitoring, analysis of exceptional events in the electricity grid and multi-year statistics of electricity quality characteristics, all to ensure the Company's compliance with the relevant standards and criteria for electricity quality monitoring.

For details regarding the Book of Criteria, see section 23.1.3.1 below.

9.11 Raw materials and suppliers

As of the date of the report, there are no suppliers in the distribution field on which the Company has material dependence.

10. The Supply Segment

10.1 General information regarding the supply segment

10.1.1. Structure of the area of operation and changes occurring therein

The electricity supply operation is carried out under the unified license received by the Company in 1997 for "transmission, distribution, supply, sale of electricity and trade thereof". For further details regarding the General License, see section 23.1.2 below.

The supply segment includes the production, distribution and handling of electricity invoices, collection system as well as consumer services mainly including customer call center, frontal customer service and customer account managers.

Pursuant to the Government's Resolution with Respect to the Reform, the Electric Company will not compete in the supply segment for consumers of high voltage, ultra-high voltage and extra-high voltage but will collect the rate that will be determined by the Electricity Authority. The issue will be reexamined by the Electricity Authority, the Ministry of Energy, the Ministry of Finance and the Competition Authority after 5 years from the date of the Government's resolution, inter alia in accordance with the terms of competition in the sector.

The Company will serve as a default supplier in the supply segment.

Additionally, under section 5(d)(2) of the Electric Sector Law, each distribution license holder will be required to sell electricity to any consumer in the distribution area defined in his license in accordance with his request. Each holder of a distribution license which distributes in an area defined in his license is the default provider in that area.

Regarding the supply segment for low-voltage consumers, pursuant to the Government's resolution on the reform, in the low voltage supply segment, insofar as it will open to competition gradually, the Company will be permitted to compete (in a fair manner and subject to regulation that will be determined) only if the number of the Company's customers dropped below 60% of the number of customers in the low voltage supply segment, subject to the Minister's policy and pursuant to regulation that will be determined.

In addition, pursuant to the Government Resolution with Respect to the Reform, from the date on which the number of consumers of the Company will fall below 75% of the total consumers in the low voltage supply segment - the Company will be able to provide cyber services to all consumers, and "smart home" services and energy efficiency for low voltage consumers only (this issue will be defined in the supply license that will be given to the Company after the expiration of the general license currently in its possession).

For additional details regarding the Structural Change, including in relation to the supply segment, see Note 1e to the Financial Statements.

10.1.2. Restrictions, legislation, standards and special constraints that apply to the area of operation

The Company's operation in the supply segment, similar to the other areas of its operation, is subject to legislation restrictions, such as those set in the Electricity Sector Law Electricity Sector Rules (Standards for the Level, Quality and Standard of Service Provided by an Essential Service Provider), 2018, and Electricity Sector Rules (Electricity Tariffs), 2018, which were determined in accordance with the Electricity Sector Law and to constraints related to licensing issues and requirements for permits from authorities and various government ministries such as the Electricity Authority, the Ministry of Energy and the Ministry of Environmental Protection and to emergency and development plans in the electricity sector. As aforesaid, the electricity supply operation is carried out under the Unified License. Pursuant to the outline of structural change, the Company will operate in the supply segment through a separate profit center. For additional details see section 22.1.3.6 below.

10.1.3. Changes in the volume of operation in the field and its profitability

The Company estimates that the major factors that affect the volume of the Company's operation in the field of supply are regulation and rules of competition that were and will be determined in the sector in accordance with the criteria to be determined by the Electricity Authority. For details, see section 10.1.1 above. The Company's compliance with the efficiency goals detailed in the rate that entered into effect as of 2018 and the structure of the rate that will be determined in future may affect the profitability of the Company in this sector.

10.1.4. Critical success factors in the field of operation and the changes occurring therein

The Company estimates that the business success of the supply segment mainly depends on the Company's ability to improve efficiency both in terms of the Company's costs and structurally and in the professionalism of its employees by providing quality service to its customers. In addition, fair competition conditions are required, including an effective rate structure.

10.1.5. Main entry and exit barriers of the field of operation and the changes occurring therein

Entry barriers

The Company estimates that the main entry barrier to the field of operations is the receipt of a supply license.

Exit barriers

The regulation which regulates the operations of the Company and its being an "essential service provider", in accordance with the Electricity Sector Law and the provisions of its licenses, obligates it to supply electricity to the general public, reliably and efficiently, in accordance with the conditions of its license, are the main exit barriers from the area of activity.

10.2 Products and services

The main services in the supply segment include preparation and Issue of invoices and collection actions, customer call center, frontal customer service and customer account managers.

10.3 Segmentation of revenues products and services

For details of the Company's revenues from electricity sales that were attributed to the supply segment see Note 35 to the Financial Statements.

10.4 Competition

Private producers holding a supply license in addition to the generation license, which enables them to also serve as suppliers to end consumers, and private suppliers that do not possess generation facilities, leads to a reduction in the Company's activity in this sector accordingly. For details of the Government's resolution regarding the reform and its effects on the supply segment, see section 10.1.1 above and Note 1e to the Financial Statements.
As part of the policy to encourage competition in the Electricity Sector, in 2005 the Electricity Authority added Chapters E and F to the Criteria Book (which is updated from time to time)[21], which regulate, among other things, the provision of infrastructure services according to which private electricity producers can sell energy to Noga or to suppliers, in order to supply electricity to end consumers through the Company's transmission and distribution grids; the manner of operation of private energy producers in the Electricity Sector; as well as the rate that the Company will charge for the transmission and distribution of electricity in accordance with the rate that will be determined from time to time by the Electricity Authority (**the "Criteria book"**).

On January 1, 2023, the Electricity Authority's decision came into force regarding the market model for distribution in which electricity producers of all technologies, including renewable energies and storage, can construct facilities, merge them into the electricity grid, and as of January 1, 2024, and also sell electricity in bilateral private transactions to virtual private suppliers that do not possess generation facilities, without the need for price supervision. The possibility of electricity producers selling electricity directly to suppliers depends, inter alia, on the deployment of smart meters for the purpose of associating consumers and producers.

Following the Minister of Energy's announcement of February 14, 2024 regarding the transition of consumers without smart meters to private suppliers and the promotion of competition in the supply sector during the third quarter of 2024, on April 18, 2024, the Electricity Authority published Decision No. 68807 on the subject of updates and changes to standards - integrating basic meters into supply competition, with the aim of removing barriers and promoting competition in the supply sector.

On May 20, 2025, the Electricity Authority published a decision on the principles of bilateral market regulation for generation and storage facilities connected to or integrated into the transmission grid. The regulation allows for bilateral transactions between producers in the transmission grid and virtual suppliers. In the first phase, in order to encourage the establishment of renewable energy generation facilities in order to meet renewable energy targets only to renewable energy facilities, including facilities that integrate storage and independent storage facilities. The regulation came into effect on January 1, 2026,

In order to increase capacity in the competitive market and in light of the problem of capacity shortage in the bilateral market, on November 27, 2025, the Electricity Authority published a decision that allows virtual suppliers, temporarily until the end of 2029, to purchase availability directly from the system administrator through tender procedures, without being required to carry out private transactions with producers. After this date, these suppliers will be required to purchase capacity in the bilateral availability market. The capacity allocated in the first procedure in this regard was set at 520 megawatts at a rate of 9.32 Agorot per kilowatt.

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[21] The Criteria Book is published for the public on the Electricity Authority website at: http://www.pua.gov.il/31-339-he/Electricity.aspx. For details about the Criteria Book, see section 23.1.3.1

To the best of the Company's knowledge, as of the Financial Statements approval date, there are 50 virtual suppliers with a supply license from the Electricity Authority, who do not have generation facilities.

The volume of energy sold by private suppliers, for which the Company was paid infrastructure tariffs, is approximately 24,160 million kWh constituting an increase of 12% compared to the corresponding period last year. The number of consumption locations that were transferred to private suppliers in aggregate as of 2025 amounts to approximately 342.7 thousand customers, an increase of approximately 116% compared to the corresponding figure as of December 31, 2024.

For details on the results of the Company's activity in the supply segment, see Note 35 to the Financial Statements.

Further to the proposed decision for a hearing dated July 20, 2025, on January 4, 2026, the Electricity Authority published a decision on the subject of debt collection procedures and enforcement tools - consumers on non-domestic load and time rate. In addition, further to a draft resolution for a hearing published by the Authority on January 4, 2026, on March 11, 2026, the Electricity Authority published a decision on the subject of adding a collection tool to a defaulting supplier for debt collection.

For further details, see Note 3w to the Financial Statements.

Impact on profitability in the consumer services segment (supply):

The Company's revenues in the supply segment, which constitute part of the costs with respect to consumer services, currently constitute only 2.4% of its total revenues and are collected from the Company's customers through a fixed payment for supply that is not dependent on demand.

As of the date of publication of the report, most of the customers in Israel in low voltage are customers of the Company in the supply field. In light of the fact that the segment's revenues constitute a small share of the Company's total revenues, as aforesaid, under the current rate mechanism profitability is not expected to be materially affected by the transfer of additional customers to private suppliers, nevertheless, the structure of current supply tariff does not reflect the cost structure and departure of customers generates revenue losses for the Company in the supply segment. In light of the expectation that customers will leave in favor of private suppliers and in order to prevent revenue losses for the Company, the Electricity Authority has determined an adjustment of the cost of the supply service by increasing the tariff for supply services to its low-voltage consumers. For further details regarding the tariff structure update, see Note 3b and 3c in the Financial Statements. in addition, this may have indirect effects, especially after opening of the supply segment to full competition.

As described above following the provision of the option for consumers with basic meters to switch to private suppliers, there was an increase in the number of consumers who left the Company in favor of private suppliers. The regulation established by the Electricity Authority on the subject is intended to encourage the expansion of competition in supply. Therefore, the Company estimates that the trend of the leaving customers will continue in the coming years. As of the end of 2025, approximately 89% of low-voltage customers purchase electricity supplied by IEC.

The Company's estimates regarding the possible implications of the transfer of customers to other suppliers and the opening of the supply sector to competition constitute forward-looking information, as defined in the Securities Law. These estimates are based on information available to the Company at the date of the report, and may not materialize or materialize partially or in a different manner than expected, inter alia, in light of the fact that their materialization depends on various factors, some of which are not under the Company's control, such as: the volume of entry of other suppliers into the electricity sector, the manner in which the rate will be determined, and the costs that will be recognized for the Company in practice.

10.5 Environmental risks and manner of their management – supply segment

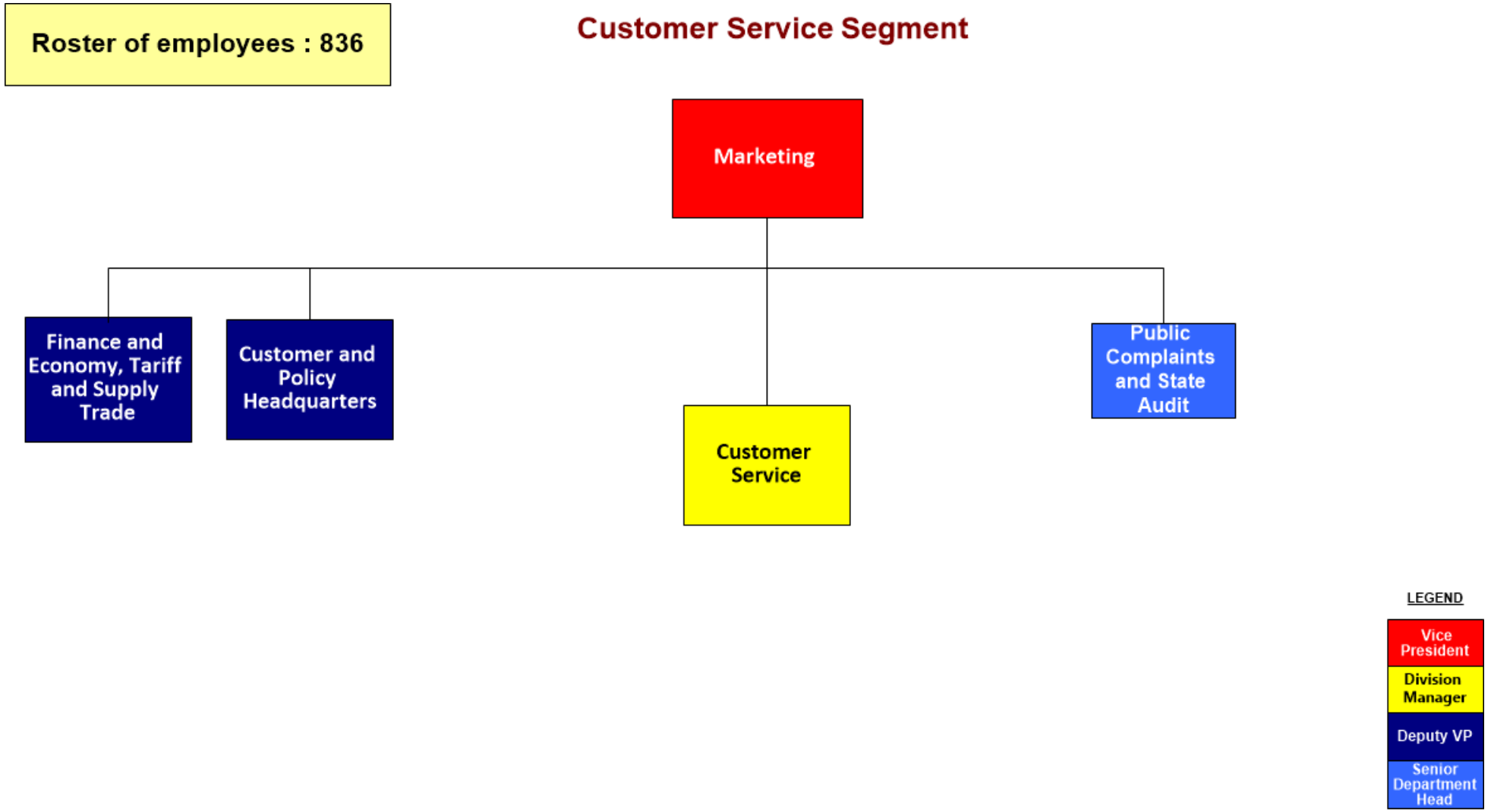
For details of environmental risks that the Company's operation is exposed to in the supply segment see section 7.12 above.

10.6 Legal Proceedings

For details regarding legal proceedings and class actions, including proceedings with respect to the supply segment, see Note 34b to the Financial Statements.

10.7 Human Capital

The organizational structure of the Supply Segment



As of December 31, 2025, the supply segment (Customer Service Division) employs 836 in the Service Division and the Customer Service Branch, compared with 714 employees as of December 31, 2024 (the number of employees relates to organizational assignment In the Service Division and Customer Service Branch and does not include employees assigned to other branches and working for the segment and vice versa). For details of employment agreements and additional details see Note 11 to the Financial Statements.

11 Storage segment

11.1 General information regarding the storage segment

11.1.1 Structure of the activity in the field and the changes occurring therein

In accordance with Government decision 3859 regarding "reform in the electricity sector and structural change in the Electric Company" dated June 3, 2018, the Company may establish and operate storage facilities only within the physical infrastructure of the transmission network, when the storage in the aforementioned physical infrastructure will be determined in the development plan prepared by the System Manager and will be approved by the Minister of Energy and Infrastructures, after consultation with the Minister of Finance. Also, the Company may plan, establish and operate storage facilities only within the physical infrastructure of the distribution network and all according to principles established by the Electricity Authority for the integration of storage facilities in the distribution network.

On January 25, 2023, the Electricity Authority's decision No. 64701 was published on the topic: "Principles for the integration of the Electric Company in the field of energy storage in the transmission and distribution network" (in this section: "the Authority's decision") in which it was determined, inter alia, that:

1) The Company will be allowed to establish storage facilities, only in substations/switching stations.
2) The Company's storage license will be attached to its transmission license.
3) The main purpose of the Company's storage facilities is to meet systemic needs for the integration of renewable energies ("the main purpose"). Therefore, the deployment plan will be determined in coordination with the System Manager and with the approval of the Electricity Authority. In addition to the main purpose - integrating renewable energy, the storage that will be situated in substations will enable a solution to congestion, reliability, and quality problems in the distribution network; will allow for an increase in the percentage of transformer loading in the substation; will make optimal use of the degraded land; and will also enable more efficient utilization of resources.
4) It will be possible to use the storage facilities to be established for the main purpose for other systemic needs and also for the Company's needs, at times when they are not required for systemic needs.
5) The storage capacity that the Company will be allowed to establish will be 15% of the storage capacity that was established by the private market in the year prior. For this purpose, the Electricity Authority will examine in the first quarter of each year the scope of storage promoted by the private market[22] in the previous calendar year and will determine the scope of storage to be added to the Electric Company. As part of the decision the Authority determined an initial advance for storage of 150 MW for the Company. It was also determined that the Company will not be given additional capacity until the total capacity calculated for the Company at all examination dates exceeds 150 MW.
6) The storage facilities will be operated by the Company in accordance with the guidance, supervision and control of the System Manager in all that concerns the use of the storage facilities for systemic needs.

On May 7, 2024, the Minister of Energy and Infrastructure signed a transmission and storage license for the Electric Company for a period of 20 years from the date of the Minister's signature as mentioned above, detailing the various roles and responsibilities of the Company in the field of transmission and storage. As part of the aforementioned license, it was determined, inter alia, that the main purpose of the storage facilities to be established by the Company is to provide a response to systemic needs in the transmission system, for the purpose of integrating renewable energies and that the additional purpose of the storage facilities to be established in order to achieve the main purpose, as stated, is to provide a response to additional systemic needs in the transmission system and for congestion problems, continuity, reliability and quality of electricity in the distribution network. In accordance with the aforementioned license, the Company will only build storage facilities in substations, according to the development plan and will operate and maintain the facilities in accordance with the provisions of the license, the decisions of the Electricity Authority, as well as according to the instructions of the System Manager regarding the use of the storage facilities for systemic needs.

Following the Electricity Authority's decision published on September 26, 2023, regarding the plan to deploy the first five facilities to be built in the substations of IEC, on January 30, 2025, another decision was published that determines the deployment plan for the construction of ten additional storage facilities in the Company's substations, so if the plan is fully implemented, storage facilities with an aggregate installed capacity of approximately 150 megawatts and an aggregate capacity of 600-megawatt hour will be constructed.

On May 21, 2025, the Electricity Authority published a decision on the subject of determining a recognized cost for the first five storage facilities being constructed by the Company. For additional details, see Note 3t and 3u to the Financial Statements.

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[22] In this regard, the "scope of storage promoted by the private market" includes - the installed storage capacity, including the storage capacity integrated into a generation facility and excluding pumped storage facilities; as well as storage facilities that have been given a commitment to connect to the grid and have not yet begun commercial operation.

The foregoing regarding the deployment plan for the construction of additional storage facilities in the Company's substations constitutes forward-looking information, as this term is defined in the Securities Law. This information is based on plans and information available to the Company as of the date of the report and which may not be realized or may be realized partially or differently than expected, in light of, among other things, the fact that their realization depends on various factors, some of which are beyond the Company's control, including the Electricity Authority.

In light of the aforementioned, the Company's activity in the storage segment is carried out in accordance with and subject to the provisions of the transmission and storage license, and includes:

a. Construction of storage facilities in substations, according to the development plan and with capacity allowed for construction, according to the decisions of the Electricity Authority.
b. Operation and maintenance of the storage facilities in accordance with the decisions of the Electricity Authority and the directives of the System Manager, with regard to the use of the storage facilities for systemic needs.
c. Responsibility for the process of planning, characterization, procurement and construction of the storage facilities in substations in accordance with the decisions of the Electricity Authority and the directives of the System Manager.
d. Responsibility for inspection and physically connecting the storage facilities to the electricity grid.
e. Transferring information to the System Manager, in real time or retrospectively, about the activity of the storage facilities, in accordance with the System Manager's requirement.

In addition, the possibility to carry out pilot for kosher electricity supply to a neighborhood in Bnei Brak through storage facilities, is being reviewed by the competent State Authorities.

11.1.2 Restrictions, legislation, standards, and special constraints that apply to the area of operation

The Company's activity in the storage segment, similar to its other fields of activity, is subject to legislative restrictions, such as those stipulated in the provisions of the Electricity Sector Law and the Government Companies Law, the transmission and storage license, the decisions of the Electricity Authority and the directives of the System Manager, as well as subject to many constraints such as licensing and permits from various Authorities and Ministries such as the Electricity Authority, The Ministry of Energy and the Ministry of Environmental Protection and emergency plans in connection with the electricity sector.

The location of the Company's storage facilities is only in substations. The purposes of the facilities are limited and are used mainly to integrate renewable energies into the distribution network. In addition, the Company's market share in this segment is limited, as detailed in section 11.1.1 above.

As stated in Section 11.1.1 above, this activity is carried out in accordance with the transmission and storage license granted to the Company.

11.1.3 Changes in the scope of the operation and its profitability

The scope of activity in the field is in accordance with the decision of the Electricity Authority according to which the storage capacity allowed to be established by the Company will be 15% of the total scope of storage promoted by the private market in the previous year. For additional details and the decision of the Authority on the matter, see Section 11.1.1 above. The total scope of storage for the Company is determined in accordance with the examination that the Electricity Authority performs in the first quarter of each calendar year, and according to the results of its examination, the scope of storage is determined for the Company in this year.

11.1.4 Critical success factors in the field of operation and the changes occurring therein

The Company estimates that business success of the storage segment depends mainly on the Company's ability to make the necessary investments in this segment according to the development plan, on identifying risks and providing an adequate response for renewable energies, establishment costs, on the costs of maintenance and operation of the storage facilities, on the professionalism of its people to comply with the maintenance of the storage facilities and on the recognition of the total costs required for storage.

11.1.5 Main entry and exit barriers of the field of operation and the changes occurring therein

11.1.5.1 Entry barriers

The Company estimates that the main entry barrier in the field of activity is the need to obtain a storage license according to the Electricity Sector Law.

11.1.5.2 Exit barriers

The main exit barrier from the field of activity is the regulation that regulates the Company's activity and having an "Essential Service Provider" license according to the Electricity Sector Law.

11.2 Products and Services

The main products expected in the storage sector are energy storage facilities which will be set up inside the substations according to a plan coordinated with Noga as well as testing other technologies in this field. As of the publication date of this report, three storage facilities received electrification approval and two are in the test-run process and ten additional facilities are in a tender process for their construction.

11.3 Segmentation of revenues from products and services

As of the Financial Statements date, the storage segment has no material activity. In addition, full tariff regulation has not yet been determined for the Company's activity in the storage segment.

11.4 Competition

The Electricity Authority has published a series of regulations and competitive procedures for storage facilities, both stand-alone facilities and storage integrated Photovoltaic power generation facilities aimed at promoting the introduction of renewable energies in accordance with the goals set by the Government.

On February 13, 2025, the Electricity Authority published a decision regarding the winning bids in a competitive process to determine an availability rate for storage facilities that connect to or integrate into the high-voltage grid. In this procedure, 11 bids with a total capacity of 1,500 megawatts were awarded, and the availability rate determined for each winner individually ranges from 1.8 to 3.83 Agorot per kilowatt. The Electricity Authority intends to allow the transition of the facilities that will be built in this procedure to market regulation, subject to the conditions, as detailed in the decision.

For details regarding the storage capacity that the Company will be allowed to establish in relation to the total storage capacity that will be established by the private market, see Section 11.1.1 above.

11.5 Environmental risks and manner of their management – storage segment

The Company's activity in the storage segment is exposed to various environmental risks, including the storage and use of hazardous materials, contamination of soil and water sources, non-ionizing radiation and more. For details regarding the environmental risks and the regulation applicable to the Company in these areas in addition to what is specified below, see Sections 7.12, 8.9, 9.9 and 22 above.

11.5.1 Hazardous materials

The lithium batteries used in the storage segment are included in the toxins permit of the Transformation Operation Division, for more details see Section 8.9.3 above.

11.5.2 Non-ionizing radiation

Following discussions with the Ministry of Environmental Protection, the establishment of the storage facilities in the area of the relevant substations does not require an additional permit according to the Non-Ionizing Radiation Law, subject to compliance with certain conditions detailed in the Ministry's approval. For more information on radiation permits in accordance with the Non-Ionizing Radiation Law, see Section 9.9.2 above.

11.6 Fixed assets, land and facilities

As stated in Section 11.2 above, as of the date of the report, three storage facilities received electrification approval and two are in the test-run process and 10 additional facilities are in a tender process for their construction. For more details, see Note 3r to the Financial Statements.

11.7 Storage Segment Development Budget

In 2023-2025 an amount of approximately NIS 256 million was invested in energy storage activities for the installation of 5 energy facilities.

The budget for 2026-2027 is approximately NIS 422 million for 10 additional energy storage facilities (of which approximately NIS 279 million in 2026).

The foregoing regarding the Company's expected development budget in the storage sector constitutes forward-looking information, as defined in the Securities Law. This information includes forecasts, subjective assessments and other plans of the Company and is based on future data, the realization of which is uncertain and is not within the Company's sole control.

Part 4: Description of the Business Affairs of the Company – Information Relating to Matters that Pertain to the Operations of the Company as a Whole

Information relating to matters pertaining to the activity of the Company as a whole – general

Further to the information that has been described above, which addresses each sphere of operations of the Company on an individual basis, information that pertains to matters that relate to the operations of the Company as a whole has been recorded below. The information that appears in this part, along with the information that appears above, reflects a description of all the areas of business of the Company based on the consolidated report.

12. Customers - electricity consumers

12.1. Number of Company Customers

As of December 31, 2025, the number of customers of the Company stood at approximately 2,852 thousand customers, in comparison with 2,987 thousand customers on December 31, 2024, representing a decrease of approximately 135 thousand customers. The electricity consumption in 2025 was approximately 47,303 million kWh, which constitutes a decrease of approximately 1,389 million kWh in comparison with 2024.

12.2. Classification of Company customers

The Company classifies its customers into residential, low voltage business sector, high voltage business sector, ultra-high voltage business sector, the East Jerusalem Electricity Company and the Palestinian Authority.

The table that appears below shows the electricity data by customer types in the twelve-month period that ended on December 31, 2025, and 2024 (in millions of kWh, and in percentages) (for details of Company revenues according to customer types see Note 26 to the Financial Statements):

	Total electricity consumption In percent	**2025**	**Total electricity consumption In percent**	**2024**
Residential	44.8	21,182	47.4	23,046
Low voltage businesses	26.6	12,566	26.2	12,780
High voltage businesses	12.9	6,096	12	5,839
Ultra-high voltage businesses	1.9	922	1.3	627
East Jerusalem Electricity Company and Palestinian Authority	13.8	6,537	13.1	6,400
Total	100	47,303	100	48,692

12.2.1 The domestic sector –

As of December 31, 2025, the Company is serving approximately 2.5 million households.

In the year that ended on December 31, 2025, the revenues from the residential sector decreased by approximately 4.7% compared with the revenues of this sector in the corresponding period.

The decrease in revenues derives from a decrease in residential consumption by approximately 8.1%. alongside an increase in the average price of approximately 3.4% relative to the corresponding period during the preceding year.

12.2.2 The Low Voltage Business Sector –

The sector is characterized by small business customers such as shops, garages, and health insurance branches. The revenues of the low voltage business sector increased by approximately 3.2 % compared to the corresponding period last year:

The increase in revenues derives from an increase of the average price of approximately 4.9% relative to the corresponding period during the preceding year.

12.2.3 The High Voltage Business Sector –

This sector is characterized by high voltage business customers such as universities, industrial parks and shopping centers. The revenues of the high voltage business sector increased by about 10.5% compared to the corresponding period last year. The increase in revenues is due to an increase in consumption of the high voltage business sector by about 4.4% alongside an increase in the average price by about 6.1% compared to the corresponding period last year.

12.2.4 The Ultra-High Voltage Business Sector -

The Ultra-High Voltage Business Sector contains a small number of customers in a variety of occupations such as industrial plants and infrastructure providers.

The revenues of the ultra-high voltage business sector increased by about 55.7% compared to the corresponding period last year.

The increase in revenues derives from an increase in consumption of the ultra- high voltage business sector by approximately 47.0% alongside an increase in the average price of approximately 8.7% relative to the corresponding period in the preceding year.

12.2.5 The East Jerusalem Electricity Company and the Palestinian Authority

In the report period, the revenues from the East Jerusalem Electricity Company ("**EJEC**") and the Palestinian Authority (PA) increased by approximately 8.6% compared with the corresponding period in the preceding year.

The increase in revenues derives from an increase in the consumption of EJEC and PA by approximately 2.1% alongside an increase in the average price of approximately 6.5% relative to the corresponding period in the preceding year.

In addition, the Company recognized revenues from prior periods in the amount of NIS 473 million, for details see Note 6c to the Financial Statements.

Payments by the Palestinian Authority and the East Jerusalem Electricity Company are executed though transfer of payments by the Palestinian Authority and by the East Jerusalem Electricity Company, and by transfers received by the Company from the Ministry of Finance, out of the amounts credited to the Palestinian Authority at the Ministry of Finance. For details regarding the debts of EJEC and PA and the legal proceedings conducted between the Company and EJEC and regarding the measures taken by the Company in view of the scope of the accrued debt of EJEC and the debt arrangement according to the outline approved by the Political and Security Cabinet and the Company's Board of Directors see Note 6c to the Financial Statements.

12.3 Types of electricity charge rates

In accordance with the provisions of the Electricity Sector Law, the Electricity Authority determines separate electricity charge rates for the Company for its different sectors of activity. However, most of the electricity consumers (consumers of "domestic", "general" electricity charge rate and some "public street lighting", in accordance with what is stated below) pay, for electricity, one weighted uniform charge rate for the entire year, which includes all of the segments of operations of the Company.

In accordance with the provisions in the Criteria Book , as of the date of the report, the electricity charge rates for the consumer are divided into four types, as follows:

(A) Uniform charge rates – a charge rate that is calculated on the basis of an annual average in accordance with the "load and time charge rate" (in accordance with that which has been stipulated below) and the characteristics of the consumption hours of the group to which the consumer belongs. The groups for this purpose are as follows: (A) "domestic" – homes that are used for the purpose of residence only, buildings for agricultural purposes and places of worship; (B) "public street lighting" – street and public garden lighting; and (C) "general" – an electricity charge rate that is intended for buildings that are used for workshops, industry or commerce, including educational and cultural institutes, absorption centers, buildings that are used by non-profit associations and institutions, clinics, hospitals, Government ministries and buildings that are temporary connected (in other words, relates to the other consumers at a uniform charge rate that is not the "domestic" or "public street lighting" charge rate);

(B) "Bulk" (a charge rate that applies to the sale of electricity to the Palestinian Authority);

(C) "Load and time charge rate" – a charge rate that is calculated in accordance with the load of the system and the consumption time;

(D) A "concentrated sales charge rate" – an electricity charge rate for low and medium voltage consumers that distribute and provide electricity to others.

The load and time charge apply on a mandatory basis to all high voltage, medium voltage and low voltage consumers whose connection size is 3X200 amperes or more, or whose annual consumption exceeds 40,000 kWh. The load and time charge rate is based on the marginal costs in the system and is intended to create a direct connection between the costs of electricity generation and supply at the various times and the price that the consumer pays. In the electricity bill of load and time charge rate consumers, consumption is listed by different hour clusters (in accordance with the seasons of the year, the day of the week and the time of the day) and they have a programmable electronic meter installed for the purposes of this charge rate. The kWh prices for the load and time charge rate also vary in accordance with the supply voltage. In addition, each uniform charge rate consumer to which the mandatory load and time charge rate does not apply can ask to enroll in an optional load and time charge rate.

As of December 31, 2025, the total number of consumers who use the load and time charge rate is approximately 106,696 in comparison with 104,656 consumers as of December 31, 2024. In other words, approximately 3.7% of the total number of electricity consumers consumes approximately 41.2% of the total annual electricity consumption.

As of December 31, 2025, the total number of consumers using the "residential" charge rate is approximately 2.5 million, in comparison with approximately 2.63 million for December 31, 2024. In other words, approximately 88% of the total number of electricity consumers consumes approximately 45% of the total annual electricity consumption.

13. Seasonality

The demand for electricity in the State of Israel is seasonal. The seasons in this context are defined as the summer (June to September, inclusive), winter (December to February, inclusive) and the transitional seasons – spring (March to May, inclusive) and autumn (October to November, inclusive). The demands are higher during the summer (due to the use of air conditioners) and in the winter (due to the use of heating appliances) than in the transitional seasons (autumn and spring). In the winter and summer, the average electricity consumption was higher than that in the transitional season and also features days of peak demand due to extreme conditions of heat and cold. Also, the Company's revenues in the different seasons are affected by the change in tariffs for consumers who pay according to load and time charge since the load and time charge rates are higher on average, in the summer and winter seasons, compared to the load and time charge rates in the transition seasons.

	Breakdown of Revenues from Electricity, net, for 2025 and 2024 In NIS million				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
2025	6,459	5,719	8,716	5,537	26,431
2024	5,555	5,899	8,890	5,497	25,841

14. Research and development

The Company's Innovation Unit was established in 2020. The Unit's budget for 2025 was approximately NIS 40 million, of which approximately NIS 6.5 million are for research and development. Innovation activity in the Company is divided into four main fields:

1. open innovation, i.e., joint work with start-ups in technological pilots, with the Company providing the envelope, including expertise and infrastructure (the electricity grid and infrastructures unique to the electricity and energy sector for examining new technologies) while the start-up brings the technology it is proposed to examine.
2. Intra-organizational entrepreneurship includes building a cross-company innovation community, training innovation leaders in tools and methodologies that will be able to operate in the organization and the various departments and motivate innovation processes, building courses on innovation issues for the Company's employees.
3. Research and development of technological solutions to cope with challenges that have no existing solution, building a professional framework for research cooperation between the research and development community and several academic entities, to build solutions to the challenges facing the Company.
4. Venture capital investment in promising technologies in accordance with the innovation plan in government companies, in order to be close to technology and ensure development tailored to the Company's needs.

   The Company estimates that the expected research and development costs for a period of 12 months from the date of this report will amount to approximately NIS 8 million.

   The aforementioned regarding the scope of expected research and development expenses is forward-looking information, as defined in the Securities Law. This information is based on information available to the Company as of the date of the report. These estimates, all or part of them, may not be realized or may be realized differently than estimated as a result of various factors, and additional factors that are not under the Company's control.

Promotion of Technological Ideas (KARAT) and Investments

Promotion of Technological Ideas ("KARAT") was the technological incubator of the Company. Until 2019, the incubator invested a total of approximately NIS 45 million in approximately 21 companies through convertible loans. Following a change in the outline for investments in government companies in 2017 and with the publication of the Government Companies' innovation circular, and the Government's resolution on the subject in 2018[23], the manner of working in the Company was changed. While the Company is working to exercise its rights in the existing PTI investments, the Company is actively seeking investments in its core fields through the new mechanism.

It should be noted that the Company owns shares in some of the PTI companies at various percentages which are not material to the Company and for the most part do not exceed 5%.

Starting in 2021, the Company began investing in accordance with the investment outline in government companies as detailed below:

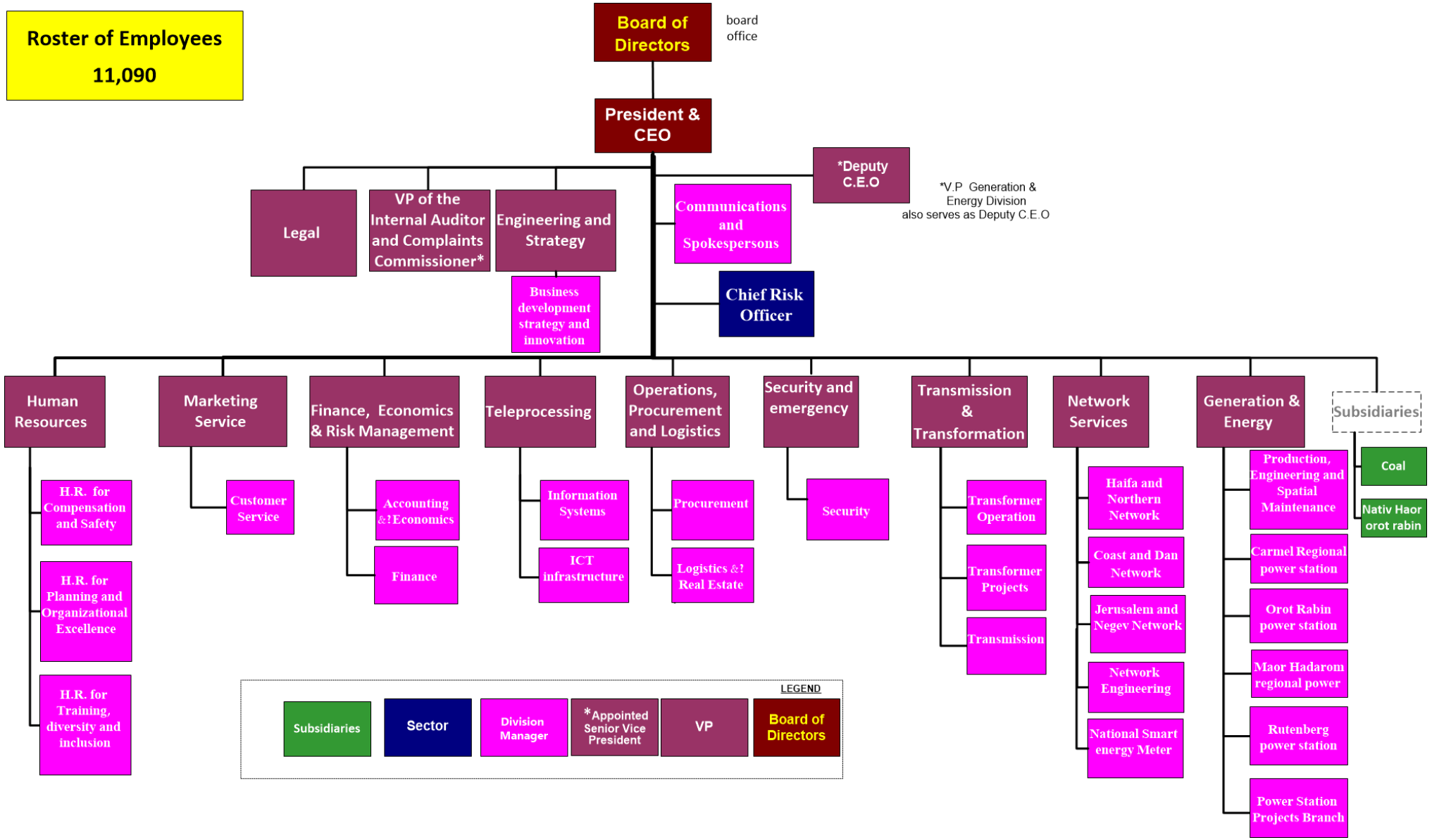
1. Electrical Grid Monitoring Ltd. (investment of $1 million). The company is developing a system designed to collect operational data from electrical grids, concentrate it, process it, and create useful information for the planning, operation, maintenance, and management of electrical grids.
2. Prisma Photonics Ltd. (investment in a total amount of approximately $2.4 million), the company is developing a system for monitoring long infrastructures (electricity lines, gas lines, water lines, etc.) using optical fiber in order to generate usable information for the operation, maintenance, and management of these infrastructures.
3. Chiral Ltd. (investment of $1 million), the company is developing a nanometric coating of electrodes (one molecule thick) with chiral materials that reduces resistance and improves the efficiency of electrochemical processes by tens of percent, such as those that occur in electrolyzers, fuel cells and batteries.
4. QDM Ltd. (investment of $1.1 million), the company is developing a conductor that allows for the acquisition of superconducting properties at room temperature. The conductor that will be developed will be able to be integrated into many systems and significantly optimize their operation. Production of an electrical cable based on this conductor will enable the transmission of high currents without energy losses and over long distances.
5. Seal Minerals Ltd. ($12 million - divided into two installments, the first of $700,000 has been made, the balance will be made in accordance with meeting the pilot targets at the Institute for Seas and Lakes), the company is developing a solution for capturing excess carbon emissions from the environment in industrial facilities that use seawater (usually for cooling).

As of December 31, 2025, the balance of investment in the Company's books according to the fair value of the KARAT companies is approximately NIS 39 million.

[23] Government Resolution 3837 on Innovation Plan in Government Companies and Conditional Approval under the Government Companies Law to establish or purchase companies in the field of innovation of May 24, 2018.

15. Human capital

15.1 Organizational structure of the Company



15.2 Employee roster by areas of operation

The personnel roster (number of positions) as of December 31, 2025, is as follows: 11,090 employees, in comparison with 10,777 employees as of December 31, 2024.

The employee roster at the Company is as specified below:

Field	Employee roster	
	As of December 31, 2025	As of December 31, 2024
Generation (Generation Division)	*1,955	1,531
The electricity grid (Grid Services Division	**3,555	3,940
Customer Service (Customer Service Division)	836	714
Headquarters (General Administration, Legal Division, Human Resources Division, Finance Division, Engineering and Strategy Division, Telecommunications Division,	1,283	1,198
Service (Operation and Logistics Division, Security and Emergency Division)	1,221	1,179
Engineering projects (Transmission and Transformation Division)	1,668	1,694
Sub Total:	10,518	10,256
Metro project	76	41
Special employment (Nitzan Or + apprentices)	496	480
Total	11,090	10,777

* The increase in the generation sector is due to organizational change (addition of generation projects branch).

** The decrease in the electricity grid sector is mainly due to organizational change (which was partially offset by an increase in the number of employees).

For further details regarding the structural change, see Note 1e to the Financial Statements.

That stated above and in the Financial Statements regarding structural change and an efficiency plan in the Company constitute forward-looking information, as it is defined in the Securities Law. This information is based on information held by the Company as of the date of the report and on future data, whose materialization is not certain, but is dependent on the implementation of the structural change which requires regulatory approvals and consents, regulation by the Electricity Authority, and license granting by the authorized entities in the state, insofar as will be required under the law, all of which are not under the Company's control.

15.3 Changes in employee roster (positions)

It should be noted that some of the Company's employees are employed part-time, and therefore the number of Company employees in terms of employees is higher than the number of Company employees in terms of positions.

According to the 2018 Reform decision, the scope of positions at the end of the Reform Period (i.e., the end of 2025) will not exceed 9,300 jobs.

Since the signing of the Reform Agreement, there has been a significant increase in the Company's tasks and the required investments compared to what was planned in the reform basis i.e there has been a significant increase in the scope of the national tasks, missions, and projects assigned to the Company in the transmission and distribution development plans as approved by the Minister of Energy and Infrastructure since the signing of the Reform Agreement.

Against this background, the Company's CEO contacted the Government Companies Authority and the Ministry of Energy, requesting approval to increase the job target for the end of the Reform Period by approximately 1,300 jobs.

In March 2024, approval was received from the Government Companies Authority to increase the positions to 10,630 positions (excluding special employment positions).

In addition, in July 2025, approval was received from the Ministry of Energy for a framework of 10,630 positions (excluding special employment positions).

In December 2025, as part of the discussions of the work plans and budget for 2026, the Company's Board of Directors approved that the Company's human resources framework for the years 2026 - 2030 will be 10,554 positions (excluding special employment and not including metro project employees), in order to carry out its tasks and the development plan goals, while adhering to the framework approved for it.

At the same time, the Board of Directors instructed the Company to prepare for an annual dynamic update of human resources, and to formulate a preparedness plan for various scenarios, in accordance with developments, and in particular, taking into account the uncertainty regarding the future of the Company's activity in the generation segment.

15.4 Training and instruction at the Company

The Training Campus:

The Company's training campus for electricity, energy and the environment is intended to provide support for the improvement of the performance of the Company and in order to raise the level of the human, academic and professional capital. The division provides vocational training in the primary areas in which the Company is engaged and also provides the certifications that are required by the various Government ministries such as the Ministry of Labor and the Ministry of Transportation, in accordance with laws and regulations.

The training system is structured according to professional fields that provide training guidance to all of the Company, including electricity and grid, operations, machinery, computer and cyber control, training development and more.

The Center for Leadership and Business Management:

The Center for Leadership and Business Management is responsible for processes for development of managers in the Company, and works to design and adapt the organizational-managerial culture, to a business company in a competitive market, by creating an ongoing multi-channel learning process.

Executive development processes include group training (heterogeneous and organic), counseling, personal mentoring, and peer learning.

The expenses for training and instruction at the Company for 2025 and 2024 were approximately NIS 144.3 million and NIS 144.5 million, respectively.

15.5 Employee compensation plans, benefits and employment agreements

15.5.1 Employment agreements

The labor relations in the Company are regulated by the labor legislation and are subject to various provisions of the law, including the Budget Foundations Law. Additionally, the labor relations are arranged within the framework of collective agreements (hereafter: the "**Employment Agreements**"); these constitute a binding formula for the Company with respect to the hiring and the termination of employees, terms of employment, labor relations, and the rights and the responsibilities of the parties.

The Employment Agreements apply to all the employees at the Company, with the exception of personal contract employees with the qualifications mentioned here.

The Employment Agreements itemize most of the terms of employment of the employees of the Company, including: salaries and terms of service, eligibility for an energy allowance (eligibility of the permanent employees of the Company who commenced working in the Company until November 4, 2018 (inclusive) pensioners and surviving relatives to electricity for home consumption and personal use in their residential apartments without cost up to an annual ceiling of 18,000 kWh per year, including grossed up tax with respect to it and subject to criteria in the Company's procedures), work and rest hours, overtime work, shift work conditions, paid leave (vacation, illness, etc.), retirement conditions[24] and more.

In addition, the Employment Agreements include various instructions that pertain to the management of the human resources of the Company, including: the procedure for the hiring of employees and the procedure for the termination of employees (including limitations over the reasons for which Corporation employees may be terminated, the manner of the execution of the termination procedure and the circumstances in which it is necessary to receive the consent of the labor union to the termination of employees); restrictions with respect to the mobility of staff from function to function; disciplinary procedures and so on. Changes and updates in the Employment Agreements are made from time to time, including following negotiations between the management of the Company and the New General Labor Federation and the national labor committee for the employees of the Company, and they require the approval of the Government Companies Authority, the Commissioner of Wages and Employment Agreements at the Ministry of Finance and the Board of Directors of the Company.

The Company's employees can be classified into two groups: administrative rank employees and professional rank employees (including engineers, academics and jurists, practical engineers and technicians). The Company has a single salary table, with each rank in the administrative ranking having a corresponding rank in the professional ranking. The pension rights of employees and other rights in connection with termination of employer-employee relations vary according to the group to which the employees belong, as detailed below.

As of November 2018, the special collective agreement signed on May 17, 2018, concerning reform and structural and organizational change in the Company, came into force. This collective agreement, anchors the agreements reached in

[24] The terms of retirement are governed by the Pension Regulations for Employees of the Israel Electric Corporation, dating from 1958; by the regulations of the Central Pension Fund; and by various Company procedures and provisions.

the area of labor relations following the structural change which includes the reform in the electricity sector in general and in the Electric Company in particular, including the implications of the organizational change and the efficiency plan in the Company, on the employees (the "Collective Agreement"). For the main points of the collective agreement and complementary and supplementary collective agreements issued following it, see also Note 11 to the Financial Statements.

For details regarding the collective agreements between the Company, the New Labor Federation and the National Employees Union, signed after the reform see Note 11f to the Financial Statements.

As a government company, the Company is subject to Section 29 of the Budget Foundations Law which effectively limits its abilities to operate independently on wage issues and benefits to its employees and imposes upon it a commitment to receive the approval of the Commissioner of Wages on these matters.

15.5.2 Employee relations and the conclusion thereof

The employment relations in the Company are based primarily on the principles set in the labor agreements and arrangements. The Employment Rules and the procedures prescribed thereunder constitute the primary normative source in all matters that pertain to employment at the Company, labor conditions, labor relations and employment relations. The contractual effect of the Employment Rules, whose legal status is of a bilateral collective agreement, expired on December 31, 2015, pursuant to the provisions of the Employment Rules for employees of the Electric Company of March 25, 2002, which is a collective agreement, but the Company continues to operate thereunder.

Within the framework of the collective agreement of May 17, 2018, an agreed framework was set for updating the labor relations, changing the organizational culture in the Company, and principles of structural change and efficiency. Amongst others, the following issues were arranged:

A decision mechanism for disciplinary proceedings in the Company by means of a jurist serving as an external deciding jurist, the powers of the Company's management have been expanded with respect to publication and carrying out internal tenders for the positions of department heads and in connection with mobility of employees, cancellation of eligibility for electricity at a company rate for new employees, consent regarding change of the incentive pay method and salary structure, and other issues in the field of labor relations.

15.5.3 Central pension provident fund

Commencing from March 8, 2005, the Company has been depositing money for covering the pension liability for employees that are insured by a budgetary pension arrangement (employees hired up to June 10, 1996) in the central pension provident fund ("**the Fund**"). See Note 11j1 to the Financial Statements for additional details, including with regard to the Company managing the central pension provident fund, the gap between the actuarial calculations of the Company and those of the managing company.

15.5.4 The trust fund for non-budgetary pension components

For details of the Trust Account, see Note 11k to the Financial Statements.

Employee roster according to employee type

As of December 31, 2025, 11,090 employees are employed by the Company according to the following details:

Permanent employees	6,146
Seniors on personal agreements	108
Continuing employees	1,684
Employees on regular personal agreement	39
Regular temporary employees	2,393
Project temporary employees	189
Students	33
Apprentices and trainees	140
Retired employees	2
"Nitzan Or"	356
Total	**11,090**

Including employees on unpaid leave and employees associated with the Metro project, but the breakdown does not include 181 employees who were loaned to the power stations that were sold.

15.5.5 Permanent Employees

Permanent Employee - An employee who has received tenure. This group of employees is divided into employees insured under the budgetary pension arrangement (employees who began their work at the Company by June 10, 1996), according to the Pension Regulations for Employees of the Electric Company of 1958 and according to the regulations of the Central Provident Fund for the Pension of Employees of the Electric Company; and employees (who began their work at the Company from June 11, 1996 onwards), who are insured in external cumulative pension insurance funds.

15.5.6 Project Temporary Employees

Project Temporary Employees - An employee under a special agreement who is accepted for a non-permanent position, to perform a defined task lasting a fixed period, such as the construction of power plants or substations. The compensation to be paid to employees under a special agreement upon their dismissal will be increased as follows: for the first two years of work, compensation at a rate of 200% for each year of work, and from the third year onwards, compensation at a rate of 300% for each year, of which 100% is deposited in the current account each year.

15.5.7 Regular Temporary Employees

Regular temporary employees - an employee who is accepted for a task that is not as specified for an employee under a special agreement. The compensation to be paid to temporary employees will be as required by Law.

15.5.8 Continuing Temporary Employees

Continuing temporary employees - a temporary employee for an unlimited period of time. The compensation to be paid to continuing temporary employees will be as required by a collective agreement.

15.5.9 Employees under personal employment contracts

The Company is authorized to employ up to 180 managers and employees in accordance with the criteria set forth in the Collective Agreement (2018), under personal contracts and not in accordance with the collective agreements applicable to the Company's employees. The Company staffs all management positions (Deputy division Manager and above) with employees employed under personal contracts.

15.5.10 "Nitzan Or" employees

A Nitzan Or employee - an employee hired to work at the Company as part of the "Nitzan Or" project for employing employees with disabilities.

15.6 Compensation of employees that are not office holders

In general, the Company has no compensation plans for employees who are not office holders (as the term is defined in the Companies Law), except the following:

The Board of Directors of the Company is allowed to decide to pay a bonus to the employees of the Company with respect to the Company's excellence and success, subject to the provisions of the circular of the Companies Authority[25] (in this section – the "circular"), which state, *inter alia*, that the distribution of a bonus to employees will not be permitted unless threshold conditions are fulfilled and with the approval of the Government Companies Authority. It was determined within the circular that the cost of the bonus to the Company (including all payments involved that the Company must pay for payment of the bonus) is not to exceed 10% of the net annual profit of the Company according to the approved financial statements of the Company and that no distribution of bonus to employees will be permitted if no dividends have been distributed in the year for which the bonus is requested, except with extraordinary approval of the Director of the Companies Authority. The bonus will be paid to the employees immediately following the dividend transfer to the State. The circular also determines that the bonus will be differential and will be distributed according to criteria decided upon by the Board of Directors and under a procedure based on employee evaluation, provided that it will not exceed two salaries. A uniform bonus level should not be determined for all the bonus receivers, and at least a quarter of the Company's employees will receive a bonus that will not exceed half a salary.

Employees at the level of branch managers (who are "senior officials" in accordance with the meaning of the term in the Government Companies Law, and who are not office holders) are entitled to an annual remuneration in accordance with the annual remuneration model determined in accordance with the Government Companies Authority circular – "Principles for the incentive and compensation model for senior employees in government companies[26]", as updated

[25] Circular of the Government Companies Authority 2013-7-2 dated June 2, 2013 on "Bonus Policy in Business Government Companies".

from time to time[27] (the "**Compensation Circular**"). The model, as well as the payment according to it, are approved annually by the Remuneration Committee, the Company's Board of Directors and the Government Companies Authority.

In addition, in 2025, the Government Companies Authority gave its approval to pay an annual remuneration to 73 employees at the level of Branch Deputy Managers in the Company employed on a personal contract, in accordance with the model determined on the basis of the principles of the said circular, and with the approval of the Company CEO.

Employees at the level of Branch Managers and employees at the rank of Deputy Managers of Branches will be collectively referred to in this section as "Senior Employees".

In September 2025, approximately NIS 11.9 million in remuneration was paid to senior employees. As of December 31, 2025, the Company employs 95 senior employees who are employed under a personal contract and are entitled to the said remuneration.

15.7 Compensation policy regarding office holders at the Company

On January 30, 2025, the Company's Board of Directors, pursuant to the recommendation of the Remuneration Committee, approved the updated compensation policy of the Company for the office holders ("Compensation Policy"). The compensation policy was approved by the general meeting on March 10, 2025.

In accordance with the remuneration policy and the Compensation Circular, office holders of the Company who are not directors are entitled to annual remuneration in accordance with the annual remuneration model, submitted annually for approval by the Remuneration Committee, the Board of Directors and the Government Companies Authority.

With respect to 2024, pursuant to the remuneration policy, in September 2025, remuneration in the amount of approximately NIS 2.4 million was paid to 11 office holders, after receiving approval as required by the Government Companies Authority.

As of December 31, 2025, there are 14 office holders as this term is defined in the Companies Law, who are employed under a personal employment agreement in a form that has been approved by the Companies Authority and according to the instructions of the Authority. For details of the Compensation Policy and the terms of office and employment of the office holders of the Company see section b8 of the Report of the Board of Directors.

15.8 Structural / Organizational change - efficiency plan

Regarding the structural change which includes the reform of the electricity sector, and the collective agreement on the reform and the structural and organizational change in the Company and the retirement and efficiency plan therein, see section 15.5.1 above and Notes 1e and 11f to the Financial Statements.

15.9 Labor disputes

On August 1, 2021, the Chairman of the Histadrut's Trade Union Division declared a labor dispute regarding with ongoing unilateral conduct, which means a new creeping reform in the electricity sector and the Company.

On July 16, 2024, another labor dispute was declared by the chairman of the Trade Union Division of the Histadrut, regarding a significant deterioration in the worsening financial situation of the Company, which will inevitably affect the working conditions and wages of the employees and their job security.
As of the date of approval of the Financial Statements, the Company is working in dialogue with the employees' organization and parties on behalf of the State to continue the implementation of the reform and settle gaps.

On April 6, 2025, a labor dispute notice was received directed at the purchasers of the Ramat Hovav power station and the Electric Company. For additional details see also Note 34c to the Financial Statements.

15.10 Additional Provisions Regarding Rights of Contractor Employees in the Field of Guarding and Cleaning

Regarding the rights of employees employed by contractors in the field of cleaning and security, the Company is acting in accordance with specific legislation provisions and the lateral orders in the field of cleaning and the field of security.

[27] Circular of the Government Companies Authority 2013-7-1 dated February 14, 2023.

16. Fixed assets, land and facilities

16.1 General

The Company owns the assets that it uses or possesses either within long term lease agreements (mainly with the Israel Land Authority) or pursuant to purchase or expropriation, or within rights that were extended to the Company by property owners (such as an easement or authorization of use at no cost that is not a lease, or possession rights that have a contractual regulation process) or within rights that the Company has by statute. The Company operates within a work plan for executing an arrangement and register of its rights to its principal assets, which may be registered and regulated, and tracks those that it cannot perform such a proceeding for. In addition, the Company has rights to thousands of small properties (mainly transformation rooms of different types) regarding these properties for which rights regulation and registration has begun, but are subject to restrictions in accordance with what is specified below. For a material part of the real estate assets, the rights of the Company are not registered or regulated. The Company has been leasing some or all of the assets, for a long period, and it is operating to sign contracts or arrange rights when these are not regulated or to evict squatters, if there are any. The status of the real estate assets that have not yet been regulated derives from a number of reasons, such as: planning reasons (absence of parcelization or demands for regulating outline plans, a large number of properties, dependence on outside parties, absence of documents), or disputes with various authorities, including the tax authorities, which prevent the receipt of approvals for the registration of the rights. In view of the aforementioned complexity, the Company cannot estimate the length of the period until the conclusion of the registration settlement, but it estimates that the costs involved in this are not expected to be material (for more details see Note 12 to the Financial Statements).

In addition, the Company leases from various parties (such as the Israel Land Authority, local authorities, private entities) approximately 60 more properties that are used for various purposes, including: offices, storerooms, monitoring stations, temporary and portable substations. The agreements are made out for different periods of time, from one year to ten years and are renewed or updated in accordance with the needs of the Company in various places and for different purposes, the rental agreements for the properties, including the option period of the Company for their extension, end in 2024 to 2035, and the Company believes that it will be able to renew the lease agreements under terms similar to those existing as of the date of the report.

The information on the preparations of the Company with respect to the assets registration costs and extension of the rental agreements is forward-looking information, as per its definition in the Securities Law. There is no certainty with respect to such an estimate, this being, inter alia, due to it being based on the existing information at the time of the report and its dependence on various factors that do not depend on the Company, such as market conditions, the needs of the Company, agreements with the lessors and more.

The Company has created floating charges on all of its assets on which it is allowed to create charges for securing some of its liabilities, including on assets and rights as described, and three fixed charges for securing its liabilities towards various financing entities for the financing of Stage A of the Emergency Plan, financing the emission reduction project and financing Stage B of the Emergency Plan (see Note 19h to the Financial Statements).

For details of the structural change within which inter alia, the Company will be required to reduce its activity in the generation segment, including through sale of the sold generation sites, and for details of the action taken and being taken by the Company as part of implementation of the structural change, including the sale of the Alon Tavor, Ramat Hovav generation sites, the eastern part of the Hagit power station, and the process of sale of the Eshkol generation site, see Note 1e to the Financial Statements and Section 1.3.

For details of agreements entered into by the Company, the State, the Israel Land Authority, and the Tel Aviv municipality, regarding the assets arrangement in the electricity sector (the "**Arrangement Agreements**"), see Note 1f to the Financial Statements.

The Company has two Head Offices in Haifa and in Tel Aviv, as follows:

	Name and location of the site	Nature and registration of the right	Land area in m^2	Comments
1.	Head management offices – Haifa	The rights of the Company to this property are lease rights of the ILA for a lease period that ends in 2048 with an option for the Company to extend this period for 49 years more. A cautionary remark is registered to the benefit of the Company for its rights. A parcelization proceeding was recently completed with respect to the asset, and the Company is now in the process of registering the rights in the asset under its name.	80,000	1. The land has comments registered for expropriations and an antiquities site. 2. An agreement exists with the Haifa Municipal Council whereby no additional parts of the parcel will be expropriated.
2.	Head management offices – HaChashmal St., Tel Aviv	Ownership of the Company is registered at the Land Registration Bureau. The assets arrangement includes handing over parts of the property to the State. Delivery took place in 2023.	5,006 m^2 and in addition, a third floor of 384 m^2 in the restored building	For additional details see Note 1f to the Financial Statements. The State registered the parts that were delivered to it, in its name.

The Company has eight logistics sites throughout the country that are located on land of approximately 600,000 m^2 which is used as storage areas.

16.2 Fixed assets

The fixed assets of the Company are divided into two key groups: operated fixed assets and fixed assets under construction. Operated fixed assets consist mainly of power stations (including land, buildings and machines), and substations, distribution grids, switching stations of 161 kV ultra-high voltage lines and 400 kV extra high voltage lines. The assets of the Company that are under construction consist mainly of power stations and buildings, substations and extra-high and ultra-high voltage lines.

The Company has assets (mainly distribution grids) in the territories of the Palestinian Authority. See section 9.6 above for details on assets of the Company that are in the territories of the Palestinian Authority.

16.3 Arrangement for the transfer of rights and assets pursuant to Section 62 of the Electricity Sector Law

Section 62 of the Electricity Sector Law states various provisions with respect to rights and assets that were held by the Company prior to the expiration of the Concessions that were given to the Company pursuant to the Electricity Concessions Order with (on March 4, 1996), despite the statements in Section 46 in Part A of the Addendum to the Electricity Concessions Ordinance.

For details regarding the engagement of the Company, the State, the Israel Lands Authority and the Municipality of Tel Aviv in agreements with respect to the Assets Arrangement, see Note 1f to the Financial Statements.

17. Intangible assets

17.1 Information and teleprocessing systems

The Company engages in the characterization, development and implementation of information systems and solutions that support business processes in the Company in the following fields: customer service and billing, the electricity chain, planning and construction of engineering projects, programs for the operation and maintenance of the organization's various assets, programs on security and safety, and programs that deal with managerial, business and logistic issues. In addition, the Company has extensive experience and knowledge that have accrued on the following issues: planning, hosting and operation of computer infrastructures on all types of platforms, telecom and command and control infrastructures and services, protection packages specialization in diverse IT architectures and technologies with emphasis on the protection of the cyber space, smart counting, integration of a SAP package, ArcGIS product family application, business information strategy as well as all stages of the lifecycle of large-scale IT and telecom projects.
The knowledge and expertise are for the Company's own consumption.
For additional details see Notes 2j and 13 to the Financial Statements.

17.2 Concessions

The Company owns a license for the use of VHF frequencies, and a license for the use of UHF frequencies and microwave frequencies.

18. Suppliers

The following table shows the material suppliers of the Company, rates of purchase that in 2025 exceeded 10% of the rate of purchases of the Company from suppliers throughout 2025:

Name of the supplier	Raw material	Acquisition rate
Tamar Partnership	Gas	18.6%

For details on the Company's contracts with the Tamar Partners and for details of an agreement entered into by the Company for the purchase of natural gas from the "Leviathan" reserve and the "Karish" reserve, see Note 34a to the Financial Statements.

19. Working capital – credit policy

19.1 Customer credit

For details of days of credit for customers and balance of credit to customers see section a6b4 of the Report of the Board of Directors.

19.2 Credit from suppliers

For details of days of credit from suppliers and average balance of credit from suppliers see Section a6b4 of the Report of the Board of Directors.

20. Financing

20.1 General

The electricity charge rate for the consumers is determined by the Electricity Authority in accordance with the provisions of the Electricity Sector Law as stated in Note 3 to the Financial Statements. The electricity rate does not provide full cover for investments in fixed assets at the time of their execution, as they are recognized by spread across the life of the assets by recognition of depreciation, financing expenses and return on equity, and the Company is therefore required to raise most of the necessary financing for investments and for recycling the existing debt of the Company from external financing sources.

For details of the composition of the debentures issued by the Company in Israel and abroad, and for details of debt raisings and material repayments during 2025, and the Company's credit rating, see Note 19 to the Financial Statements.

For details of the Company's objectives to reduce the Company's debt-to-balance ratio and the decision of the Company's Board of Directors relating to the safety cushion of the Company, see section a1c1 of the Report of the Board of Directors.

20.2 Negotiable debentures

As of the date of the report, the Company has debentures (Series 27), (Series 29), (Series 31), (Series 32), (Series 33), (Series 34), (Series 35), (Series 36) and (Series 37) that are traded on the TASE. The aforesaid debentures have been issued over the years under the Company's prospectus or shelf offering reports and are secured by a floating charge. For additional details, see section D in the Company's Board of Directors' Report as on December 31, 2025.

20.3 Average interest rate of loans

The Company finances its activity inter alia using bank credit and non-bank credit. A breakdown of the average rate of the nominal interest and effective interest for the twelve-month period that ended on December 31, 2025, except for the loan for financing the gas transmission project (as detailed in Note 33b1 to the Financial Statements) that are not intended for the use of the Company, segmented by long-term credit from bank and non-bank sources, is provided below.

	Long term credit		Short-term credit	
	Average nominal interest rate (%)	Average effective interest rate (%)	Average nominal interest rate (%)	Average effective interest rate (%)
Bank credit sources	5.1	5.7	5.1	5.1
Non-bank credit sources	3.2	3.0	-	-

For additional details regarding the interest rates for Company loans and debentures see Note 19a to the Financial Statements.

20.4 Restrictions applying to the Company at the time of receipt of credit

The ability of the Company to borrow from the Israeli banking system is limited because of the credit restrictions that apply in accordance with the Proper Banking Management Regulations of the Bank of Israel (Regulation No. 313 and the directive that is expected to replace it starting in July 2026 ('Supervisory Framework for the Measurement and Control of Large Exposures'). In accordance with these regulations, the Bank of Israel will not extend loans to a "single borrower" at a rate exceeding 15% of the bank's equity, after adjustments, and in addition, the Bank of Israel will not extend loans to a "borrower group" at a rate exceeding 25% of the bank's equity after adjustments. The term "borrower group" includes, *inter alia*, the borrower, the person controlling it and any person that is controlled by them, except banks and other borrowers such as borrowers with material commercial dependence on the abovementioned borrower. With respect to these restrictions, the State of Israel is not considered a borrower and it is not included in the "borrower group"[28].

In accordance with the Regulations of Supervision over Financial Services (Provident Funds) (Investment Rules that Apply to institutional Bodies), 2012, in general, an institutional investor[29] is allowed to hold securities of a certain corporation, make deposits in that corporation or extend to it loans at a rate of up to 5% of the revalued market value of its assets, or beyond this, subject to the conditions prescribed in the aforementioned regulations. This restriction also applies correspondingly to the minimal equity of a managing company.

[28] Starting in July 2026, the restrictions as stated in this paragraph above will be measured from the bank's Tier 1 capital.

[29] Regarding a company managing provident funds or pension funds – with regard to the investments executed for the provident fund under its management, regarding an insurer – with regard to investments existing against yield dependent liabilities.

In addition, in accordance with these regulations, a, institutional investor or a group of investors are allowed to hold negotiable bonds (that are not bonds of the State of Israel) to a rate of up to 25% of the total par value of the bonds of that series.

In effect, based on public publications of some to the financial institutions, the institutional bodies' holdings of the Company securities do not reach the maximum rate that is permitted for them in accordance with the aforementioned regulations.

The theoretical potential for the receipt of loans from the banking system and from the institutional market in Israel, in accordance with the Company's estimate, reaches an amount that is lower than the financial needs of the Company, which cannot constitute a unique funding source for this (taking into account the fact that, to the best of the Company's knowledge, the ability of institutional investors to provide financing to the Company, is also affected by their exposure to the electricity sector in Israel (i.e. – including material suppliers that are dependent on the Company, private electricity producer and gas suppliers, including the Gas Lines Company that is responsible for the gas transmission), and not only by their exposure to the Company). Regulatory restrictions that apply to the banking system regarding the exposure to a certain sector and the institutional market in Israel, along with internal investment restrictions that are prescribed by these entities, make it difficult for the Company to raise the debt required for the Company exclusively in Israel and therefore the Company sometimes raises its required credit from the capital markets and the banking system overseas.

20.5 Restrictions that apply to the Company pursuant to financing agreements

For details with respect to conditions that may cause the calling of debt of the Company pursuant to the agreement, for immediate repayment, see Note 19d to the Financial Statements.

20.6 Credit facilities

As of December 31, 2025, the Company has long-term available bank credit facilities in an amount of NIS 1,500 million and USD 250 million.

During the report period, the Company has made short-term withdrawals from credit facilities In a total amount of NIS 100 million, which were repaid in full during the period. These withdrawals bore interest at a weighted rate of 5.1%.

20.7 Variable interest credit

As of December 31, 2025, the Company has variable credit interest coming to a total of approximately NIS 1,587 million. A breakdown of the variable interest credit that the Company has received follows:

Type of Liability and Currency	Interest rate range In 2025 (in %)		Interest range in 2025 (in %)		Unpaid principal balance for December 31, 2025 (in millions)	
	High	Low	High	Low	Original currency	NIS
U.S. dollars loans	SOFR 6m + 2.9	SOFR 6m + 2.9	7.2	6.6	6	20
Euro loans	Euribor 6m + 2.5	Euribor 6m + 1.0	5.2	3.1	18	67
Unlinked NIS loans	Prime – 0.6	Prime – 0.8	5.1	5.0	1,500	1,500

Notes:

1. Does not include loan for financing the gas transmission project that is not designated for use by the Company.
2. Does not include credit of the Coal Company.

20.8 Credit rating

The Company is rated by two local credit rating companies and two international credit rating companies. For details with respect to the credit rating of the Company see Note 19e to the Financial Statements.

20.9 Reportable Credit Event

In accordance with Legal Position No. 104-15 of the Securities Authority of October 30, 2011, with respect to a reportable credit event, (as was updated from time to time), as of the date of the report, the Company is not engaged in financing

agreements exceeding the material threshold that was defined[30]. For details regarding grounds for demanding immediate repayment, which are included in financing agreements the Company engaged in, which are defined as "material loans", including grounds of cross default which are included in these financing agreements and their financial scope, see Note 19d to the Financial Statements.

20.10 Implications of insolvency proceedings on the Company

As of the date of publication of the report, the Company's licenses do not include an explicit instruction pursuant to which in case of initiation of insolvency proceedings against the Company, any of the Company's licenses will automatically expire. Nonetheless, pursuant to the provisions of the Electricity Sector Law, and also pursuant to the provisions of the Company licenses, the Electricity Authority (or, according to some of the Company licenses, the Minister) may cancel or suspend the Company licenses, inter alia, if the conditions of fitness required to receive a license pursuant to the Electricity Sector Law cease to exist in the Company, and/or one of the restrictions against receiving the license exists is fulfilled, within which, inter alia, it was determined that a license will not be granted to a corporation if a receiver or liquidator is appointed to it, or it has decided on voluntary liquidation. Additionally, even if the Company license is not cancelled or suspended in light of non-fulfillment of the fitness conditions as stated above, it is possible that upon initiation of insolvency proceedings against the Company, it will not be able to fulfill all or part of its obligations pursuant to its various licenses. Violation of the conditions of the license by the Company may also constitute grounds for cancellation or suspension of the relevant Company license by the Electricity Authority or the Minister (as relevant). It is noted that insofar as any Company license will be canceled or suspended, then pursuant to the conditions of the Company licenses, the Company will not be permitted to supply the service which is the subject of the license.

Additionally, and in accordance with the above mentioned, insofar as a receiver or liquidator will be appointed to the Company, or the Company will decide on voluntary liquidation, the Company will fulfill the fitness conditions determined in the Electricity Sector Law for receiving new licenses.

For details regarding the Company's licenses and the structural change, see Sections 1.3 above and 23.1.2 below.

In addition, the Company has from time to time entered into agreements which may be cancelled by the other party as a result of initiation of insolvency proceedings against the Company, including also some of the Company's lease agreements with local authorities.

Beyond this, insofar as in light of the insolvency proceedings against the Company, the Company will not be able to fulfill its obligations pursuant to lease agreements it is party to, or pursuant to other agreements it is party to or permits and other licenses the Company is required to have pursuant to the planning and construction laws, environmental protection laws or other general laws which apply to the Company, this may constitute grounds for cancelling those agreements pursuant to the general contract laws, or pursuant to the conditions of those licenses and permits, and may lead to sanctions being imposed on the Company, despite the fact that in most of the contracts, permits and licenses of the Company, explicit provisions, which enable cancellation of the agreement, license or permit as stated only because of initiation of insolvency proceedings against the Company, are not included.

For details of the grounds for demanding immediate repayment in the financing agreements of the Company, including the existence of cross default grounds and cross acceleration grounds in a material part of the financing agreements of the Company, and the existence of grounds for demanding immediate repayment in some of the financing documents of the Company in cases of issuing a liquidation order, stay of proceedings, or appointment of a receiver over material assets of the Company, see Note 18d to the Financial Statements.

[30] According to the position of the Securities Authority, as was updated from time to time, a "material loan" is "any loan, except a loan from a subsidiary, including liability by virtue of issuance of liability certificates or realization of credit facility, which exceeds the regular corporation financing due to its nature, volume or possible result, and which has or may have a material impact on the corporation; it is accepted that a loan will be regarded as material if: (a) regarding a loan taken by the company as a parent company – its volume or balance in the consolidated financial statements constitutes five percent or more of the total assets of the corporation (approximately NIS 5.3 billion) and also constitutes ten percent or more of the total loans of the corporation (approximately NIS 3.8 billion) as a parent company, as they are presented in the consolidated statement of financial position as of the end of the report period; (b) regarding a loan taken by a subsidiary - its volume or balance in the consolidated financial statements constitutes five percent or more of the total assets of the corporation and also constitutes ten percent or more of the total loans of all the subsidiaries of the corporation, as they are presented in the consolidated statement of financial position as of the end of the report year.

20.11 Enhancing the financial Strength of the Company

For details regarding the outline of the structural change, the financial stability of the Company being one of the objectives thereof, and for details regarding the ways to achieve the financial strength as aforesaid within the structural change, see Note 1e to the Financial Statements and Section 1.3 above.

21. Taxation

On this matter, see Note 20 to the Financial Statements.

22. Environmental risks and environmental regulation – general

22.1 General

For details of the aspects of quality of the environment and environmental risks in each of the operational segments of the Company, see sections 7.12, 8.9, 9.9, 10.5 and 11.5 above.

22.2 Hazardous materials

The Company holds, uses and stores hazardous materials in some of its sites. Accordingly, at sites where they are required, the Company holds poison permits as required by law for the purpose of dealing with hazardous materials, and acts to obtain them when they are missing. The Company takes the actions for the purpose of compliance with the conditions of the permits.

22.3 Business licensing

Various activities of the Company at the logistic and administrative facilities require licensing in accordance with the Business Licensing Law, and environmental issues are also regulated within the terms of the licenses. As of the date of the report, the Company is operating to regulate the licensing of the activities whose licensing proceeding has yet to be completed in accordance with the provisions of the law and the requirements of the authorities. The operation of the sites or some of the sites of the Company without a business license constitutes a violation of the Business Licensing Law and may lead to the termination of the activity of the business. For additional detailing of this subject see Section 23.8. For details of the integrative licensing procedure see Section 7.12.12.

22.4 Material events or matters relating to environmental protection

As of the date of this report, to the best of the Company's knowledge, it is not exposed to material events or matters with respect to environmental protection in its activities, which have not been set forth in the report.

22.5 Energy saving

The Company's activity is subject, *inter alia*, to the Energy Sources Law and various relevant regulations that deal with energy saving and Government Resolutions that are published from time to time with respect to the policy for energy saving and greenhouse gas emissions abatement. The Company is acting to comply with this Regulation and is studying its consequences and the consequences of new regulatory initiatives in the field, including the requirement for a standard for energy management which was integrated within the emission permit received by the Company.

For additional information regarding Government Resolutions and policy relating to energy saving see section 6.5 above and Note 1c2 to the Financial Statements.

22.6 Material legal or administrative proceedings with respect to environmental protection

A number of class actions and other material actions have been filed against the Company. See Note 34b to the Financial Statements, for details.

22.7 The policy of the Company in environmental risk management

See Section 7.12.15 for details on this issue.

22.8 Environmental costs and investments of the Company in environmental protection

A breakdown of the investments of the Company in environmental protection in the generation segment, over the three recent years, is as follows. The figures do not include the generation segment for which separate information has been provided in Section 7.12.16 above and includes the transmission segment, the distribution segment, energy storage segment and general expenses that may not be attributed to a particular segment (the data are compatible with the budgetary development plan).

As to the budget for 2026 of the above segments see section 7.12.16 above.

NIS millions (current prices, after remeasurements and depreciation deduction)	**2025**	**2024**	**2023**
Total investment in environmental protection facilities	Approx. 50	Approx. 79	Approx. 265
Current costs (without depreciation) (fuels, research and development and more)	Approx. 4	Approx. 3	Approx. 3

The Company is of the opinion that the material costs that are required for compliance with the provisions of the legislation pertaining to environmental protection, to the extent that there are any, will be covered within the electricity charge rates, based on the fact that in the past similar expenses were approved by the Electricity Authority, even if after many discussions and cost controls. The decision on the recognition of the cuts is with the Electricity Authority and therefore, despite the Company's position, there is no certainty that all the costs required according to the Company's position as aforesaid will eventually be recognized within the rate.

The assessment of the Company with respect to covering the costs required for compliance with the provisions of the legislation pertaining to environmental protection is forward looking information, as this has been defined in the Securities Law, which is based on the past experience of the Company in its connections with the Electricity Authority, which have no certainty of materialization, in part or in full.

23. Restrictions and control over the operations of the Company

23.1 Provisions of the Electricity Sector Law, relevant Regulations, licenses issued accordingly and Resolutions of the Electricity Authority

23.1.1 General

As of March 4, 1996, the activity of the electricity sector is regulated by the Electricity Sector Law and its regulations, and the Company acts accordingly. The provisions of the Electricity Sector Law determine that the purpose of the law is to regulate the activity in the electricity sector for the benefit of the public, while ensuring reliability, availability, quality, efficiency and energy efficiency while creating conditions for competition and minimizing costs.

Under the Electricity Sector Law, no person shall carry out activity in the electricity sector but under a license granted him under this law. The types of licenses granted for activities in the electricity sector are as follows: (1) generation license – license to generate electricity; (2) storage license – license for all of these: conversion of electric energy to energy that can be stored, storage of the energy, and its conversion back into electric energy, pursuant to the rules set by the Electricity Authority; (3) license to transmit electricity – license for transmission of electricity from a generating source or from an electricity installation serving for storage at high and ultra-high voltage to a substation; (4) distribution license – a license for transferring electricity to a consumer, through high or low voltage lines; (5) supply license – license for sale of electricity; (6) self-production license – production of electricity for self-use without selling to another, except for sale with exceptions as defined in the Electricity Sector Law; and (7) license to manage the network – license for electricity network management in the generation and transmission segments. The Electricity Sector Law also determines that the holder of a license to manage the network, to transmit or distribute electricity is the owner of an essential service provider license. Additionally, the Minister of Energy may determine, from time to time, that the owner of a generation license holds a material part of the generation in the electricity sector, and after the aforesaid has been determined, the provisions of the law regarding the owner of an essential service provider license will apply to him (such a determination has not been determined with regard to the Company as on the date of publication of the Financial Statements although the Company operates in this segment under the regulation of an essential service provider). The provisions of the Electricity Law regarding the owner of an essential service provider license will apply to an electricity producer and a license owner who has control, directly or indirectly, over an electricity producer, except for a provision requiring an essential service provider license owner to purchase electricity from a private electricity producer, and to provide infrastructure services and backup services.

Additionally, in accordance with the Electricity Sector Law, the Electricity Authority has to act in accordance with the objectives of the Electricity Sector Law and the policy of the Minister and the Government pursuant to their powers under the law, in the field of the electricity sector, and to implement their policy in accordance with the provisions of the Electricity Sector Law, as well as to supervise the fulfillment of the provisions under this law and under the licenses, and to fulfill the duties set for it in this law and which have been imposed on it under any other law. Furthermore, the Electricity Authority is the professional body in the field of the electricity sector, which assists the Minister in formulating his policy. When formulating policy principles, the Minister will consult with the Electricity Authority as the professional body in the field of the electricity sector, including with regard to the costs stemming from the implementation of the policy. In addition, the Electricity Authority will advise the Government when determining policy in the field of the electricity sector, if requested to do so by the Minister. The Electricity Authority has to fulfill the duties set for it in the Electricity Sector Law (or imposed upon it under any other law), including determination of the electricity rates and manner of their update, and executing cost control. The Authority determines the rates according to the cost principle, taking into account the type and quality of the services and it is entitled not to take into account in determining the rates, all or part of the expenses that, in its opinion, are not required to provide an essential service for the purpose of fulfilling its obligations under the license. For this purpose under its sole professional discretion as set in the law, the Authority is responsible for determining criteria as to level, nature and quality of the service provided by the owner of a license of an essential service provider to a consumer, an electricity producer, a private electricity producer, a storage license owner or another owner of a license of an essential service provider, and supervising the fulfillment of its obligations under these criteria, providing licenses and supervising the fulfillment of the terms set in the licenses, as well as determining terms for granting a license or rules for activating a license and the obligations which will apply to the license owner, insofar as the Minister has not determined, determining criteria regarding land that will be considered as a tract of land and regarding the entity that will be considered a consumer in a tract of land, if there is more than one entity that can be considered a consumer as aforesaid, determining rules for carrying out transactions between a holder of a license of an essential service provider and a license owner and supervising the fulfillment of the provisions under the Electricity Sector Law by the license owner, and their enforcement. In addition, the Electricity Authority has the authority to examine consumers' complaints and settle them.

According to the Electricity Sector Law, insofar as the Minister is of the opinion that a decision reached by the Authority is not in line with his policy or the Government's policy in the field of the electricity sector, or the objectives of the Electricity Sector Law, he may point out to the Electricity Authority the aspects in which he is of the opinion that the

decision deviated from the said policy or from the objectives of the Electricity Sector Law, and to instruct the Electricity Authority to conduct an additional discussion of the matter. Having done so, the Electricity Authority's decision will be delayed until an additional discussion is held regarding the issue, for examining the adjustments, if they are required in the opinion of the Electricity Authority. Should the Electricity Authority find that its decision is consistent with the said policy or the objectives of the Electricity Sector Law, and there is no need to amend it, it will detail the reasons for its decision and the decision's delay will be cancelled.

Such authorization will not apply with respect to decisions of the Electricity Authority regarding rates, for which the Authority's exclusive professional discretion will be maintained, and with respect to decisions of the Electricity Authority that were at further hearings. Without prejudice to the aforementioned, it was further determined that the Chairman of the Authority will be directly subordinate to the Minister.

The Electricity Sector Law authorizes the Electricity Authority to give licenses and supervise the fulfillment of terms set in the licenses and, insofar as the Minister has not so determined, to determine rules regarding the terms for providing a license, rules for activating a license and the duties that will apply to the license owner, including the provision of guarantees and insurance. The Electricity Authority may determine terms in the license and limit or not limit the period of its validity. With regard to the terms for granting a license or the rules to activate a license, insofar as the Minister has not prescribed regulations on these issues, the Electricity Authority may set rules, subject to the Minister's policy and after having applied to the Minister to examine whether he wishes to prescribe regulations as aforesaid. Insofar as the Minister did not respond to the Electricity Authority's application within sixty days from the date of its application, the Electricity Authority may prescribe rules as aforesaid. If the Minister prescribed regulations on the aforesaid issues, the Electricity Authority will be permitted to set rules on these issues subject to the policies of the Minister and the regulations set by him.

The Electricity Sector Law determines that the Electricity Authority, when deciding whether to grant a license or to set terms in the license, will act in accordance with the Government's policy or the Minister's policy in the field of the electricity sector, and will consider, among others, the following: the contribution of providing the license to the level of the services for the public, the best interests of the consumers, and the contribution of providing the license to competition in the electricity sector.

A generation license with a volume exceeding 100 megawatts, a supply license with a volume exceeding 100 megawatts, a distribution license with a volume exceeding 5% of the annual consumption volume, a transmission license or a system management license, will enter into effect only after its approval by the Minister. The volume of distribution licenses that will be given to all those who are not a government company will not exceed 10% of the sector’s annual consumption, but the natural increase in the volume of consumption in the area of distribution set in the license compared to the aforesaid volume of consumption at the time the license is given will not be taken into account.

The Electricity Sector Law determines that the Minister, in consultation with the Electricity Authority or pursuant to its proposal, may determine terms for granting a license, methods of choosing between applicants for a license for a particular activity in a particular location or area, procedures for filing an application for a license, rules for activating the licenses, and the obligations that will apply to the license holder, including the provision of guarantees and insurance, and to determine the responsibility of a transmission license holder for the development of the transmission and transformation system, and provisions concerning the duty of a license holder for system management to perform actions that will be determined by the Minister for securing the level of development required in the electricity generation system. Accordingly, in 1997, the Electricity Sector Regulations (Terms and Procedures for Granting a License and Duties of a License Owner), 1997 were regulated, and they determine, inter alia, procedures and terms the license applicant has to fulfill, including: the format of the application and manner of its submission, the required information and documents, terms regarding minimum equity, minimum internal financing rate, while the terms regarding the equity and the financing rate will not apply to an applicant of a generation license at a capacity not exceeding 10 megawatts, and to one who receives a generation license after having won one of the tenders detailed in the regulations. In addition, the law determines that transactions with an owner of a license of an essential service provider will be carried out in accordance with rules set by the Electricity Authority and that will be published in the Official Gazette and on the Authority’s website. Cases in which the Authority will be permitted to give other instructions pertaining to a certain transaction will be determined in the aforesaid rules. Accordingly, the Minister regulated the Electricity Sector Rules (Transactions with an Essential Service Provider), 2000. The rules determine, inter alia, that a transaction to purchase electricity will be executed according to an agreement that will be signed between the provider and the producer. If a tender is published, the agreement will be signed in accordance with the terms of the tender, and if a tender is not published, the agreement to be signed will be adjusted to the transaction method and will require the approval of the Chairman of the Electricity Authority.

Within Amendment No. 16 of the Electricity Sector Law, definitions were added for a the terms “public way” and a “tract of land”, so that every tract of land will have one entity that will be considered a consumer (whoever purchases electricity or services from a licensee or wishes to connect to the electricity grid), and he will be able to sell electricity, for use in the area of the tract of land, without a supply license and to transfer electricity for this purpose without a distribution license, provided that this is not a consumer whose main use in the tract of land is the sale of electricity. A tract of land is land

with one owner or joint ownership, which a public way does not pass therein, and the criteria set by the Authority for this matter are fulfilled with respect to it. The criteria regulating the issue of a new connection to electricity in a tract of land were published in the Official Gazette on December 6, 2022, and the new regulation has entered into effect. In addition, in accordance with the Amendment to the Electricity Sector Law, it is prohibited for a distribution license owner to carry out distribution in the area of the private tract of land except in accordance with the criteria determined by the Electricity Authority and published in the Official Gazette as aforesaid. It should be noted that in residential and industrial designations, the Electric Company will continue to distribute electricity in private tracts of land in accordance with the criteria, and the same applies to a public way, and apart from the exceptions set in the criteria.

For details regarding the structural change, including the government's resolution on the reform and the amendment of the Electricity Sector Law, see Note 1e to the Financial Statements.

For details regarding the arrangement of the transfer of rights and assets under section 62 of the Electricity Sector Law, see section 16.3 and Note 1f to the Financial Statements.

23.1.2 Licenses that have been granted to the Company pursuant to the Electricity Sector Law

As detailed above, in 1997, the Company was provided with a unified license for transmission, distribution, and supply of electricity and trade thereof. In addition, over the years, the Company has been granted generation licenses for the generation units that it operates.

In accordance with the licenses of the Company, the Company must act in accordance with the provisions of the law, including any law that takes effect after the giving of the licenses and international treaties to which the State of Israel is a party with respect to the actions pursuant to the License, which as stated is subject to the law. A violation of the law constitutes a violation of the licenses, and the Electricity Authority is allowed to cancel or suspend the licenses if it has found that any of their conditions has been violated, including violation of the duty to disclose information as required under the Law (see Section 23.1.4 below). As of the date of the report, in general the Company materially complies with the terms of the licenses that have been given to it.

In accordance with the outline of the structural change, and as detailed in Note 1e to the Financial Statements, the Company sold existing gas-operated generation sites of the Company, where the Company's licenses at these sites will remain valid for all the activities that will be performed according to the licenses, until the last date for delivering possession thereof, in accordance with and subject to the terms specified in them and the provisions of the section 60a of the Electricity Sector Law. The generation licenses of the generation units of the Company that are not included in the generation sites sold as aforesaid will remain in force until the end of the engineering life of the generating units, with the Electricity Authority determining the engineering life of the generation units as stated. As of the date of publication of the report, the aforesaid lifespan has not yet been determined by the Authority. For additional details, including with regard to the generation sites Alon Tavor, Ramat Hovav and the eastern part of the Hagit power station and Eshkol that were sold by the Company, see Note 1e to the Financial Statements.

In addition, in accordance with the outline of the structural change, the system management activity as aforesaid was sold to Noga on November 1, 2021. The Company’s system management license expired upon the sale of all the activity to Noga, pursuant to section 60a(b)(1)(a) of the Electricity Sector Law, However, the Company will continue to be the owner of an “essential service provider” since it will own transmission and distribution licenses, as detailed in sections 8.1.2 and 9.1.2 above and Note 1e4 to the Financial Statements.

As stated above, pursuant to the Government’s resolution on the reform, the structural change includes, inter alia, the granting of new transmission and distribution licenses to the Company (which will be granted for an extended period as customary in the field of public utilities). On November 17, 2022, the Electricity Authority made a decision to grant a distribution license to the Company, and on January 16, 2023, the Minister of Energy’s approval was received and the distribution license entered into effect. The distribution license is in effect for 20 years beginning from the date of the Minister’s approval as aforesaid. In accordance with the provisions of Section 60a(b)(1) of the Electricity Sector Law, the distribution license replaces the provisions regulating the activity of the distribution segment in the Company’s unified license of 1997. In addition, on May 8, 2024, the transmission and storage license signed by the Minister of Energy, following the Authority's decision on the matter was received. The validity of the transmission and storage license is 20 years from the date of the Minister's approval as stated above.

In accordance with the provisions of Section 60A(b)(1) of the Electricity Sector Law, the transmission license replaces the provisions regulating the activity of the transmission segment in the Company's unified license from 1997. In addition, the storage license regulates the Company's activity in the field of storage at substations, in accordance with the Electricity Authority's decisions number 64701 of January 18, 2023, on the subject of 'Principles for integrating the Electric Company in the field of energy storage in the transmission and distribution network'.

For additional details regarding the structural change, see Note 1e to the Financial Statements.

23.1.3 Duties and restrictions in accordance with the provisions of the Electricity Sector Law, the relevant regulations and the provisions of the licenses of the Company

23.1.3.1 Duties of the Company with respect to the type and nature of the services provided by it

In accordance with the provisions of the Electricity Sector Law, the Company as an essential service license provider holder is committed to –

(a) Providing service to the entire public without discrimination in accordance with the Criteria that the Electricity Authority has prescribed with respect to reliability and efficiency, and in accordance with the terms of its license and any law;

(b) Purchasing electricity from manufacturers and high voltage and low voltage license owners, storage license owners, or from those who generate or execute storage of electricity who are exempt from the duty of having a license under the provisions of the law, all or in part, and providing infrastructure services and Backup Services, in accordance with the terms of its licenses and in accordance with any Law;

(c) Providing Backup Services to a self-consumption generation license holder, at its request, in accordance with the terms of its licenses and in accordance with any Law;

(d) Acting in order to ensure the provision of all of its services throughout the period of its licenses, including the provision of services in accordance with the Development Plan that has been approved in accordance with the Electricity Sector Law (see Section 7.7.1 above on this matter), while performing all of the actions required for the provision of these services.

In accordance with the licenses of the Company, it has been determined that the activities that are being performed by it and the services provided by it pursuant to its licenses will be executed by the Company reliably and efficiently, without discrimination and in a manner that will not infringe on the possibility of fair cooperation.

In addition, the Unified License of the Company states that the Company shall provide infrastructure and Backup Services to other license holders and that the Company will purchase electricity from private electricity producers in accordance with the terms of their licenses and in accordance with the rules that will be prescribed by the Minister, including quantities of electricity to be sold, dates of purchase and dates of changes. See Section 7.4.1 above for additional details.

The Electricity Sector Law further states that an essential service supplier license holder will charge payments in accordance with the charge rates that the Electricity Authority has prescribed and that an essential service supplier license holder shall pay payments to a license holder or to a consumer in accordance with the charge rates that the Electricity Authority has prescribed (including in case the payments are collected for it by another). The term "charge rates" includes all of the following payment types: (1) that a consumer or license holder pays to an essential service supplier, including payments for provisions of infrastructure services and Backup Services; (2) that an essential service supplier license holder pays to another license holder or to a person generating electricity or executing storage, except payment that is prescribed in a tender that has been published by the State of Israel; and (3) that an essential service supplier pays to a consumer for generation of electricity by the consumer and payments to the consumer for consumption management arrangement.

In addition, in accordance with the provisions of the Electricity Sector Law, the Electricity Authority has to establish criteria by which an essential service supplier license holder will be allowed not to provide the service or not to make the acquisition that it is required to provide or make in accordance with the Electricity Sector Law, terminate, delay or restrict them, if the payments for them have not been paid to the license holder as required by law or if the conditions for the provision of the service of execution of the acquisition have not been fulfilled as required by law. The Electricity Authority has prescribed such criteria in the Book of Criteria that have been set forth below. In addition, the Minister has prescribed the Electricity Sector Regulations (Rules, Conditions and Cases for Termination of Electricity Supply), 2003, which regulate the cases in which an essential service supplier license holder is allowed to terminate the electricity supply.

In this context, it should be noted that the Electricity Authority established in the criteria a list of consumers for whom the supply of electricity is essential due to the use of medical devices and other types of electrical devices, whose disconnection from electricity may endanger the consumer's life. Regarding the consumers for whom the supply of electricity is essential, as well as those disabled by the persecution and the war against the Nazis, as defined in the criteria, it was determined that action must be taken to collect their debt through civil collection procedures only and it is not possible to disconnect them from the supply of electricity due to consumer debts.

In addition, on November 2, 2022, the Electricity Authority published decision no. 64105 regarding: "Updates, changes and additions to consumer criteria - collection policy - November 2022" within which the existing debt collection policy for electricity consumption from domestic consumers was updated. In this decision, those entitled to exemption from disconnection of electricity supply as a means of collection were significantly expanded.

The amendment of the criteria, as stated, was published in the Official Gazette on December 17, 2023 and came into effect on March 17, 2024.

In accordance with the provisions of Section 30 of the Electricity Sector Law, from time to time the Electricity Authority published criteria with respect to the level, standard and quality of the service that a license holder of essential service provider provides). These criteria are subject to ongoing updates in accordance with the Electricity Authority's decision. In addition, in January 2025, tariff tables book which is an integral part of the criteria was published[31].

It should be noted in this regard that by December 2024, the Electricity Authority published and updated the versions of the Criteria book on its website, and starting January 1, 2025, the updated combined versions of the criteria can be found on private legal websites such as "Nevo", "Takdin" and "Wikitext". These versions are available to the public for reference only, with the binding version being the one published in the Official Gazette.

The Criteria and tariff tables book are intended to regulate the activity in the Electricity Sector, supervise and secure the quality of electricity and the standard of service that the Company provides to consumers, and they are updated regularly from time to time. It should be clarified that decisions published in the Official Gazette after the date of discontinuing the publication of the criteria book by the Electricity Authority do not appear in the criteria book that appears in the Electricity Authority website.

The Criteria and the tariff tables book include, *inter alia*, provisions in the following issues: the quality of service to consumers, connecting consumers to the grid, handling faults and power outages, maintaining the grid and reliability of electricity supply, confidentiality and information systems, electricity rates including fixed payment, bills, handling consumer complaints), , infrastructure services, purchase of electricity, maintenance, and operation regime of private generation license holders, work at the expense of others and quality of the environment.

In accordance with the Electricity Sector Law the Electricity Authority prescribes instructions with respect to payments that an essential service supplier license holder is to pay consumers due to violation of the Criteria Accordingly, the Electricity Authority has determined in the Book of Criteria that an essential service supplier that violates one or more of the Criteria shall pay the consumer for this violation payment in accordance with that which has been prescribed by each of the Criteria that have been violated, within sixty days of commission of the violation.

23.1.3.2 The duty of the Company to submit Development Plans for the Electricity Sector

The Minister, upon consultation with the Electricity Authority and with the consent of the Minister of Finance, is allowed to demand that the Company, as a holder of a distribution license, submit for his approval, in a manner and on a date as required, a Development Plan, complete or in parts, for the purpose of its activities in accordance with the provisions of the distribution license. If the Minister, in consultation with the Electricity Authority and with the consent of the Minister of Finance, approved the plan, the holder of an essential service supplier license will operate according to the approved plan, including changes to it which have been approved and the duties applying to it under any law. If a Development Plan has not been submitted for his approval as aforesaid, the Minister is allowed to prescribe for the Company (distribution license holder), upon consultation with the Electricity Authority and with the consent of the Minister of Finance, a Development Plan, in which case the holder of a license of an essential service provider must act in accordance with it. Before determining a distribution development plan, the Minister will hear the position of the holder of a system management license regarding the connection points and the reciprocal influences between the transmission system and the distribution system.

The Company, as a distribution license holder, will prepare the development plan it submits for the electricity grid used for the distribution, in accordance with the instructions of the system management license holder regarding the connection points and the reciprocal effects between the transmission system and the distribution system. An approved development plan may include provisions regarding the approval of changes in the plan, including the entity authorized to approve them.

A development plan for the transmission and transportation system will be submitted by the holder of a system management license, and it will include timetables for carrying out the activities included in the plan. Prior to the submission of the aforesaid development plan for approval, the license holder for the system management will consult with the Company, as a transmission license holder, regarding the timetables for carrying out the operations included in the plan, as well as regarding the examination of alternatives to these operations.

In the event that there are differences of opinion between the said license holders regarding the feasibility of carrying out the operations, including the feasibility of carrying them out in the timetables as aforesaid, the system management licensee will submit to the Minister, in addition to the development plan he has prepared, the position of the holder of the transmission license in the dispute, and the Minister will note the aforesaid dispute in his application to the Authority and the Finance Minister, and will pass on the positions as they were submitted to him.

[31] The tariff tables book is published to the public in IEC website.

The licenses of the Company state that a license holder that is an essential service supplier is to submit to the Minister a Development Plan with respect to its activity in accordance with the License.

For details of the Company's development plans, see sections 7.7, 8.7 and 9.7 above.

23.1.3.3 Restrictions on the types of activities that the Company is allowed to execute

The Electricity Sector Law states that no essential service supplier license will be given except to a company that has undertaken to engage only in activities in accordance with the licenses that have been given to it pursuant to the Electricity Sector Law and ancillary actions. However, an essential service supplier license holder is allowed to engage in other actions, that the ministers have approved for it, upon consultation with the Electricity Authority, engagement in which will not impair its actions or the supervision of fulfillment of its duties in accordance with the Electricity Sector Law.

Accordingly, each of the licenses of the Company states the activity for which the License has been given and in which the Company is allowed to engage. In addition, the licenses of the Company state that the license holder is allowed to perform actions that are ancillary to the activities in accordance with the license, where in part of the licenses such activities are specified in the appendix to the License and some require the approval of the Electricity Authority.

Therefore, when the Company is going to engage in a related act that requires the approval of the Electricity Authority or in another activity that is not regulated within its licenses, the Company applies to obtain an approval of the Electricity Authority or the ministers, respectively, for approval for this purpose.

In addition, the Company is working with State Authorities to arrange a Ministerial permit for "other activities" under Section 6(d) of the Electricity Sector Law, which will allow business development activities in Israel and abroad in accordance with the limitations determined by them as stated. For further details, see Section 27.3 below.

With regard to additional restrictions, see section 23.1.3.7 below.

23.1.3.4 Restrictions to the transfer, pledging or attachment of a license

The Company is subject to the provisions of General Law applicable to liens, as well as to specific provisions under the Electricity Sector Law and its licenses. The following are the main restrictions applicable to the Company under these specific provisions:

In accordance with the Electricity Sector Law, a license or any part thereof may not be transferred, pledged or attached, directly or indirectly, except with the approval of the Electricity Authority. In addition, guarantees that a license holder and money stemming from their realization may not be pledged or attached. In addition, in accordance with the law, the Electricity Authority is allowed to determine in the License that certain properties of the license holder, which are required, in the opinion of the Electricity Authority, for the execution of the activity in accordance with the provisions of the License, may not be transferred, pledged or attached, directly or indirectly, except with the approval of the Electricity Authority. The Electricity Authority, upon giving approval for such a transfer, pledge or attachment, shall act in accordance with the policy of the government or the policy of the minister in the Electricity Sector field, and will consider, *inter alia* the contribution of giving of the License to the level of services to the public, the benefit of consumers and the contribution of giving of the License to competition in the Electricity Sector.

It is determined in the licenses of the Company that it is prohibited to pledge, transfer or attach, directly or indirectly, assets as stipulated in the licenses (which include most of the assets of the Company), except with the approval of the Minister. Following Amendment 16 to the Electricity Sector Law, the Electricity Sector Rules (Liens and Transfers of Control), 2019 were established, within which the required procedure was determined in relation to liens and transfers of control in the license and in the license holder.

The United License also states that the Minister is allowed to add to or subtract from the list of assets that are in the appendix to the License, during the term of the License. The inclusion of or reference to an asset, in the appendix, does not serve to grant the license holder any right to the asset or detract from its duties with respect to it in accordance with the provisions in the Electricity Sector Law. In addition, it was determined that if any third party is granted, as of the effective date of the License, rights with respect to any of the properties that are used for the provision of the activity of the license holder, the license holder shall ensure, to the maximum extent possible that no situation will occur in which the exercising of rights to a property as set forth may impair the execution of its undertakings in accordance with the License. See Section 16.3 above and Note 1f to the Financial Statements with respect to the Property Settlement, including with respect to agreements entered into by the Company concerning the Property Settlement.

In accordance with the provisions of the law (as updated from time to time) and the licenses of the Company as stated, the Company is not allowed to create charges on its assets (whether a floating or fixed charge of assets that are included in the licenses of the Company as stated), but subject to the approval of the Electricity Authority[32].

[32] Until Amendment no. 13 to the Electricity Sector Law, which was published in the Official Gazette in November 2015, the creation of charges over the Company's assets was subject to the approval of the Minister. As of the date of publication of the aforesaid amendment to the law, the creation of charges over the Company's assets is subject to the approval of the Electricity Authority.

Until 2011, the approvals given to the Company for the creation of charges on the assets of the Company did not include special stipulations with respect to charge realization, but realization of the charge will require approval in accordance with the provisions of the law. In the approvals as aforesaid which were provided to the Company as of 2011, restricting conditions were included, primarily as follows:

- No sale, transfer or rental of assets that are being used for carrying out activity in accordance with the Electricity Sector Law is to be made except to a party that is allowed pursuant to the law in Israel to engage in activity as stated using those same assets, which will receive its rights to and keep the assets for executing those activities, in accordance with licenses permitting their execution;
- The assets listed shall be kept at all times by a party that has a license to operate them in accordance with the Electricity Sector Law and shall be used at all times for the purposes of the licenses only;
- The appointment of a temporary or permanent receiver (in this section: the "**Receiver**") shall be contingent to its undertakings to act in a manner that fulfills the duties of the Company, as they may be from time to time;
- The approval for creation of a charge does not constitute an approval to realize the rights conferred under the charge, including appointment of the Receiver;
- The identity of the Receiver requires prior approval of the Minister and his appointment will be contingent to further fulfillment of the duties in accordance with the licenses of the Company, including continuing the regular operation of the activities in accordance with the Electricity Sector Law, using the assets and facilities of the Company;
- The authorities that are granted to the Company by law as the license holder shall apply, mutatis mutandis, to another holder of the pledged assets.

The aforementioned approvals state that they do not detract from any other undertaking of the Company, including pursuant to other charge agreements, and do not establish priorities for other charges of the Company.

23.1.3.5 Restrictions over an essential service provider licensee

The Electricity Sector Law states that the Electricity Authority is allowed to state in the License that a change or reorganization in the license holder, including merger, split of compromise, settlement or voluntary liquidation, requires the approval of the Electricity Authority. A similar provision prescribed in most of the licenses of the Company.

Beyond that detailed above, the Electricity Sector Law states that control of a license holder shall not be transferred, directly or indirectly, except with the approval of the Electricity Authority, and the Authority is permitted to approve transfer of control as aforesaid provided that the terms required for granting the license under the Electricity Sector Law were fulfilled as of the time of the transfer. In addition, the Electricity Sector Law prescribes that except for the State, a license holder shall not purchase or keep means of control of another license holder, except with the approval of the Electricity Authority.

The Electricity Sector (Conditions and Procedures for Granting Licenses and Duties of a Licensee) Regulations, 1997 ("**Conditions and Procedures for Granting Licenses**"), state that the Minister of Energy is allowed to stipulate conditions of a license of an essential service supplier, such as a requirement for an organizational and legal structure of the license applicant or to the giving of an undertaking to the structural change as mentioned, on the date as instructed by the Minister. The Minister may order an essential service provider licensee, pursuant to the regulations, to change the organizational and legal structure during the period of validity of the License, after having given the licensee a right to a hearing, a reasonable time in advance. As of the date of the report, no such instructions were given pursuant to the regulations. In addition, the Electricity Sector Rules (Liens and Control Transfers), 2019 determine that a license owner wishing to make a change or reorganization therein, and regarding which the Authority determined in the license that such a change requires its approval under the Electricity Sector Law, will submit a written request to the Authority regarding that.

For this purpose, the regulations stipulate conditions and procedures for granting a license that a "legal organizational structure" includes the establishment of a subsidiary or other corporation which is part of the group to which the applicant of an essential service provider's license belongs to, or a license holder as aforesaid, for the purpose of its operation under the law, as well as a merger or a spin-off.

On May 10, 2018, relevant government entities and the Company, after consultation with the employees' representatives and the Histadrut, reached understandings with respect to the structural change. For details of the structural change, see section 1.3 above and Note 1e to the Financial Statements.

23.1.3.6 Execution of activity as profit centers, manner of preparation and submission of Financial Statements

The Electricity Sector Law states that an essential service provider license holder shall prepare Financial Statements in a format as the Ministers prescribe, after consulting the Minister of Justice with respect to their extent of elaboration, the accounting principles to be used for their compilation, and the declarations and notes that are to be attached.

Accordingly, in accordance with the Conditions and Procedures for the Granting of a License Regulations, and in accordance with the licenses of the Company, the Company, as an essential service provider, is required to submit Financial Statements separately for each area, for each activity and for each profit center, and to submit consolidated statements with respect to its activities in accordance with all of the licenses that are in its possession. A "profit center" is defined in these regulations as "a unit that has a closed income and expense structure, without cross subsidy with the operations of another unit, and, due to its operations, financial statements will be submitted separate from the other operations of the license owner".

The Company's licenses determine that the profit centers will be defined pursuant to the instruction of the Minister of Energy or the Electricity Authority in accordance with the relevant requirements of each license, including all the requirements detailed in the appendix of profit centers attached to the license. However, it is clarified that the appendix of profit centers was not attached to the Company's generation licenses.

As required by the Conditions and Procedures for Granting of a License Regulations and in most of the Company's licenses, the Company should have submitted audited Annual Financial Statements separately for each area, for each activity, for each generation unit or power station.

In accordance with the outline of the structural change, the Company's operation in the generation (for details of the sale of generation sites of the Company see Note 1e1 to the Financial Statements), transmission, distribution, supply segments, as well as the Company's general operation, will be reported through separate profit centers. On May 5, 2021, the Company received the summary of the Government Team, regarding the manner of reporting to profit centers required by the Company for submitting its reports. The Company began implementing the reporting format in its 2021 financial statements. For additional details see Note 35 to the Financial Statements.

23.1.3.7 Special provisions regarding a government company

In accordance with Section 6A of the Electricity Sector Law, the Electric Company, as a Government Company that received a distribution license, a supply license and a transmission license, will not be granted a generation license and it will not carry out generation activity (including engineering design), planning activity under the Planning Law, construction, operation, maintenance or replacement, all relating to generation units that are serving or expected to be serving the electricity sector, and consultation with respect to the aforesaid actions, whether for itself or for another engaging in or interested in engaging in the activity, except subject to the terms stipulated in the amendment to the Electricity Sector Law. For details regarding the operation of the Company in the generation segment see Note 1e to the Financial Statements.

In accordance with the Government's resolution on the reform, the Company will be permitted to construct and operate storage facilities only within the physical infrastructure of the transmission network, while the storage in the physical infrastructure will be determined in the development plan to be prepared by the system management license holder. In addition, the Company will be permitted to plan, construct and operate storage facilities within the physical infrastructure of the distribution network, all according to principles to be determined by the Electricity Authority to integrate storage facilities in the distribution network and in accordance with that stated in its licenses and the Electricity Sector Law. On January 30, 2025, the Electricity Authority published a decision number 70405 on "plan of deploying storage facilities in substations in which the Authority determined the deployment plan for the construction of additional storage facilities in the Company's substations which will be established for systemic needs, to reduce congestion at the grid and for connecting additional facilities in renewable energies. For further details regarding the Company's activities in the field of storage, see Section 11 above.

On May 8, 2024, the transmission and storage license was signed by the Minister of Energy, following the Authority's decision on the matter. The validity of the transmission and storage license is for 20 years from the date of the Minister's approval as aforesaid. The transmission and storage license regulates the Company's activities in the field of storage at substations.

23.1.3.8 The responsibility of the State of Israel within the framework of the licenses and the duties of the Company towards it

In accordance with the provisions of its licenses, the Company is committed to indemnifying the Company for payment that it is charged for an act or default of the Company, with respect to its activity in accordance with the License. In addition, the Company will bear all of the legal and other expenses of the State of Israel, to the extent that there are any for the charge. The duty of indemnification shall not apply unless the Company has been given, at a reasonable time, a notice of the claim that a third party filed against the State of Israel in order to allow it to participate in the defense and

the State of Israel has consented to the participation of the Company in the legal proceeding. This duty of indemnification is not limited in time or amount.

In addition, in accordance with the terms of the licenses, any approval, permit or instruction that has been given to the Company for the purpose of or within the License, whether given before the giving of the License or given thereafter, shall not impose on the State of Israel any liability towards the Company or any third party and shall not serve as a cause of claim of the Company or a third party towards the State.

In addition, the authority of approval or supervision that is given in accordance with the License, including the exercising of such authority, does not impose on the State of Israel any liability that is imposed pursuant to the License on the Company, or negate or diminish from that liability.

As aforesaid, the structural change includes, inter alia, granting new licenses to the Company, which as of the date of publication of the report have not yet been received, and there is no complete certainty regarding their receipt and their final terms. For additional details see Note 1e to the Financial Statements.

23.1.4 Cancellation, suspension and change of the terms of the licenses

In accordance with the Electricity Sector Law and the provisions of the licenses of the Company, the Electricity Authority is allowed, at any time, to cancel or suspend a license, and it is allowed to add to or modify its conditions, rules and duties, if it has found that any of the conditions of the License has been violated, including the obligation to disclose information as required by the provisions of the law, that any of the qualifications for receiving it is fulfilled or the capacity required for its possession by the Electricity Sector Law has ceased to be fulfilled. In addition, in accordance with the Electricity Sector Law, the Electricity Authority may cancel a license, condition it, amend it, or add terms to it, including for reasons other than those specified above, but based on considerations stated in the Law regarding the contribution of the License to the level of services to the public, the benefit of consumers or the contribution of the License to competition in the Electricity Sector; the aforementioned authority of the Authority can be activated after the license holder has been given an opportunity to voice his claims. However, the Electricity Authority will not use its powers as stated, pertaining to licenses requiring the Minister's approval as detailed in section 23.1.1, except as regards cancelling or suspending a license if it has found that any of the conditions of the license have been violated, that any of the qualifications for receiving it is fulfilled, or the capacity required for its possession by the Electricity Sector Law has ceased to be fulfilled, except with the Minister's approval. A cancellation of deliberation of the Electricity Sector with respect to the voiding of the terms in the License or the part of a condition shall only apply to the condition or part of the condition as relevant and they by themselves will not impair the binding validity of the License or detract from the duties of the Company in accordance with the License. The Electricity Authority shall not cancel or suspend a license unless the license holder has been given an opportunity to voice its contentions. The Ministers may prescribe rules for giving compensation for cancellation, change or suspension of a license that has been given in accordance with the Electricity Sector Law, not due to breach of any of the license's terms, existence of a restriction of the restrictions for receiving it, or because the qualification required for holding it has ceased to exist, but as a result of the Authority's considerations as defined above, and it is possible that in accordance with the rules as determined, the compensation rate will be zero.

Although some of the generation licenses of the Company confer upon the Minister rather than to the Electricity Authority the authority to cancel, suspend or modify the terms of the License, according to amendments of the Electricity Sector Law, the instructions in these licenses are to be read as granting the authority to the Minister or to the Electricity Authority in accordance with the Electricity Sector Law after its amendment within the Arrangements Law as well as within the Amendment 16 to the Electricity Sector Law.

As of the date of the report, the licenses of the Company have not been suspended or cancelled and the Company has not received a notice that it is not fulfilling any of their conditions.

In addition to what has been stated above, the Electricity Authority is granted authority to cancel the validity of an essential service supplier license (after having warned the holder of this license), if it has learned that the essential service supplier license has not made the payments that are due (in accordance with the Electricity Sector Law or the terms of the License) to another license holder. The Company, except in exceptional cases and in circumstances that have not been under its control, (such as a strike), has made sure to pay other holders of licenses for activities in the Electricity Sector the payment that is due to the by law, on time and as required. In effect, the Company has not received any notice of intent to cancel the validity of a license that has been given to it and it estimates, in view of its function as an essential service supplier in the Electricity Sector, that even in the case of violation of the duty to pay another license holder a payment that is due to it by law, the likelihood for such a severe sanction of far-reaching consequences for the Electricity Sector to be enacted is low.

The Company's estimates with respect to the likelihood of enactment of sanctions in the case of violation of a duty of payment towards another license holder is forward looking information, as per its definition in the Securities Law, and is based on estimates of the Company in view of its status as an essential service supplier in the electricity economy. However, there is no certainty that the Company's estimates will materialize, as their materialization may be affected by external

factors that are not under the control of the Company, including decisions of the Electricity Authority and its policy as will be from time to time.

In accordance with the Conditions and Procedures for Granting Licenses Regulations, the authority has been vested in the Minister[33] to demand by license the giving of guarantees or sureties for securing the fulfillment of the undertakings of the license holder to execute the activity pursuant to the License. Accordingly, in May 2007, the Electricity Authority announced its intent to establish in the permanent generation licenses, a duty to deposit a guarantee to secure the fulfillment of the terms of the licenses. In accordance with the resolution, the limit of the guarantee for a license holder shall not exceed a total amount of USD 15 million. In accordance with the resolution set forth, the demand to extend guarantees for the generation licenses that have been given to the Company shall be executed in accordance with the progress in the Structural Change proceedings of the Company, including providing of licenses for the operations of the Company. As of the date of the report, the Company has not yet been requested to extend such a guarantee in effect. In accordance with the terms of the distribution license granted to the Company, on May 31, 2023, the Company provided a guarantee in the amount of NIS 20 million. In accordance with the terms of the transmission and storage license granted to the Company, it was agreed that the guarantee deposited for the distribution license granted to the Company would also be used to ensure compliance with the terms of the transmission and storage license.

23.1.5 Sanctions for execution of activity in accordance with the Electricity Sector Law without a license, for violation of the terms of the licenses and for violation of other duties of the Company in accordance with the Electricity Sector Law

The Electricity Sector Law states, inter alia. that the execution of the activity that is licensable in accordance with the Electricity Sector Law (including in the field of generation of electricity) without a license constitutes a criminal offense punishable by three years' imprisonment or a fine that is four times the fine rate determined in Section 61(A)(3) of the Penal Code 1977 (hereafter: the "**Penal Code**") and an additional fine for each day that the offense continues, at four times the fine rate determined in Section 61c of the Penal Code.

In addition, the Electricity Sector Law states that a violator of the provisions of Sections 17(B) (dealing with the preparation of Financial Statements in accordance with the principles prescribed by the Ministers), 17(C) (dealing with the duty of collection of payments in accordance with the charge rates determined by the Electricity Authority), 34 (dealing with accounting entry and reporting to the public requirements that will apply to a holder of an essential service supplier license, as determined by the Electricity Authority) or 35 (dealing with requiring the holder of an essential service supplier license to submit to the Electricity Authority reports and any information in accordance with its demands, for fulfilling its duties), or a license holder violating any of the terms of the License, with respect to the activity of the license holder, is liable for one year's imprisonment or a fine of three times the rate of the fine determined in Section 61(A)(2) of the Penal Code, and an additional fine for each day on which the offense has continued, at three times the rate of the fine determined in Section 61(C) of the Penal Code. In addition, in accordance with Section 65 of the Electricity Sector Law, this law is part of the list of laws specified in the first addendum to the Administrative Offenses Laws - 1985.

The Electricity Sector Law further states that the violator of the provisions of Section 17(A) (dealing with provision of service to the entire public without discrimination, according to the criteria set by the Authority, reliably and efficiently, according to the terms of the license and the law, purchase of electricity from a private producer and provision of infrastructure and Backup Services to a private producer, according to the terms of the license and the law, provision of Backup Services to a self-generation license holder according to its request, according to the terms of the license and the law, and ensuring the provision of all of its services throughout its license period, including provision of services in accordance with the development plan that was approved pursuant to Section 19, while performing all actions required for providing these services) is subject to three years' imprisonment or a fine that is four times the fine rate as stated in Section 61(A)(3) of the Penal Code and an additional fine for each day on which the offense continues, at four times the fine rate set forth in Section 61(C) of the Penal Code. In addition, the Electricity Sector Law states that an officer who has violated a duty to supervise and do everything possible to prevent violations of the law by the Company or any of its employees is punishable by one year's imprisonment or a fine (as stated in Section 61(A)(3) of the Penal Code). The Electricity Sector Law states that if a violation of it has been committed by a corporation or any of its employees, it is presumed that the officer in the Company violated the duty of regulation, unless he proves that he acted without *mens rea* and without negligence and did everything he could to fulfill his duty.

[33] Although in the Regulations, authority has been conferred upon the Minister, in accordance with Amendments to the Electricity Sector Law, the regulations should be read as granting this authority to the Electricity Authority.

23.1.6 Provisions of the Electricity Sector Law and the Resolutions of the Electricity Authority with respect to the electricity charge rate

In accordance with the provisions of the Electricity Sector Law, the Electricity Authority prescribes the electricity charge rate. As described above, most of the electricity consumers pay one weighted charge rate for electricity, which includes all segments of activity.

For purposes of setting rates, the Authority will perform actions of costs control of the holder of an essential service provider's license, and it is permitted not to take into account, in the matter of setting rates, all or part of the expenses that it deems unnecessary to fulfill the obligations of the holder of an essential service provider's license. In implementing the cost principle for determining the rates, the Authority will recognize the costs deriving from all of the following: (1) the Minister's policy principles; (2) the Minister's instructions regarding the operation of the electricity sector in times of emergency; (3) the Minister's instructions regarding the operation of the gas sector in times of emergency in accordance with the Natural Gas Sector Law, and (4) the Minister's instructions regarding a response to needs deriving from emergency situations, which are required for execution during an emergency, given in writing to the holder of an essential service provider's license In accordance with any law or in accordance with the terms of his license.

See Note 3a-d to the Company's Financial Statements for details on the principles for setting the charge rate and the manner of setting the electricity charge rate in each of the segments.

23.2 Contentions of the Company with respect to the electricity charge rate

The Company's revenues are based on the electricity rate collected from the various electricity consumers. In accordance with the Electricity Sector Law, the electricity rates and ways of updating them are determined exclusively by the Electricity Authority. The Company's financial position, revenues, profits and cash flows are therefore materially affected by the level and structure of the electricity rates. In general, the rate is determined according to the mechanism of recognition of the costs required to fulfill the Company's obligations as an essential service provider in the various segments, such as: fuels, operating and maintenance costs and capital costs (depreciation, financing and return on capital). For further details regarding the manner of determining and updating the electricity rate, see Note 3 to the Financial Statements. In various decisions of the Electricity Authority in connection with the electricity rate, the Electricity Authority states that its decisions are made while balancing the need to allow the Company to carry out its activities in the electricity chain segments while maintaining its financial strength and safeguarding the interests of consumers to minimize Company costs reflected in the rate.

According to the law, for the purpose of determining rates, the Authority is required to carry out cost control, and it is permitted not to take into account, for the purpose of setting rates, all or part of the expenses which it believes are not required to fulfill the obligations of the holder of an essential service provider's license.
Over the years, disputes have arisen between the Authority and the Company, and the Company has filed arguments against the Authority with respect to delays in making decisions regarding rate recognition of the costs borne by the Company.
In cases where the rate does not cover the Company's costs or is not updated in time, and when the Authority decides to spread recognition of the Company's costs over several years or to postpone recognition of costs minimize the increase in electricity tariffs for consumers, it may have a negative impact on the Company's cash flow and/or financial position or on its operating performance.

In this regard, it should be noted that starting in January 2026, the Authority updated the electricity rate update mechanism so that the rate will be automatically updated every six months in accordance with changes in the indices and coefficients determined by the Authority. The Authority also determined that the cash-flow gap between the automatic rate and the full rate update will not exceed NIS 750 million.

As of the date of publication of the report, there are open, controversial issues regarding the electricity rate, which are handled and discussed on an ongoing basis by the Company's management with the Electricity Authority. For further details including with respect to the rate update mechanism from January 2026, see Note 3 to the Financial Statements.

23.3 Resolutions of the Government and the Cabinet

23.3.1 Government resolutions regarding the electricity sector

In accordance with that which has been stated above, the operations of the Company are materially affected by the resolutions of the government, including on the issue of the Electricity Sector and because of its identity as a "government company" (see Section 23.5 below). During the years that have passed since the date the Electricity Sector Law was legislated, the Government of Israel and government entities adopted a number of resolutions and recommendations with respect to the Electricity Sector, some of which were later adopted as amendments to the Electricity Sector Law, and some were not adopted by the law and were not even implemented, because of various considerations, including the continued discussions between the Company and Government entities on the issue of the Structural Change.

As aforesaid, on June 3, 2018, a Government Resolution was adopted regarding the reform. Furthermore, and following this resolution, on September 3, 2019, a Government Resolution was adopted to establish the Netiv Ha'Or Company which is a company fully owned by the Company. For additional details see Note 1e in the Financial Statements.

23.3.2 The innovation program in government companies and conditional approval under section 11(a)(9) of the Government Companies Law, for government companies to establish, together with others, companies in the field of innovation:

Further to the State's efforts to promote technological innovation in government companies, on May 7, 2018, the Ministerial Committee for Social and Economic Affairs (the Socio-Economic Cabinet) reached a resolution which was effected as a Government Resolution (no. 3837) on May 24, 2018, regarding "Innovation Program in Government Companies and Conditional Approval under the Government Companies Law, for Government Companies to establish or purchase Companies in the Field of Innovation" (in this section: the "**Resolution**") which allows the government companies, listed in the appendix to the resolution (including the Company),and their subsidiaries, to establish together with others companies, or to purchase, or to receive in another way shares in existing companies, which are mainly engaged in technological innovation, as defined in the resolution and subject to its terms, in lieu of , government approval as required under section 11(a)(9) of the Law. In addition, the resolution determined the establishment of an inter-ministerial steering committee to remove barriers preventing government companies from adopting innovative technologies.

23.3.3 Multi-annual plan to execute issue of minority stakes in Government Companies

On October 5, 2014, the Ministerial Committee for Social and Economic Affairs (Socio-Economic Cabinet) (hereinafter: the "**Cabinet**") approved a "Multi-annual Plan to Execute Issue of Minority Stakes in Government Companies" which was approved by the Government Resolution number 2093 of October 7, 2014 (in this section; the "**Decision**"). Within the Decision it was decided, inter alia, to approve a multi-annual plan to execute issue of minority stakes[34] in government companies (hereinafter: the "**Plan**"), and to promote the creation of an appropriate legal infrastructure for executing the issue of minority stakes in government companies in order to implement the Plan. The Cabinet classified the Company as a company in which the State has an interest in maintaining long term government control. Within the Plan outline, in was decided that in 2017, subject to a government decision to perform a structural change in the Company, and minding the nature of the structural change that will be formulated, an issue of minority stakes of the Company will be executed at a total amount of up to 25% of the share capital of the Company (fully diluted). As of the date of the report, the decision has not been implemented and to the best of the Company's knowledge, no follow-up decision of any kind has even been made on this matter by the Government.

[34] According to the Decision, minority issues are issues of a total rate between 25% on a fully diluted basis and 49% on a fully diluted basis of the companies' share capital.

23.3.4 Improving preparedness for emergency situations

Pursuant to Government Resolution 2017 of October 30, 2016, in order to ensure the preparedness for emergency situations and to enable continuity in the supply of services and products which are essential for the population's existence, the following actions will be taken:

a. A Government Ministry will take the necessary actions to ensure in advance that services and products which are essential for the population's existence, which are routinely supplied by it or their supply is under its responsibility, will also be provided in a state of emergency - and it will also act so that its auxiliary units, the Government Companies and statutory corporations under its responsibility will be prepared as aforesaid, insofar as it is under its authority to do so according to the law.

b. A Government Ministry which is about to enter a contract to provide a service or product that is essential for the existence of the population, or to extend the validity of such a contract, will consider the need to include in the contract terms to ensure that the entity it is contracting with is prepared for a state of emergency.

c. An authorized authority which is in charge of granting a license, permit or approval under a law or by virtue of a law, will determine reasonable and proportionate terms, insofar as it is in line with the provisions of the authorizing law, which will ensure the preparedness of the license receiver. The permit or approval, as applicable, for continuity in the supply of products and services which are essential for the existence of the population in a state of emergency.

d. A proposal for privatization of a Government Company will not be submitted to the Ministerial Committee for Privatization Affairs under Chapter H1 of the Government Companies Law, unless the following aspects have been considered with respect to the Government Company:

   - Whether there is another Government body which provides the services and products essential for the existence of the population in a state of emergency that are provided by the Government Company.
   - If there is no such Government body, the terms required to ensure the adequate preparedness of the Company to respond in a state of emergency, including the need to declare it as an "essential enterprise" under the Emergency Work Service Law and the need to determine essential interests with respect to the Company, by order, under Section 59h(a) of the Government Companies Law.

   This Section does not derogate from the authority of the Ministerial Committee for Privatization Affairs under chapters H1 and H2 of the Government Companies Law.

Furthermore, Amendment 16 to the Electricity Sector Law determines that the Minister may decide on policy in the field of the electricity sector, inter alia on the following issues:

1. Electricity sector activity in emergency situations and in other special situations.

2. When the Electricity Authority determines a rate, it is obliged by the amendment to take into account the Minister’s directives pertaining to the operation of the electricity sector in times of emergency, given under section 58(b) of the Law, and the Minister’s directives with respect to addressing needs stemming from an emergency situation, which are required to be executed in times of emergency, which were given in writing to an essential service provider license holder in time of emergency, under any law or according the terms of its license.

23.4 Regulation applying to the Company's operation

23.4.1 Regulation by virtue of the Government Companies Law

As of the date of the report, the Company is a "government company" as per its definition in the Government Companies Law. As a government company, the Company is subject to the provisions of the Government Companies Law and the relevant regulations and rules. The subsidiaries of the Company, which are government subsidiaries as defined in the provisions of the Government Companies Law (a company of which over half of its voting powers in its general meetings or its right to appoint more than half of its directors are held by a government company, a government subsidiary, or a government company with a government subsidiary), are governed by most of the provisions of the Government Companies Law, with the modifications stated in Section 57 of the Government Companies Law.

Pursuant to Section 2 of the Government Companies Law, the Companies Ordinance will apply to the Company, all subject to the provisions of the Government Companies Law.

The following is a concise description of some of the principal provisions which apply to the Company by virtue of the Government Companies Law.

23.4.2 Government investments in the Company[35]

As long as the Company is a government company, the Government shall not invest in the Company except with the approval of the Knesset Finance Committee.

22.4.3 Actions and decisions that require the approval of the Government

Pursuant to section 11 of the Government Companies Law, a number of Government company decisions require the approval of the Government, as detailed henceforth: (1) a change in the objectives of the Company; (2) increase of the registered share capital of the Company; (3) a change in the rights attached to the shares of the Company; (4) allocation of Company shares or consent to transfer shares as required by the incorporation documents – if they may cause a material change in the balance of power between the members of the Company or grant a new member with 10% or more of the nominal value of the share capital or voting power of the Company or the right to appoint a director; (5) issue of redeemable preference shares by the Company; (6) issue of debentures convertible into shares, and conversion into shares of debentures issued without conversion right or loan received by the Company; (7) transforming the Company from a company which is not private to a private company, or from a private company to a company which is not private; (8) reorganization of the Company, its voluntary liquidation, compromise, arrangement or merger with another company; (9) establishing a company, alone or with others, and purchase of shares in an existing company, except for purchase of shares on the stock exchange by a company for whom such a purchase is part of its regular business; if a company is of the opinion that an action or transaction does not require approval and the Government Companies Authority disagreed, the action or transaction will be presented for approval by the Government; regarding this – "company" – including another corporation, and an enterprise which satisfies the conditions as determined by the Minister of Finance; "enterprise" – engagement, including continuation of an engagement, to execute financial activity, provided it can materially affect the Company's profitability, property or liabilities; (9a) a right granted by the Company or obligation undertaken by the Company that may limit the Government, directly or indirectly, whether in its governmental role or in its position as a shareholder of the Company, including with respect to executing structural changes and privatization, promoting competition and regulating the sector in which the Company operates; regarding this issue, "right or liability" – including a right or a liability under which a Government act or omission, which is not controlled by the Company, will grant a third party remedies and reliefs against the Company; (9b) offering securities to the public under a prospectus, if the Companies Authority was of the opinion that as a result of publication of the Prospectus the State, being the controlling shareholder of the Company, may be liable for damage which will caused due to a misleading detail that was in the Prospectus, pursuant to the Securities Law, and so informed the Company; (10) operation as a shareholder of a government subsidiary in one of the issues stated in paragraphs (1) to (9b); (11) commitment to one of the operations stated in paragraphs (1) to (10).

Such decisions by a government subsidiary also require government approval, and will be presented to the Ministers by the parent company to obtain such approval[36].

A decision by a Government Company to sell shares it holds in its government subsidiary also requires the approval of the Government and the Finance Committee of the Knesset[37].

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35 Section 10 of the Government Companies Law.

36 Section 57(2) of the Government Companies Law.

37 Section 15a of the Government Companies Law.

23.4.4 Business considerations and designation of profits

Business considerations

Pursuant to section 4(a) of the Government Companies Law, a government company will operate in accordance with business considerations under which a non-government company operates, should operate, except if the Government determined for it, with the approval of the Finance Committee of the Knesset, other operating considerations. As of the date of the report, other operating considerations have not been determined for the Company.

Designation of profits

Pursuant to section 33(c) of the Government Companies Law, a decision of the Board of Directors regarding the designation of the profits of the Company or regarding distribution as defined in the Companies Law requires the approval of the Companies Authority. If the Companies Authority disagreed with the decision of the Board of Directors, the Company will act according to the decision of the Companies Authority as was approved by the Government. Under the Government Companies Authority's Circular 2018-5-2 of December 11, 2018, on its policy regarding distribution and designation of profits in government companies, the term "profit designation" is broader than dividend, as it includes "distribution", as its definition in the Companies Law, or designation of the Company's profits in any other way, such as transferring surplus to funds, or for any other purpose. In accordance with the said circular, the main points of the Companies Authority's policy for designating profits to dividend payments are as follows: (a) as a rule, a governmental company must allocate at least 50% of its current profits annually, before a bonus is paid out of the earnings to employees, for the purpose of distributing cash dividends; (b) the Companies Authority may prescribe, in accordance with the law, a distribution policy different from that stated in section (a) above and may also make a decision that deviates from the policy mentioned in section (a) above and all in light of the individual circumstances of the company. Regarding the distribution of a dividend, taking note of the outline of the structural change, see Note 1e6c to the Financial Statements. For the decision of the Board of Directors regarding the dividend see Note 24 to the Financial Statements.

23.4.5 Financial Statements in Government Companies

(a) Section 33(a) of the Government Companies Law determines that the Board of Directors has to annually take care of the preparation of the balance sheet, Profit and Loss Statement including earnings designation, report of resources and manner of their use, and in companies with subsidiaries – consolidated financial statements. Furthermore, section 33(b) of the Government Companies Law determines that the Minister of Finance may oblige a government company to prepare an additional report and to determine the date of its submission. Accordingly, regulations were promulgated, pursuant to which government companies are required to attach to the Financial Statements an additional report with respect to the actions that have been taken and the representations that have been given to secure the correctness to the Financial Statements and the report of the Board of Directors, including separate signed declarations of any officer who has signed those reports. In addition, pursuant to that section, regulations have been promulgated, whereby certain government companies, including the Company, have a duty to attach to the Financial Statements an additional statement with respect to the effectiveness of the internal control over financial reporting based, elaborating the material weaknesses, if any, and including signed declarations of each officer signing the statements, and a report of the independent auditor of the Company that will include his expert opinion on the effectiveness of the internal control of the financial reporting in the Company and material weaknesses that he has identified (the government companies regulations noted in this section will henceforth be named, jointly and severally: "**Government Companies Regulations**").

Pursuant to the amendment to the Securities Regulations (Periodical and Immediate Statements) - 1970 (hereafter: the "**Reporting Regulations**"), the duty applies to all reporting corporations whose securities are listed for trading on the Tel Aviv Stock Exchange, to declare the effectiveness of their internal control over their financial reporting and disclosure.
Furthermore, the Chairman of the Securities Authority has the authority, in accordance with Regulations 9B(F) and 38C(F) of the Reporting Regulations, to establish that a government company, which is also a reporting corporation in accordance with the Securities Law, which implements the Government Companies Regulations, is to report the effectiveness of the internal control in the form prescribed in the Government Companies Regulations.

The Company applied to the Chairman of the Securities Authority with a request for him to exercise his authority so that the reporting of the effectiveness of the Company's internal control, as a government company, will be in accordance with the Government Companies Regulations, so that the Company will not be required to submit an additional report regarding the effectiveness of the internal control also under the Reporting Regulations.

In answer to the application of the Company, the Chairman of the Securities Authority decided on January 4, 2011, to grant its request, for the reports of the Company with respect to the effectiveness of the internal control to be made out in the form prescribed in the provisions of the Government Companies Regulations, as long as the Company would comply with these instructions.

This arrangement is subject to the undertaking of the Company whereby on each statement date, the Company shall examine whether any changing event involving the set of facts that was shown before the staff of the Securities Authority in the applications of the Company has occurred and shall inform it of any such change. Within this undertaking, the Company shall examine changes in the provisions of the Regulations or the provisions of the Government Companies Regulations, changes in the status of the Company that affect the law applying to it, changes in the manner of implementation of the provisions of the Government Companies Regulations in the Company and any other relevant change.

As of the date of the report, the Company has complied with the stipulations that have been imposed upon it and has found no change in the Regulations or other relevant change.

(b) Section 33A of the Government Companies Law determines that in addition to the provisions of any law, the Minister of Finance, in consultation with the Minister of Justice, and in relation to a public company - in consultation with the Securities Authority, may prescribe rules, according to the proposal of the Government Companies Authority, for preparing financial statements of a government company for which it has been determined that it provides an essential service to the public, including the details to be included in them, the accounting principles for their preparation, and the statements and explanatory notes that will be attached thereto.

(c) Section 33B of the Government Companies Law determines that should the Government Companies Authority perceive that the public interest so requires, it is permitted to instruct a Government company as to the manner in which to present details in its financial statements, or in any other report that the Company is required to submit pursuant to any law, provided that the instructions covering this matter are not determined in the rules, laws or generally accepted accounting principles or generally accepted reporting principles; and it is permitted, if it should perceive that the public interest so requires, to instruct the Company to disclose the position of the Companies Authority, and to describe the dispute in the reports, to the Companies Authority's satisfaction.

As of the date of the Report, to the best of the Company's knowledge, the Company is implementing the instructions of the Government Companies Authority as aforesaid, as far as they apply to it.

23.4.6 The Government Companies Authority

The Government Companies Law states[38] that the Government Companies Authority shall consult the Government, via the Minister of Finance[39], and shall consult the ministers on matters related to the government companies; shall handle, in accordance with the directives of the Government, matters that are shared by all of the government companies or classes of companies; shall track the fulfillment of the recommendations of the State Comptroller relating to government companies and shall assist in their fulfillment; shall advise and assist government companies in the conduct of their business affairs; shall continuously track the activity of each of the government companies, the fulfillment of their goals, course of business, financial state and wage policy and shall announce its findings to the Ministers; shall inspect reports that are submitted to it from a government company and the material on which the reports are based and shall make its comments on them to the company and to the Ministers; shall deal with and handle the formation and the execution of liquidation, merger, compromise, settlement, renewal, organization and sale of shares of government companies; deal with and assist in the construction and execution of liquidation, merger, compromise, arrangement, renewal, organization and sale of government companies; consult the Ministerial Committee privatization issues and deal with the execution of privatization resolutions; shall act to promote and achieve appropriate representation for populations determined by law among the employees of government companies; shall discharge towards a government company any duty that the Government or the Ministers impose on it and any other duty that is intended for it in accordance with the Government Companies Law.

38 Sections 54 of the Government Companies Law.

39 It should be clarified that as of the date of the report, in accordance with Government Decision No. 460 of April 19, 2023, it was decided to transfer the area of operation of the Government Companies Authority from the Ministry of Finance to the Ministry of Regional Cooperation, as well as to transfer the powers granted to the Minister of Finance under the Government Companies Law to the Minister of Regional Cooperation.

23.4.7 Directors on Behalf of the State

(A) Appointment of directors on behalf of the State

A director for the State in a government company (in this Subsection: "**Director for the State**" or "**Director**") is appointed by the Ministers after consultation with the Appointments Scrutiny Committee whose composition and functions are elaborated in the Government Companies Law.

(B) Competency to serve as a Director for the State

In provisions of the law and various directives (including the Government Companies Law and its regulations, the Attorney General's directive 6.5000, "Appointments in Government Companies and Public Corporations", and Government Resolution No. 3849 of July 27, 2008, "Appointment of Directors in Government Companies, Government Subsidiaries and Mixed Companies - Continued Discussion"), terms of competency for serving as a director on behalf of the State were set (including with respect to a director who has personal, business or political interest with any of the Government's Ministers, where the nomination of candidates with such interest will not be routine, but in exceptional cases and when such appointments are worthy beyond any doubt due to a most unique and honorable contribution), qualifications to competency for serving as a director, the term of office, terms of service, provisions on the expiry of the office and suspension of directors, provisions on conflicts of interest (inter alia, the prohibition of being in a state of concern of conflict of interest which also applies to the personal conflict of interest of the officers and also to institutional conflicts of interest).

It was further determined that the head of the Government Companies Authority may determine, in consultation with the Minister in charge of the company's affairs, with respect to directors who are not civil servants, aptitude conditions dealing with expertise and professional competency, considering, *inter alia*, the fields of occupation of the company, its scope of activity and the composition of its Board of Directors, which will apply to up to a third (1/3) of the maximum number of directors in the company. The aptitude conditions set forth shall bind the ministers when they appoint directors. Accordingly, the Director General of the Government Companies Authority stated that the company would have: one director with at least 7 years of experience and expertise in the financial field and a relevant academic degree, one director who has server or is serving in a senior function (VP at least) in a company to a financial volume of NIS 300 million and higher, and one director who is an engineer in the field of occupation of the company, with 7 years of experience in his function.

(C) Instructions with respect to compensation and expenses of directors on behalf of the State

Compensation for directors from among the public is set, according to the Company's classification, pursuant to the sums specified in the Government Companies Regulations (Rules of Compensation and Expenses of a Director from the Public in Government Companies), 1994 ("**Government Compensation Regulations"**), and at the date of the Report the Company's classification in this matter is 10.

As the Company is a public company, the compensation of external directors is pursuant to the Companies Regulations (Rules of Compensation and Expenses of an External Director), 2000.

Amendment no. 20 of the Companies Law deals with the terms of office and employment of officeholders in public companies and debenture companies (as defined in the Companies Law) ("**Remuneration Policy**"). Accordingly, section 267a of the Companies Law determines that the Board of Directors of a public or private company which is a debenture company will determine a Remuneration Policy of the company which will require the approval of the general meeting. However, the Companies Regulations (Relief Regarding the Duty to Set Remuneration Policy) - 2013 that apply to the company, provide an exemption for a government company or a government subsidiary, under certain conditions set in the regulations, from approving the Remuneration Policy at the general meeting. Additionally, the regulations enable the remuneration committee and the Board of Directors of a government company or a government subsidiary not to provide in the remuneration policy details of issues detailed in Part A of the First Schedule A of the Companies Law and not to determine in it provisions as detailed in Part B of the stated Schedule, regarding components of the remuneration policy which were determined in instructions by virtue of the Government Companies Law or were approved by the Government Companies Authority by virtue of the stated law, or were determined in collective employment terms approved pursuant to section 29 of the Budget Foundations Law, all in a manner which does not leave the company with discretion as to the scope or sum of remuneration in those issues.

23.4.8 Directors from among employees

A Director on behalf of a company's employees will be appointed in a Government Company employing at least one hundred employees ("Elected Representative"). The Government Companies Regulations (Rules for Determining a Selected Representative out of the Employees of the Company as a Director) 1977 state the manner and process of election of Elected Representatives, the terms of their competency, which are specific terms of competency, which are not identical to the ordinary rules of competency prescribed in Section 16A of the Government Companies Law with respect to a Director for the State and this section does not apply to an elected representative provided he is at least 25 years old on the day of appointment. The number of Directors out of the employees of the Company shall be two. As of the date of the report, one Director on behalf of the Employees was serving on the Board: Mr. Einav Hashay who was appointed on October 30, 2023.

23.4.9 Instructions with respect to the composition of the Board

In accordance with Section 17(D) of the Government Companies Law, the number of directors out of the employees of the Company shall not exceed two thirds (2/3) of all members of the board who have been appointed as representatives of the Government.

In accordance with Section 18A and Section 18A1 of the Government Companies Law, the composition of the Board of the Company as a government company shall give adequate expression to the representation of both sexes and the representation of the Arab population, including the Druze and Circassian population.

Under Section 18A2 of the Government Companies Law, proper representation will be provided for persons with disabilities, persons of whom they or one of their parents was born in Ethiopia, the Ultra-Orthodox population, and new immigrants, as defined in the Civil Service Law (Appointments), 1959.

As of the report date, a total of fifteen Directors served on the Company's Board of Directors, of which four are female Directors, and there is representation on the Board for the Arab population as well as the ultra-Orthodox population.

23.4.10 Duties of disclosure of information to the State by the director on behalf of the State

Section 20 of the Government Companies Law states that a director on behalf of the State must, in accordance with any other law, give the Ministers and the Government Companies Authority, upon their demand, information on the affairs of the Company and his actions therein. In addition, under section 20(b) of the Government Companies Law, when a director becomes aware of a matter of the Company in which it is found to allegedly be in violation of the law or of integrity, he must bring this without delay to the knowledge of the Chairman of the Board of Directors, the Ministers, the Government Companies Authority and the State Comptroller.

23.4.11 Quorum and its completion

In accordance with Section 28 of the Government Companies Law, the quorum for a meeting of the Board of Directors is a majority of its members, among them at least one director on the part of the State; the decisions will be made with a majority of ballot participants; in the case of a tie – the chairman will break the tie; all when there is no provision to the contrary in the foundation documents of the Company. In accordance with the Articles of the Company, the quorum for meetings of the Board of Directors is three directors. In accordance with the provisions of section 23A of the Government Companies Law, if the number of members of the Board of Directors who are allowed to participate in its meetings is less than the quorum for its meetings, and this situation continues for more than 30 days, or the number of members is less than the minimal number prescribed in the Articles of Incorporation of the company and this situation lasts for more than 60 days, the Government is allowed, upon consulting the Appointments Scrutiny Committee, to appoint a director or directors to the number required to complete the quorum.

23.4.12 Provisions with respect to the Board of Directors of a Government Company

(A) The Chairman of the Board of Directors

Section 24 of the Government Companies Law states that the Board of Directors of a government company shall elect one of its members as the chairman of the Board of Directors, and his election requires the approval of the Ministers after consultation with the Appointments Scrutiny Committee. The Government is allowed to appoint a chairman of a board from among its members, if it has considered this to be necessary and after having consulted the Appointments Scrutiny Committee.

Section 16A of the Government Companies Law sets conditions for the competency of the Chairman of the Board of Directors. Additionally, it is determined that the company CEO will not be the Chairman of the Board of Directors. The Chairman of the Board of Directors is obliged, notwithstanding any other law, to provide the Ministers and the Government Companies Authority, once every six months and at any time upon demand by the Ministers or the Authority, with a written report of the operation of the Company and the work of the Board of Directors. He must

also present them with the budget proposal, work plans and the draft of the financial statements, before discussing them.

On February 18, 2024, the Company's Board of Directors decided to elect the Director Mr. Doron Arbely, as Chairman of the Company's Board of Directors. On March 4, 2024, the aforementioned decision was approved by the Minister of Energy and Infrastructure and the Minister of Regional Cooperation, and this after the Appointment Review Committee discussed his competence and suitability, and the appointment of Mr. Arbely as the Chairman of the Company's Board of Directors, came into force.

(B) Work of the Board of Directors

Section 26 of the Government Companies Law prescribes that the meetings of the Board of Directors of the company shall be held in accordance with the needs of the company and at least once every two months, unless the Ministers have determined after consultation with the Government Companies Authority, other times, based on the nature of the business affairs of the company. In addition, the Board of Directors must hold a special meeting if the ministers, the Government Companies Authority or any one of the directors have demanded this. An invitation to meetings of the Board of Directors and its committees shall also be delivered to the Government Companies Authority, and it is allowed to send to any meeting a representative who shall be allowed to participate in the meeting, and his status shall be that of a director, but he shall not be considered in the quorum and shall not have a voting right. Section 29 of the Government Companies Law prescribes provisions with respect to the Board of Directors' ability to establish from among its members permanent committees or committees per a certain issue, and section 30 of the Government Companies Law prescribes provisions with respect to delegation of powers of the Board of Directors, except for non-delegable powers (which are specified in the Government Companies Law) and the power decided by the government or that the Ministers informed the Company that it cannot be delegated.

(C) Functions of the Board of Directors

Section 32 of the Government Companies Law prescribes the functions of the Board of Directors, inter alia, the duty to discuss any issue that the Ministers or the Government Companies Authority have chosen to put on the agenda.

23.4.13 The Chief Executive Officer (CEO)

In accordance with Section 37 of the Government Companies Law, the Chief Executive Officer is appointed by the Board of Directors. The appointment requires the approval of the Ministers after consultation with the Appointments Scrutiny Committee, but the Government is allowed to appoint the Chief Executive Officer if it considers this to be necessary, and the provisions of the Government Companies Law will also apply in this regard.

The Government Companies Law determines terms of competency for the Chief Executive Officer of a government company and restrictions thereof, as well as provisions pertaining to the expiry of his term, among them removal from office by the Government.

The general meeting is allowed to restrict or qualify the powers of the Chief Executive Officer, as is the Board of Directors.

23.4.14 Approval by the Government Companies Authority to the appointment of special functionaries in a Government Company

The Government Companies Law determines that the appointment of an accountant to a Government Company and the appointment of a legal adviser to a Government company require approval by the Government Authority.

The accountant of a government company is required, notwithstanding any other law, to provide the Board of Directors, the Ministers and the Government Companies Authority, upon their demand, information on the affairs of the company, conduct special audits and give a report on their results.

23.4.15 Instructions with respect to the election of senior officers

The senior officers in a Government company (CEO, VP and deputies of the CEO, section heads, head of financial affairs, the internal auditor, company secretary and other positions that the Ministers determined in this regard, after consultation with the Government Companies Authority), are appointed with the approval of the company's board of directors, in accordance with the recommendation of the CEO. The CEO is appointed in accordance with that detailed in section 23.4.13 above.

23.4.16 Receipt of information from a Government Company

(A) Information to the Companies Authority

In accordance with Section 55 of the Government Companies Law, the Government Companies Authority, including whoever has been authorized by it for this purpose, is allowed, for the purpose of the discharge of its duty, to demand of a government company or an involved company[40], and of a director on behalf of the state, of the Chief Executive Officer of a government company, and through him, of any person who works at the government company or is employed in its ranks, information and material on the matters of the a government company, and is allowed to inspect records and documents of such a company.

In accordance with the Government Company Regulations (Rules of Authorization of an Inspector by the Authority), 2005, if the Government Companies Authority decides, for the purpose of discharge of its duty, to execute an inspection, it is permitted to authorize an inspector in its behalf who is authorized to inspect the records and documents of the Company, and demand of the Company, or of the persons enumerated in section 55 of the Government Companies Law, information and material on the affairs of the Company.

(B) Information to the general public

The Freedom of Information Law 1998 ("**the Freedom of Information Law**") applies to a public authority, including a government company and a government subsidiary, except companies that have been excluded from the effect of the Freedom of Information Law in full or in part, as determined by the Minister of Justice with the approval of the Knesset Constitution, Law and Justice Committee. As of the date of the report, the Company has not been fully or partially excluded from the application of the provisions of the Freedom of Information Act and therefore it applies to it.

The Freedom of Information Law states that any Israeli citizen or resident is granted a right to receive information from a public authority in accordance with the provisions of the Freedom of Information Law.

In accordance with the provisions of the Freedom of Information Law, the Company is allowed to reject a request to receive information in certain circumstances, and not provide information when there is concern that information as aforesaid would harm the security of the state, its foreign relations or public security, or the security or safety of a person, or with regard to any information on a subject that the Minister of Defense has prescribed in an order and that its disclosure invades privacy (as per its definition in the Privacy Protection Law 1981) and any information that must not be disclosed by law. To the best of the Company's knowledge, as of the date of the report, there are no orders for the Company on this matter.

In addition, in accordance with the Freedom of Information Law, the Company is allowed not to disclose information in certain cases, *inter alia* information which may disrupt its normative functioning or its ability to carry out its function, information about policy in stages of formation or about details of negotiations with an entity or person outside the Company, information about the internal management of the Company that has no bearing on the public, information that is a commercial secret or a professional secret or that has economic value whose publication may cause genuine damage to its value, and is allowed not to disclose information in additional circumstances as prescribed in the Freedom of Information Law.

Furthermore, the Freedom of Information Regulations (Disclosure of Information on Environmental Protection for Public Inspection) 2009 prescribe that a public authority must disclose for public inspection information with respect to a substance, odor or radiation that has been measured or emitted into the air, into the soil, into water or into the sea and that is of a type that may cause an environmental hazard, in ways and at times that have been prescribed in these regulations.

From time to time, the Company updates information as stated on the Company's website.

23.4.17 Provisions pertaining to hiring employees

As a government company, the Company is subject to the provisions of the Government Companies Law and the regulations issued thereunder, as well as to the directives of the Companies Authority and government decisions, inter alia on the issue of personnel.

The procedures for hiring employees for the Company are subject to the Government Companies Regulations (Rules of Employment of Relatives) - 2005, and to the internal instructions of the Company, which are adjusted for the regulations and directions of the Board of Directors of the Company. In view of the above, restrictions have been prescribed in the Company with respect to the employment of relatives in functions in which there are subordination relations or when concern of conflict of interests may arise. Within the internal audit of all of the operations of the Company, the issue of

[40] As long as more than one quarter of the voting power in the general meeting or the right to appoint more than a quarter (1/4) of its number of directors lies with the State.

employment of relatives is also audited, and the Company acts in accordance with the recommendations of the Internal Auditor of the Company.

As a Government Company, the Company is subject to provisions concerning the proper representation of various sectors among its employees, as appropriate.

23.4.18 Privatization

The Government Companies Law prescribes provisions applicable to a government company that the Ministerial Committee on Privatization has decided to privatize, in one of the ways listed in this law or a combination thereof: including sale of shares by prospectus or otherwise, issuance of shares by the company, issue of securities convertible into shares, the sale of a material asset of the company or all of its assets, a change in the rights attached to shares, reorganization, merger, and any other manner determined by the Ministerial Committee (hereinafter: "Company under Privatization"). Among other things, the Government Companies Law allows the Government Companies Authority to convene a general meeting to make decisions for the purpose of executing the privatization and to vote in them by virtue of the state's holdings; imposes obligations on a company under privatization and its senior officials, including the obligation to disclose to the Government Companies Authority and experts on its behalf, or to provide for their perusal, information and documents as required, for the execution of the privatization decision, or for the assessment of the Company's value, its shares or assets; it is compulsory to provide information to a candidate for the purchase of the company's shares or assets, approved by the Government Companies Authority, or to experts on its behalf, insofar as it is required in the opinion of the Government Companies Authority for evaluation of the Company value, its shares or assets, subject to confidentiality agreements to be ordered by the Authority; It is compulsory to prepare any outline or prospectus that will be required for a sale proposal to execute the privatization decision. As of the date of the report, the Company is not a company under privatization.

23.5 Laws, regulations and other orders applying to the Company as a Government Company

23.5.1 The Budget Foundations Law - 1985

A government company is considered to be a "budgeted body" as this term is defined in the Budget Foundations Law, and therefore a number of instructions apply to the Company, the main ones being as follows:

(1) In accordance with the provisions of Section 29 of the Budget Foundations Law, the Company cannot consent to changes in wages, retirement or pension conditions, or other financial benefits that are related to work, or enact such changes or benefits, other than in accordance with the agreement or custom with respect to all civil servants or with the approval of the Minister of Finance.

(2) Notwithstanding that which has been set forth above in any law, any agreement or arrangement is void if it contravenes the provisions of Section 29 of the Budget Foundations Law. If the Minister of Finance deems a budgeted body to have failed to fulfill the provisions of Section 29 of the Budget Foundations Law, he is allowed to deduct an amount that is equal to the amount that has been paid due to this from the amounts that must be transferred to that body from the state budget by law, and he is allowed to terminate or reduce any bonus or participation that the body would have received from the Government were it not for the deviation, as long as the body is making payments in contravention of the provisions of this section, and he may set directives that will apply to the budgeted body regarding its obligation to return a benefit received under an agreement or arrangement contrary to the provisions of section 29 of the Budget Foundations Law .

(3) The Company as a budgeted body must provide the Director General of the Ministry of Finance, upon his demand, any information that is needed for the purposes of tracking the execution of the Budget Foundations Law or annual budget law.

(4) The Company as a budgeted body must deliver to the Commissioner of Wages and Employment Agreements at the Ministry of Finance, once a year, information, at a time and in the manner prescribed in the Regulations.

23.5.2 The Equal Rights for Women Law - 1951

In accordance with this law, adequate representation is to be given, in the circumstances of the matter, in a public body that includes a government company and in tender and appointment committees of a public body, to the representation of women.

23.5.3 Resolution of conflicts between the Company and the State or other government companies

In accordance with Directive 6.1201 of the Attorney General, no civil action shall be filed by the State of Israel against a Government Company until after receipt of the approval of the following: the Attorney General, the State of Israel Attorney, the Assistant State Attorney or the Director of the Civil Department in the State of Israel Attorney's Office. Initially an attempt at conflict resolution shall be conducted by way of negotiation, mediation, giving of an expert legal opinion or otherwise, and if the conflict is not resolved within a reasonable time, the Attorney General will decide as to the next steps.

Directive 6.1202 of the Attorney General indicates a course of action whereby litigation in Court must be avoided to the extent possible for legal conflict resolution on civil affairs between a government company and the State or a corporation founded by law or another government company, and a government company should make every effort to resolve such a conflict other than by filing an action to the Court. In accordance with the directive, a government company that has not succeeded in resolving the conflict in another way, and which requests to file a suit, shall announce this to the Director General of the Government Companies Authority, who will act to settle the conflict out of court in the ways set forth in the directive. To the extent that the conflict is not settled in a reasonable time, the Director General of the Government Companies Authority shall refer the conflict for handling by the Attorney General or the party authorized by him for that purpose. If the conflict is not resolved within a reasonable time, the Attorney General shall express his opinion before the parties on how to act subsequently. If the circumstances oblige an urgent application to the court so as not to miss a date set in law or to prevent a change of situation or other serious damage, an effort will be made to extend the date or prevent the damage, as the case may be. And if it appears that it is not possible, it will be possible to apply to the court as required under the circumstances, and to immediately afterwards take steps to settle the dispute as detailed above.

23.5.4 Resolution of conflicts between government companies on infrastructure matters

Pursuant to the Government Companies Law, the Company is an infrastructure and therefore the provisions of the Government Companies Law dealing with the resolution of conflicts between government companies on matters of infrastructure apply to it. Among others, pursuant to the Government Companies Law, a conflict resolution committee will be established, and it will rule in conflicts between government companies on matters of infrastructure, including conflicts on coordination with respect to infrastructure works, the scope of infrastructure works, the schedules for the execution of infrastructure works, the payment required for the execution of infrastructure works, coordination with respect to passing through land held by an infrastructure company and other conflicts that delay or could delay infrastructure works (hereinafter: "**Conflict Resolution Committee**"). The Conflict Resolution Committee will have the exclusive authority to hear and rule on such a conflict, unless it has decided not to rule on the conflict.

The Conflict Resolution Committee is allowed to present a compromise to which all parties to a conflict have agreed the effect of a final decree. A final decree of the Conflict Resolution Committee may be appealed by a question of law only to the Court for Administrative Affairs, if approval was granted for this by a judge of the Court for Administrative Affairs. A final decree of the Conflict Resolution Committee for which no leave to appeal has been filed within the time set for that purpose or for which no leave to appeal has been received shall be considered as a final verdict of a court.

Notwithstanding the foregoing, it should be noted that in the matter of resolving disputes in matters to which the provisions of the National Infrastructure Promotion Law, 2023, apply, the provisions of the aforementioned law will prevail.

23.5.5 The State Comptroller

The State Comptroller Law - 1958 [Consolidated Version] (hereafter: the "**State Comptroller Law**") subjects any "audited entity" as per its definition in the State Comptroller Law, and states, *inter alia*, that: any government company is an audited body that will be subject to the scrutiny of the State Comptroller; an audited body is subject to various instructions to serve documents and information and assumes a duty to appoint a team to rectify the deficiencies and make resolutions found in an audit; by law, a person may file a complaint to the Public Ombudsman against an audited body and the Ombudsman may, in the case of finding the complaint to be justified, indicate the need to correct the deficiency and the way and time to do so.

The Public Complaints Commission in the Company is responsible for processing complaints and objections of the customers of the Company and is in contact with the State Comptroller on this matter.

Reports of the State Comptroller:

State Comptroller's Report on the Preparation and Readiness of the Electricity Sector for Swords of Iron War and Actions Taken During the War

On February 17, 2026, a special report by the State Comptroller was published on the subject of "Preparation and Readiness of the Electricity Sector for Swords of Iron War and Actions Taken During the War".

The audit was conducted at the Ministry of Energy, the National Emergency Authority (NEA), Noga, the Electricity Authority, the Government Companies Authority and the Company and examined their preparations and activities before and during the outbreak of the war.

The Subcommittee of the Knesset's State Audit Affairs Committee decided to publish only parts of the report for reasons of State security in accordance with Section 17 of the State Comptroller Law -1958 [consolidated version].

Certain gaps were found in various aspects of preparation and readiness for war. With regard to the emergency diesel procurement, it was noted that responsibility for the purchase of the diesel has not yet been transferred from the Company to Noga, as required by the Government's decision from 2018. Therefore, the State Comptroller recommended that the Company continues to exercise its responsibility for the purchase of the sectoral emergency diesel stock until the transfer of responsibility as stated to Noga is completed, and that the Ministry of Energy, the Ministry of Finance, the Companies Authority, and Noga will work to complete the necessary conditions for this as soon as possible.

The report expressed appreciation for the activity and dedication of the Company's employees during the war, who worked to repair damages and restore the electricity supply, sometimes at the risk of their lives. This activity claimed the lives of four employees of the Company during the war and resulted in the injury of several employees.

In view of the importance of the issue, the Board of Directors' plenary session discussed the findings and recommendations of the report on February 5, 2026, prior to its publication.

Furthermore, after the Statement of Financial Position date, the Company's Board of Directors approved the purchase of an additional quantity of sectoral diesel fuel inventory in an insignificant amount.

State Comptroller's Report on the Development of the Electricity Sector Towards 2030

On November 5, 2024, the State Comptroller's Report on the Development of the Electricity Sector Towards 2030 was published, in which the expected developments in the electricity sector in the coming years were examined and the requirements and adjustments that the relevant bodies in the sector should make accordingly.

The main criticism in the report was not directed at the Company but at other entities, including the Electricity Authority, the Ministry of Energy, and Noga.

The recommendations in the report addressed to the Company concern various aspects of its activities, including its preparation for the entry of many electric vehicles into the electricity sector; power plants that must be built and operated by 2030; development of the transmission segment by the Company; and financing the development plan.

The report revealed that the electricity sector did not meet all of the interim targets that were set, which are required for the economy to prepare for the expected changes in the electricity sector. Therefore, it was recommended to all relevant bodies in the economy, including the Company, to act to remove the barriers to developing the electricity sector to the scope required by 2030; and to examine and formulate long-term development plans that will provide the best response to the expected changes in the economy.

Following the Company's comments on the draft report, some of the recommendations addressed to it in the draft were removed from the final report. Additional comments from the Company were incorporated into the final report; and in addition, it was noted in the report that the Company had warned regarding various goals set by the government that they were unrealistic or unfeasible and that delays were expected in some of the projects.

On December 22, 2024, a discussion was held on the aforementioned report by the "Deficiency Correction Team" headed by the CEO, and on January 30, 2025, a discussion was held in the Company's Board of Directors' plenary session, which will examine the "Deficiency Correction Plan" prepared by the team, as required by the State Comptroller Law.

Special Report, Public Complaints Commissioner - Public Service in Public Entities

On November 26, 2024, a special report by the Public Complaints Commissioner was published, dealing with the issue of public service provided by public entities.

During February-March 2024, employees of the Public Complaints Commission visited the reception centers of eight central public entities, such as the National Insurance Institute, the Israel Land Authority, the Israel Post Company, and the Company. The report presents the perspective of the service recipient in the field and tests of various aspects of the

service that were examined, focusing on physical service centers, call centers and websites. In addition, the criteria applied by the Commission to public service providers were reviewed.

After the draft report presented findings that, in the opinion of the Company, did not reflect the situation correctly with respect to the quality of service provided by it to the public, additional tests were conducted at the request of Company officials, which revealed different and much improved findings in this regard, which led to significant changes in the final report.

The scores that the Company received in the final report were very high, almost in every possible parameter. Thus, among other things, the Company was ranked first among all the entities examined with respect to the quality of service in the weighted score and was also ranked first in the examination of the quality of service in the public reception centers; and received very high scores, and well above average, with respect to the quality of information and services provided on the websites of the entities in the internet and with respect to the level of service of the call centers.

Regarding the review of the criteria that was conducted as mentioned, a complaint was presented that, in the opinion of the Commission, was not handled properly by the Company. It was recommended that the Company will have a single function that will integrate all complaints addressed to the Company.

On December 22, 2024, a discussion was held on the report by the "Deficiency Correction Team" headed by the CEO, and on January 30, 2025, a discussion was held by the Company's Board of Directors, which examined the "Deficiency Correction Plan" prepared by the team, as required by the State Comptroller Law.

State Comptroller's Report on the Subject of Supervision and Control of Government Companies

On January 15, 2024, the State Comptroller's Report on the Subject of Supervision and Control of Government Companies was published, as part of Report 74A - the Economic Report, which deals with various issues relating to Government companies. In the case of the Company, the issue of remuneration of senior employees in government companies, and the issue of remuneration of all employees in the Company, is relevant:

1. Remuneration of senior employees in Government companies: According to the guidelines of the Companies Authority, the remuneration of senior employees in government companies is derived from the average scores of the Company and the employee's performance. In the years 2018-2021, it was found that 12 Government companies reported an unusually high average score. In 2022, nine of these companies (including the company) received a letter from the Companies Authority, which stated that the personal remuneration plan approved by the company's board of directors included unchallenging goals. Recognizing that human capital is significant to the Company's success, the Companies Authority was recommended to continue implementing the remuneration mechanisms for senior employees, but with reference to additional remuneration as a special merit reward. It was further recommended to the Authority and the Board of Directors of the nine companies in question to examine the process of setting goals, and to set challenging goals for the Company and senior employees.
2. Employee remuneration in the Company: In 2018-2020, the Company significantly increased the number of employees eligible for remuneration, after moving from collective agreements to senior contracts and due to the definition of Deputy Department Managers as eligible to receive additional personal remuneration. It was found that most employees received a score of 100 in meeting the Company's goals and personal goals. In addition, in 2018-2021, it was found that the Company did not implement all of the Companies Authority's guidelines and the Executive Compensation Circular, in the manner of performing employee evaluations, providing bonuses, and more. The Company's Board of Directors was recommended to set challenging goals that will lead to excellence and the Board's Remuneration Committee was recommended to plan and implement remuneration mechanisms for senior employees, and to see personal remuneration as a special reward that embodies excellence.

The Company is preparing to develop a "Deficiency Correction Plan" and have it approved by the CEO and the Board of Directors by March 15, 2024, as required by the State Comptroller Law. This plan will be distributed to the State Comptroller's Office, the Companies Authority, and the State Audit Affairs Division in the Prime Minister's Office, as required by the State Comptroller Law, the Government Companies Authority circular and the Company's procedure.

23.5.6 The Public Complaints Commissioner

In accordance with the State Comptroller Law, the Public Complaints Commissioner is allowed to adjudicate complaints against the Company in its capacity, as determined, as an "audited body", as its meaning in section 9 of the State Comptroller Law, owing to an act or default or delay in an action that directly harms the complainant himself, or that denies him directly a benefit, or an action that directly harms another person or that denies him directly a benefit, when the complainant has received, to the satisfaction of the Public Complaints Commissioner, the consent of that person to file a complaint on his matter, or when the complainant is a member of the Knesset - even an act that directly harms another or directly prevents him from receiving a benefit. The findings of the Public Complaints Commissioner with respect to the inquiry made and his recommendations to correct deficiencies are forwarded to the audited body.

The public complaints commission in the Company is responsible for processing complaints and objections of the customers of the Company and is in contact with the State Comptroller on this matter.

23.5.7 Tender Laws

According to the Obligation for Tenders Law – 1992, which applies to the Company as a Government Company, the Company shall not execute a contract for executing a business arrangement involving goods or land, or for the execution of work, or for the purchase of services, except in accordance with a public tender that gives any person an equal opportunity to participate therein. The Obligation for Tenders Regulations - 1993 ("Obligation for Tenders Regulations") determine provisions regarding tender proceedings and circumstances under which conducting a tender is exempted, and special obligations and provisions for government companies and government subsidiaries.

In addition to the aforesaid, the Obligation for Tenders Regulations (Preference for Israeli Produce) - 1995, and the Obligation for Tenders Regulations (Obligation for Industrial Cooperation) – 2007 ("Obligation for Industrial Cooperation Regulations"), apply to the Company.

In addition to the Obligation for Tenders Law and the Regulations promulgated under it, the provisions of the Government Procurement Agreement (GPA) in the World Trade Organization (WTO) apply to the Company. The Obligation for Tenders Law determines that the provisions determined pursuant to the law will apply insofar as they are not contradictory to an obligation by the State in an international treaty.

23.5.8 Internal Audit Law

The Internal Audit Law - 1992 ("Internal Audit Law") applies, inter alia, to a public body (as its definition there) including a government company. According to the Internal Audit Law, an internal audit will be executed in every public body by an internal auditor.

23.6 Quality Control

In 2025, the Company's core units (generation, transmission, transformation and logistics) are certified and operate in accordance with management system standards in the areas (Quality (ISO 9001), Environmental Quality (ISO 14001), Occupational Health and Safety (ISO 45001) and Road Traffic Safety) (ISO 39001). It should be noted that certification to these standards is voluntary and not required by Law.

In the Company's generation sites, a certification process is conducted for Energy Management Standard (ISO 50001), which is a condition for receiving an emission permit from the Ministry of Environmental Protection.

In 2025, the Maor HaDarom station was certified at all its sites and during 2026, the certification of all generation sites (Merhavit Carmel, Orot Rabin and Rutenberg stations) will be completed.

The Company's laboratories (electricity, standards, pollutant sampling at source and electromagnetic field testing, air quality monitoring, three mobile meter laboratories for calibrating and testing energy meters and measurement transformers) are certified to standard for competence of testing and calibration laboratories (ISO/IEC 17025), in accordance with regulatory requirements and for the purpose of strengthening legal protection and ensuring the reliability of test results.

23.7 Planning and construction

The construction of all of the facilities of the Company is carried out in accordance with construction permits that are issued pursuant to the provisions of the Planning and Construction Law, or as part of the various exemptions prescribed in the regulations enacted by virtue of the Planning and Construction Law. The construction of overhead electricity grid facilities as per its definition in the Planning and Construction Regulations (Regulation of Transmission, Distribution and Supply of Electricity), 1998, which is carried out in accordance with the authorizations given pursuant to the said regulations and according to the Planning and Construction Law.

If it is found that the Company has any construction works, which require such a permit, that have not been performed in the past as required by Law, the Company acts before the relevant authorities to receive permits for working by Law. According to the Planning and Construction Law, working without a permit may expose the Company to criminal proceedings against it and against its executives, as well as for the issue of administrative and/or legal orders for demolition of illegal construction.

In accordance with the provisions of the National Planning and Construction Council, for the purpose of construction of 400 kV lines, national outline plans are required. The preparation of the outline plans, as well as the procedural processes for their approval, are carried out in accordance with the provisions of the Planning and Construction Law.

In accordance with the Planning and Construction Law, a land rights holder is allowed to submit against the local committee to whose jurisdiction an outline plan applies a claim for compensation for decrease in value of the land, not by way of expropriation, as a result of the approval of the plan. For certain outline plans, that the Company promoted and submitted for approval as the initiator of the plan, the Company has undertaken to indemnify the local committees in whose jurisdiction these plans apply to the full amounts that the committees would have to pay to the affected landowners, subject to and in accordance with the provisions in the text of the indemnification statement.

Appeals have been submitted against some of the local committees, in whose areas an outline plan as aforesaid applies, to the relevant appellate committees that deal with decrease in value. In accordance with the provisions of the indemnification statements, the Company was enrolled in the appeals as a party that might be harmed by their acceptance (see also Note 34b5b to the Annual Financial Statements). In the statements of indemnification delivered by the Company, or in the indemnification clauses in the plan, compensation amounts are not indicated, but rather the indemnification is at a rate of 100% or another rate out of the amount of the appeal that has been filed against the local committee. The total claims are stipulated in the Financial Statements and are updated from time to time. For additional details with respect to planning and construction see sections 7.12.8 and Note 34b5b to the Financial Statements.

On October 2, 2022, the Noga Company notified the Company that according to Noga's position, the issue of signing letters of indemnification with regard to the plans that are under its authority according to its license, which grants it exclusive authority to statutorily plan the transmission grid, should be in Noga's exclusive area of responsibility and it will be the one to sign letters of indemnification for compensation claims with respect to impairment in value, and accordingly will also handle compensation claims as aforesaid, if submitted.

To the best of the Company's knowledge, the notice as aforesaid was delivered by Noga to the Electricity Authority, which is supposed to regulate the issue in the licenses it issues, both for Noga and the Company. On May 11, 2023, the Electricity Authority informed Noga that after consultation with the Authority's professional staff, its position is that until a decision is made otherwise, the letters of indemnity for the plans should be issued by the Company, but at the same time, the aforementioned decision does not affect the Authority's position in principle on the issue.

On September 21, 2023, the Company received a hearing from the Electricity Authority from Meeting 665 of September 20, 2023, on the subject of "Granting a Transmission License to the Israel Electric Company". In accordance with the wording of the proposed transmission license, which was attached to the hearing, the Company will sign letters of indemnity pursuant to Section 197 of the Planning and Construction Law for the purpose of preparing an outline plan submitted by the Noga Company for lines or switching stations owned by the Company, subject to the instructions of the Electricity Authority.

On May 7, 2024, the Minister of Energy signed a transmission and storage license for the Company, which stipulates, inter alia, that the Company will sign indemnity letters pursuant to Section 197 of the Planning and Building Law for the purpose of preparing outline plans for lines or switching and distribution stations owned by the Company, which were submitted by Noga to the competent planning authority.

On the aforementioned date, the Minister of Energy signed a system management license for Noga, which stipulates, inter alia, that Noga will sign indemnity letters pursuant to Section 197 of the Planning and Building Law for outline plans for the delivery system and for outline plans for the generation section promoted by it.

Since the receipt of the Electricity Authority's notice by Noga on May 11, 2023, and up to this date, no other decision has been made that changes its position from May 11, 2023. Therefore, until an update is received from the Electricity Authority, indemnity letters are issued by the Company in connection with plans relating to its facilities.

23.8 Business licensing

23.8.1 In accordance with the Business Licensing Law - 1968, the Company is required to receive a business license for about 127 licensable items out of those stipulated in the Business Licensing Order (Businesses Requiring Registration), 2013, including, inter alia, power stations, workshops, dining rooms and other sites and facilities. The operation of the sites of the Company without a business license constitutes a violation of the Business Licensing Law and may lead to the termination of the activity of the business.

23.8.2 As of the date of the report, the Company has a license for about 85% of these items only and applications have been prepared or submitted for about 15% of the total items. The Company is acting to regulate a business license for items that require a business license at the sites and facilities of the Company, in accordance with the Business Licensing Law and pursuant to an internal procedure of the Company on the issue. Regulation of the issue of licensing requires, among others, compliance with the requirements of the fire brigade, in accordance with the most current standards, whose estimated cost for regulation in 2026 may reach approximately NIS 19 million for each of the sites (most of the works with respect to firefighting). From time to time the Company receives warnings for activity without business licensing and in the past indictments have even been filed against the Company and its employees. As of the date of the Report, there are no indictments against the Company. A few warnings that were received by the Company were in part dealt with and removed and in part are being dealt with.

23.8.3 As of the date of the report, all of the generation units in the generation sector themselves have business licenses, which are updated or renewed from time to time. See Sections 7.12, 8.9 and 9.9 with respect to environmental conditions within business licenses.

For additional details with respect to business licensing see sections 7.12.11, 7.12.12 and 22.3 above.

23.9 Economic Competition

Pursuant to his authority under the Economic Competition Law 1988 ("**the Economic Competition Law**" or under its previous name, the Antitrust Law, 1988), on January 5, 1999, the Commissioner of Competition (in this section: the "**Commissioner**") declared the Company to have a monopoly in the fields of electricity supply (generation and sale of electricity), electricity transmission and distribution and provision of Backup Services for electricity consumers and producers.

Through the date of publication of this report, the declaration of the Company as a monopoly had no material effect over its activity, profitability or financial state. Notwithstanding, the Company cannot estimate the future implications of the aforesaid declaration on the Company's activity, its profitability and financial position, although it is possible that there will be material implications in future, taking into account, inter alia, the existing level of control over the Company, on the part of the Competition Authority, and also that according to the Economic Competition Law, the ceiling of the monetary fine that the Competition Authority has to impose on a corporation that violated the provisions of the law is approximately NIS 122 million.

In addition to the foregoing, the Company is subject to the provisions of the Economic Competition Law, including with respect to binding arrangements, monopoly and mergers. The Company is implementing an internal enforcement plan on the issue of the competition laws. The enforcement plan is intended to prevent in advance, to the extent possible, a violation of the Economic Competition Law, through assimilation of the competition laws in the Company, and minimize the damage of violations that have occurred. In effect, a Corporation procedure has been disseminated, and is in effect as of the time of the report, which is intended for prescribing principles and courses of action, including: responsibility, establishing the internal enforcement officer as the supreme professional authority on issues of competition laws, appointment of a national internal enforcement team and unit internal enforcement teams, procedures and their approval, dealing with cases of violations of law or fear of such violation, keeping of documents, instructing, Internal auditing, presenting the CEO with an annual report, and reporting to the Board of Directors about internal enforcement on competition laws , updates for the management and employees, handling of data demands, and more. The procedure imposes responsibility on each Vice President to fulfill the provisions of the Economic Competition Law and the procedure in the units that answer to him directly and imposes responsibility on each branch / unit manager to fulfill the provisions of the Economic Competition Law and the procedure within his responsibilities.

23.10 Centralization Law

On December 11, 2013, the Law of Centralization was published. Chapter B of the law deals with weighing pan-economy centralization considerations and sectorial competition considerations when allocating rights. Within the Law of Centralization, a "committee for reducing centralization" (the "**Committee**") was appointed, and its members are the Commissioner of Competition (as Chairman of the Committee), the Director General of the Ministry of Finance or head of division of the Ministry of Finance who fills a position of Head of the Economic Division (if the Minister of Finance appointed him as member of the committee) and the head of the National Council of Economics which operates pursuant to the Government's decision or one of his deputies (if the Prime Minister appointed him as a member of the committee).

The Law of Centralization may have a principal significance for the Company in light of the fact that the Committee determined in light of the law that the Company is a centralistic factor, as defined in Section 3 of the Law of Centralization, due to it being a significant real corporation under the definition in section 4 of the Law of Centralization, and because the scope of its accumulated activity in an area of essential infrastructure (as this term is defined by the Law of Centralization), exceeds half of the total activity in that field.

The definition of the Company as a centralistic power may affect the Company as detailed below:

23.10.1 Allocation of rights, as well as renewal or extension of rights granted to the Company - according to the provisions of the Law of Centralization, every factor authorized to allocate, renew or extend a right (right meaning license, contract or holding of a significant rate as defined by law) in a field of essential infrastructure should consider pan-economy centralization considerations when allocating the right. The allocating regulator is permitted not to allocate it to a centralistic factor. If it wishes to allocate it to a centralistic factor or to enable a centralistic factor to participate in the process of allocation, it must first consult with the committee. Additionally, Part C of Chapter B of the Law of Centralization requires the regulator to consider considerations of promoting sectorial competition when allocating certain rights. In addition, if the allocated right will be included in a list published by the Commissioner of Competition, he will have to consult with him prior to the allocation. Regarding Part C the definition of "right" includes in addition to the aforesaid a license in a field of activity that is not an essential infrastructure if the number of operators in that field is inherently limited.

23.10.2 Extending the Company's operation to an additional essential infrastructure field by process under the Government Companies law - the Law of Centralization requires to weigh pan-economy centralization considerations when reaching a Government resolution that enables a Government Company that is a centralistic factor to operate in an additional essential infrastructure field. Under the Law of Centralization, the Government Companies Authority has to consult with the committee prior to formulating its opinion for the Government in this manner.

Furthermore, since the Company is a Government Company, the Law of Centralization affects the Company as detailed below:

23.10.3 Allocation of an essential infrastructure right by the Company - according to the Law of Centralization, insofar as a Government Company wishes to enter an agreement with a third party for executing an activity that is one of the essential infrastructure fields, this is a process of allocating a right by the Company. In this situation, the tender committee of the Government Company, as an allocating factor, must weigh pan-economy centralization considerations in the process of allocation. Accordingly, the Government Company is permitted not to allocate the right to a centralistic factor. If the Government Company wishes to allocate the right to a centralistic factor, it must first consult with the committee. Additionally, under Part C of Chapter B of the Law of Centralization, in addition to any other consideration the tender committee has to consider by law pertaining to the allocation, it will be required to consider considerations of promoting sectorial competition when allocating those rights. In addition, if the allocated right will be included in a list published by the Commissioner of Competition, it will have to consult with him prior to the allocation.

23.10.4 Extending the validity of a right - pursuant to Part D of Chapter B of the Centralization Law, the same law which applies to the extension of validity of a right applies to the allocation of a right and the provisions of Part B or Part C of Chapter b of the Centralization Law will apply to it, as the case may be, upon fulfillment of the following: (a) the holder of the right regarding which an extension of validity is requested is holding it for a period exceeding yen years, whether set by a single allocation or accumulated in several allocations; and (b) the allocation of the right or a previous extension of its validity were not examined pursuant to the provisions of Chapter B of the Centralization Law during the ten years preceding the requested extension of validity. During a hearing of the extension of validity of the right, the Tender Committee of the Company will be required to consider, among the gamut of considerations, the characteristics of the proceeding to extend the validity of the stated right and its circumstances.

23.10.5 Privatization of a Government Company - when formulating a decision to privatize a Government Company (as defined in section 1 of the Government Companies Law), the Government Companies Authority will consult with the committee before formulating its opinion or a memorandum on its behalf, under section 59B of the Government Companies Law, regarding the possibility of allocating rights in a Government Comp0any to a centralistic factor and regarding the terms for this, and regarding the definition of the centralization considerations as an essential interest. In addition, under Part C of Chapter B of the Law of Centralization, as part of the stated opinion, the Government Companies Authority will consider considerations of promoting the sectorial competition. In addition, if the allocated right will be included in a list published by the Commissioner of Competition, it will have to consult with him prior to the allocation.

24. Material agreements

For details of an agreement the Company contractually engaged with the East Jerusalem Electricity Company ("**EJEC**"), destined to settle EJEC's debt to the Company, and regarding an outline of agreements to settle all debts of EJEC and the Palestinian Authority which was approved by the Company's Board of Directors and subsequently by the Political Security Cabinet on January 12, 2025, see Note 6c2 to the Financial Statements.

For details of the principles of the structural change outline and the agreements signed within the framework of its implementation, see Note 1e to the Financial Statements.

For details of the agreements for the supply of natural gas from the "Tamar Field" and the agreement for the short-term purchase of gas from the "Leviathan Field" see Note 34a to the Financial Statements.

25. Legal proceedings – pending actions

A breakdown of material legal proceedings[41] that the Company is a party to, as of the time of the report:

25.1 Class actions

See Note 34b to the Financial Statements for information on class actions.

25.2 Pending proceedings

There are no significant pending proceedings that are not stated in Note 34 to the Financial Statements, in which the Company is the plaintiff in the proceeding.

For further information regarding ongoing procedures against the Company, Note 34 to the Financial Statements.

[41] This section includes legal proceedings that are class actions and pecuniary actions in an amount in excess of NIS 100 million.

26. Insurance

26.1 General

Based, *inter alia*, on the risk management policy, and the risks that have been identified in the risk review that the Company carried out, the Company determines what the risks worth insuring against are. The Company is a company rich in assets that conducts extensive activity throughout the State. Thus, the Company is purchasing insurance policies such as insurance for property, liabilities, construction, liability of officer holders, vehicle insurance and maritime insurance, which are supposed to provide an appropriate solution to damages that may be sustained by the Company's property, its employees and for actions of third parties. It must be noted that the insurance policies usually make an exclusion for damages that originate from acts of terrorism and war, that are covered by way of a special fund that the State of Israel makes available for the purpose of compensation for damages that result from acts of terrorism and war, by virtue of the Property Tax and Compensation Fund Law.

26.2 The principal insured risks

The principal risks insured are as follows: physical damage to property, loss of revenue, natural damages and liabilities towards third parties and towards employees.

The Company purchases insurance policies as prescribed in the electricity license. In addition, the Company purchases additional insurance policies with the goal of providing adequate, broader coverage for the risks to which it is exposed, in accordance with the Company's procedures and the decision of the competent organs in the Company, after consultation with professional parties in the Company and insurance consultants outside it. The insurance policies that are purchased by the Company are as follows:

(A) An "all risks" insurance policy for the coverage of damages to the property of the Company (except the electricity grid), the coverage limit of this policy is USD 1 billion. The coverage includes loss of revenue.

(B) A liability insurance policy that includes coverage of general third-party liability, product liability, professional liability, liability for accidental pollution damages, liability for electromagnetic radiation, employers' liability, and third party liability for cyber damages (body and property). The limit of coverage within the framework of this policy is USD 100 million.

(C) An officers' liability insurance policy that covers the liability of the office holders of the Company. The limit of coverage is USD 220 million.

(D) Third party maritime liability and lessees liability insurance that covers the maritime operations of the Company (such as: the loading / discharging of fuel, towing of ships carrying coal and more). The limit of liability within the framework of this policy is USD 150 million.

(E) Mandatory and third party insurance for the fleet of vehicles of the Company.

(F) Cargo insurance for sea, air and ground transport.

(G) Insurance for the watercraft of the Company.

(H) Additional insurance such as construction insurance and insurance for contract works, in accordance with the needs of the Company.

The Company estimates that the insurance policies purchased as stated provide adequate insurance coverage and comply with the provisions of the Electricity Sector Regulations (Conditions and Procedures for Granting a License and Licensee Obligations), 1997.

27. Objectives and business strategy

27.1 Vision

27.1.1 General:

In February 2025, the Board of Directors approved a new vision and a new strategic business plan for the Company.

The Company's new vision:

The Israel Electric Corporation leads Israel's energy revolution while striving to ensure a reliable, available and clean electricity supply in routine and emergency situations, advancing the development of the country's transmission and distribution infrastructure, absorbing renewable energies and developing and implementing advanced and groundbreaking technologies.

We are committed to putting customer service at the top of the list of our priorities and will act while demonstrating national, environmental and economic responsibility, to develop an advanced and competitive electricity sector.

27.1.2 The goals will be achieved, inter alia, through:

27.1.2.1 Provision of essential service and support for energy security

a. Supply of electricity as an essential service to the economy and support for energy security
b. Maintaining the financial strength required for the continuation of the Company's operations

27.1.2.2 Grid and storage

a. Development of the electricity grid and storage activities
b. Maintaining the Company's position in the grid segment as a core activity and as an essential service provider
c. Providing optimal service and supporting the required technological changes

27.1.2.3 Generation

a. Continuation of long-term activity in the generation segment
b. Promoting the participation of the gas turbine system in the competitive market
c. Maintaining strategic generation as systemic generation and leveraging it to promote technologies to reduce greenhouse gases

27.1.2.4 Supply and service

a. Operating as a default supplier with an emphasis on providing quality service and striving to maintain market share
b. Developing competitive capabilities for participation in the emerging competitive market

27.1.2.5 Growth and business development engines

a. Promoting an organizational culture of innovation and positioning the Company as one of the most innovative companies in the world
b. Adopting advanced technologies and methods to deal with the changing environment and the resulting challenges

27.1.2.6 Human capital

a. Developing and retaining human capital and creating a path of leading leadership
b. Improving productivity and efficiency
c. Supporting the Company's targets in all segments of activity

27.1.2.7 Innovation

a. Promoting an organizational culture of innovation and positioning the Company as one of the most innovative companies in the world
b. Adopting advanced technologies and methods to deal with the changing environment and the resulting challenges

27.2 The Company's work plans objectives for 2026

(A) Maintaining the Company's existing generation capacity in accordance with availability and reliability targets required by the Electricity Authority.

(B) Maintaining capabilities in generation units to support energy security and various legislative amendments.

(C) Completion of the project of continued conversions to gas in the power stations Rutenberg and Orot Rabin subject to the policy principles of the Minister of Energy and Infrastructure from November 2019 regarding the end of the production era in coal and subject to the decision of the Minister of Energy regarding the continued conversion of generation units in accordance with the policy principles regarding the cessation of the use of coal from August 31, 2025.

(D) Focusing the Company on its business core, with emphasis on the grid and the field of customer service.

(E) Improving customer services in the commercial and technical aspects.

(F) A unified service concept and process optimization.

(G) Enhancing the service in a variety of digital channels.

(H) Developing human capital in light of changes in the business environment.

(I) Management development.

(J) Improving, streamlining and adjusting work processes while removing barriers.

(K) Safety: emphasizing the safety issue and assimilating the proactive safety issue in the Company, and continued execution of safety training and workshops.

(L) Employee health: encouraging proper nutrition, sports activities, periodic examinations and early detection tests.

(M) Representing and promoting diverse populations.

(N) Continued compliance with financial strength goals as defined by the Board of Directors In accordance with areas of responsibility and risk management in the electricity sector.

(O) Executing the plan for the development of the transmission and transformation network for the years 2023 – 2030 which was approved by the Minister of Energy and Infrastructure in November 2023.

(P) Updating preventive maintenance and breakdown maintenance plan in the transmission sector.

(Q) Implementing the distribution grid development plan, among other things, to meet the Ministry of Energy's goals for integrating 30% with renewable energy.

(R) Continuing to promote strategic development projects: the ADMS project and the TMS project.

(S) Accelerated execution of the smart meter project in accordance with the Electricity Authority decision.

(T) Promoting the construction of storage facilities in sub-stations, pursuant to the decision of the Electricity Authority.

(U) Continued preparation for extreme events (extreme weather, national emergencies and cyber events).

(V) Promoting the purchase of additional services within the framework of “outsourcing”.

(W) Cyber: continuing to deal with the threat of cyber and information security.

(X) Information systems: upgrading the Company's information systems strategy in accordance with the Company's strategy, with an emphasis on service.

(Y) Improving the Company's image among the public, while reinforcing trust in the Company’s commitment and by improving the service, improving the relationship with interfacing interested parties, and improving customer experience.

(Z) Sustainability and quality of the environment: continued ongoing communication with environmental organizations. Taking the initiative to make the Company a leading entity and partner in developing the renewable energy and energy storage field in Israel.

(AA) Business development: formulating a plan for business development in a changing technological and business environment while managing existing knowledge infrastructures and capabilities in the Company.

(BB) Continued promotion of a process of examining the use of hydrogen as a green future fuel in the various generation units.

(CC) Having leading cross-company innovation while creating a supportive organizational culture to enable the Company to realize its strategic goals and deal with the technological and business changes in the electricity sector.

(DD) Regularly updating the strategic plan with an emphasis on changes in the field of competition in electricity generation and electricity supply and the development of the future electricity network.

27.3 Information on business development

The business development unit operates to locate and realize business activities in addition to and separately from the activity of the Company as an essential service supplier, in Israel and abroad. The goals of the unit are the expansion of the areas of engagement of the Company to bring about optimal use of the professional knowhow and resources, to improve professional capabilities, and to increase the Company's revenues and profits. The business development activity overseas is mainly in the fields of planning and consultation services focusing on selling innovative products that were developed. The business development activity in Israel is focused on selling services and intelligent utilization of the Company's infrastructures and resources.

As a result of the government's resolution on the reform, an internal process is taking place alongside an external process vis-a-vis the relevant regulatory bodies, which is intended to formulate the Company's updated development strategy and which will focus on exploiting assets, (services abroad and in Israel) and innovation. The Company is acting with the State entities to regulate a Ministerial permit for "other activities" under Section 6(d) of the Electricity Sector Law, which will allow for business development activities in Israel and abroad according to limitations set forth by them. For additional details regarding the Electricity Authority's hearing from February 2026 on the subject, see Note 3y.

As of the date of the report, the unit is operating in a number of main fields:

Sale of services:

(A) Sale of knowhow, consulting services and engineering services in Israel and abroad.

(B) Asset based services: antennas, fuel unloading, unloading of products, utilization of infrastructure balances.

(C) The commercialization of the byproducts that are created as a result of the generation of electricity – such as ash, coal, gypsum, and so on.

Selling related services:

(D) Professional laboratories, training, storage, logistics.

(E) The communications field

(F) Business operation in the field of innovation

Following the Government's resolution of May 24, 2018, for the "Innovation Plan in Government Companies", the Company is acting to implement the innovation activity accordingly. At the same time, the Company is acting to assimilate the establishment or acquisition functions of companies in the field of innovation, subject to the aforementioned Government resolution and in accordance with the terms detailed therein.

(G) Agreement with Cyber Gym. For details on this issue see Note 10f to the Financial Statements.

28. Forecast of the investments that will be required for execution of the development plan of the Company

Pursuant to the long-term financial plan for 2026-2030, which was approved by the Board of Directors in December 2025, the following investment plan was presented:
In 2026, a sum of approximately NIS 8.7 billion will be invested, and in 2027-2030 approximately NIS 8.7 billion will be invested each year (on average).
The data are net of remeasurements and interest capitalization at the time of construction.

In addition, it was decided that from the development budget approved for 2026, an amount of approximately NIS 1.2 billion that is not required for the implementation of the Company's development plan in the first quarter of 2026 will be submitted for approval to the Company's Board of Directors at the end of the first quarter of 2026. The Company's Board of Directors will examine, among other things, the Company's current financial position at that time, including forecasts regarding the achievement of the Company's financial goals. Accordingly, the Company's Board of Directors, at its meeting on March 19, 2026, after examining, among other things, the Company's financial position, decided to approve the budgetary flexibility included in the development budget in the amount of approximately NIS 1.2 billion, so that the total approved development budget for 2026 will be approximately NIS 8.7 billion.

In 2025, a sum of approximately NIS 7.3 billion (after remeasurements and depreciation deductions) was invested in the development plan of the Company.

In addition, it should be noted in this regard that the investment volumes for the years 2026-2030 are based, among other things, on the assumption that the State will exempt the Company from the obligation appearing in the provisions of Companies Authority Circular No. 2018-5-2 regarding dividend distribution (for details, see Section 4 above), at least until the end of full implementation of the development plans. To the extent that no such exemption is granted, or there is a material adverse change in one of the basic assumptions of the work plans for 2026 and the financial planning, the Company's Management will bring the plan to a renewed discussion by the Company's Board of Directors regarding the implications for the Company's financial strength, among other things, in relation to the continued financing of the challenging development plans.

The estimates that have been described above with respect to the forecast of investments that will be required for executing the Development Plan of the Company constitute forward looking information, as per its definition in the Securities Law, which are based on the forecasts and assumptions described above, which the Company has as of the date of the report, and at the end of the formulation of an updated investment forecast or due to instructions that will be given to the Company by the Minister as an essential service supplier with respect to the Development Plans that it must implement, the Company may be required to make investments that differ from those described above. This information includes forecasts, subjective assessments, estimates and other plans of the Company as of the date of the report with respect to the working assumptions that it used in the development of the forecast and the dates of materialization of those assumptions. Such information is based on future figures whose materialization is not certain and that are not under the exclusive control of the Company. The main factors that might affect the forward looking information such that it will not materialize or that changes will occur in the estimated timetable for the execution of the development plan and the investments thereof, according to the aforesaid, are, inert alia: Failure to implement specific projects in full or in part in accordance with the development plans approved by the Minister of Energy and Infrastructure ; difficulties in obtaining a license and/or legislative amendment in the field of quality of the environment, lack of suitable rate cover (see Note 3 to the Financial Statements),availability of natural gas for use in the generation systems, the ability of the Company to raise the financing required for executing the development plans, change in the expected growth rate in electricity demand and increase in the number of consumers.

29. Discussion of risk factors

Risks constitute an integral part of the business environment and the work and management processes in the Company and are affected by both external and internal factors at the same time. The Company's risks are divided into strategic risks, operational risks, financial risks, and compliance and regulation risks. The Company operates in accordance with the Government Companies Authority Circular 2020-13-1, regarding corporate risk management in government companies and government subsidiaries which was published on January 8, 2020.

On March 14, 2024, the plenum of the Board of Directors approved a comprehensive risk survey, in accordance with the directives of the Companies Authority circular.

Presented below are the main actions that are taken by the Company:

- Regular reporting to the management and the Board of Directors' Budget, Financial Management and Risk Management Committee, in addition to annual reporting to the plenum of the Board of Directors.
- Control of all the issues pertaining to risk management in the Company through a committee for risk management, headed by the head risk manager.
- Executing periodical risk surveys.
- Identifying new risks according to goals and examining their implications for the Company, including determination of policy for handling them.
- Determining the Company's risk appetite which enables proper business conduct for achieving Company goals.
- Preparation of work plans for reducing the level of risks and/or implementing controls/preventive actions and implementing them in the Company's activities.
- Use of a computerized information system for risk management.
- Ensuring business continuity for critical processes in the event of disruptions such as emergency situations or an emergency event.

The policy objectives for risk management are, *inter alia*:

(A) Reducing risks for achieving the Company's objectives in operating, financial, strategic and other areas, and minimizing losses that derive from failure events to which the Company is exposed while meeting the limitations of the Company's risk appetite.

(B) Identification, as early as possible, of the risks that may affect the Company's objectives, by mapping the connection between the Company's/Divisions' objectives and the risks that may harm them while implementing a work plan to reduce them.

(C) Implementing an effective management culture of risk management in order to increase awareness to risk management in in decision making processes, including improved monitoring and control processes of risk reduction.

The table that appears below shows the risk factors of the Company, which have been rated, in accordance with the estimate of the Company, by the degree of effect that they may have over the operations of the Company and the probability of their occurrence:

The risk factors of the Company are listed below:

	Rating			Classification of the risk factor
	High	Medium	Low	
	Significant effect on the Company	Moderate effect on the Company	Slight effect on the Company	
Macro risks				
(1) Political, geopolitical and economic situation and the security situation	X			Operational risks
(2) Natural disasters and managing emergency events		X		Operational risks
(3) Climate change – Extreme weather events	X			Operational risks
(4) Explosion and fire	X			Operational risks
(5) Information and cyber security	X			Operational risks
(6) Availability of computing systems		X		Operational risks
Industry risks				
(1) Setting of the electricity charge rate		X		Financial risks
(2) Fuels	X			Operating risks
(3) Environmental protection	X			Compliance and regulation risks
(4) Procurement and contractual engagements		X		Operational risks
(5) Health and safety management	X			Operational risks
(6) Traffic safety		X		Operational risks
(7) Project management	X			Operational risks
Risks unique to the Company				
(1) Financial management – market, raising, and liquidity		X		Financial risks
(2) Accounting, taxation and suppliers			X	Financial risks
(3) Competition	X			Strategic risks
(4) Legal and regulation in the making		X		Compliance and regulation risks
(5) Management of the customer array – service and collection	X			Operational risks
(6) Generation array management and technical failures	X			Operational risks
(7) Managing of the electricity grid	X			Operational risks
(8) Embezzlements and fraud, bribery and corruption		X		Compliance and regulation risks
(9) Communications management		X		Strategic risks
(10) Human capital			X	Operational risks

29.1 Macro risks

29.1.1 Political, geopolitical and economic situation, and security situation

Political, geopolitical and economic situation

The political, geopolitical and economic situation in the State of Israel and its surrounding area directly affects the Company, whose assets and activity are located in the State of Israel in their entirety or nearly so.

The emergence of major hostilities in the Middle East against Israel, lack of stability in the political situation in Israel or neighboring countries, harming the Israeli economy, or deterioration in Israel's international trade relations may materially impair the operations of the Company.

Security situation

Security events may impair the activity of the Company in each of its sectors, including in the electricity generating, transmission, switching, transformation and distribution facilities and the fuel transport and storage arrays. Harm to the facilities of the Company would impair its generation capacity and might impair its ability to provide electricity continuously, reliably and to a high level of quality to all of its customers. Emergency officials and the Company estimate that some of the facilities may be an objective for terrorist attacks or other security events.

The Company, in coordination with the Power Authority (a designated authority of the Ministry of Energy, responsible for the operational continuity of the electricity sector in emergency situations, which is under the responsibility of the Noga Company) and the Emergency Division at the Ministry of Energy, holds discussions whose aim is to make resolutions on all matters related an emergency. In addition, the Company is executing a series of actions to deal with the various threats, among them applying to the heads of the emergency entities in the country for the provision of defense for the sensitive Company installations, promoting personal protection and improving passive protection of the installations, handling save and rescue issues in the Company, executing internal exercises and joint exercises with external entities to improve the preparedness, coordinating the arrangements for times of emergency with the Israel Police, the home front command and so forth. Within this framework, the Company conducts two national readiness exercises each year, for summer and winter, in which, among other things, scenarios of total war in all fronts or limited conflict are practiced, as well as the operational concept for dealing with these scenarios. In addition, the Company is preparing to provide a rapid response to the restoration of facilities that may be damaged and acquire appropriate equipment and increase required inventories.

Due to the essential services that the Company provides to the State of Israel and its residents, the Company may be at risk and constitute a target for hostile actions that are directed against its facilities, including cyber actions. The Company makes sure to maintain extensive guarding of its facilities and receives directions from authorized parties on various security issues, including the National Emergency Authority, the Ministry of Defense, the police, the Home Front Command and others. With respect to the generation of electricity, the Company has assessed and is assessing currently the situation and risk management for this threat and takes preventive steps relating to staff at its facilities. The Company cannot anticipate with certainty whether or not attacks of this kind against its facilities will occur in the future or not, or if its facilities will be damaged in wartime and what the effect of such damage, if any, will be.

The "Swords of Iron" War has affected the Company's activities and business. In general, as part of the war, the Company suffered fatalities as well as damage to grid infrastructures and certain generation sites.

The Company works, together with the Ministry of Energy, the Power Authority, the Electricity Authority, the Ministry of Defense, and the Home Front Command, to improve protection at critical points in its sites, and in addition works in cooperation with the Ministry of Energy, the Power Authority, the Air Defense System, the Ministry of Defense, to improve and build additional active defense capabilities at critical locations of the Company.

Under certain circumstances, the continued war in the various arenas may harm the Company's operating results and financial position, including, among other things, due to: an increase in the Company's operating and development costs, which may result from a change in the mix and quantities of fuels used by the Company in its generation activities; a shortage of natural gas used for electricity generation, including due to damage to the State of Israel's gas generation facilities, as well as difficulty importing alternative fuels; damage to the Company's ability to collect debts from customers; delays in the execution of projects for which the Company is responsible; damage to the electricity grid, which may also lead to damage to environmental quality or damage to the supply of electricity; and damage to the Company's ability to import raw materials and equipment from suppliers abroad, as well as delays in deliveries of said raw materials and equipment or changes in their prices.

For more details regarding the effects of the "Swords of Iron" War, the Operation "Rising Lion" and Operation "Lion's Roar" on the Company, see Note 1h2 to the Financial Statements.

In addition, the Company maintains the competence of its independent Save and Rescue System, including purchasing appropriate equipment and conducting relevant training, and maintains contact and cooperation with first responders (Fire and Rescue, MDA, Israel Police) in order to improve initial response capabilities to war events.

The insurance policies that are purchased by the Company exclude damages that originate from terrorism and war, that are covered by a special fund that the State of Israel extends for compensation due to terrorist and wartime damages pursuant to the Property Tax and Compensation Fund Law. If it is determined in the future that the Company is not entitled to payment by virtue of the Property Tax Law with regard to the payment of direct war damages, or if the amounts of the compensation that are set for the Company are lower than those to which the Company is currently entitled in accordance with the provisions of the law, this may have an adverse effect over the results of the Company. The Company is working with property tax authorities to receive compensation for war damages and is holding discussions regarding the quantification of the damages.

29.1.2 Natural disasters and management of emergency events

The Company and its facilities are exposed to natural hazards such as floods and flooding, severe earthquake in the region (that may even cause the materialization of other disasters such as explosion, fire and additional safety and security risks), that may affect the Company's facilities and its business affairs.

The Company has established a multiannual work plan for coping with earthquakes and tsunami, including execution of seismic studies at some of the sites of the Company, and analyzing various scenarios which aid in identifying weak points that may be harmed. Based on the analysis of these scenarios, recommendations for executing reinforcements and anchoring of administrative buildings (with many employees) and various components of the electricity system are delivered. The Company reports on its activity regarding this matter to the National Committee for Preparation for Earthquakes and to the Power Authority.

Every year, the Company carries out two national exercises of preparedness for summer and winter. In addition, in preparation for these exercises, all the Company's supporting information and monitoring systems are examined, and the readiness of the divisional and branch operating headquarters is examined, for weather events typical of the relevant season and other emergency events. Drawing conclusions is regularly performed after each of the exercises and the implementation of the conclusions is monitored. In addition, the Company is also involved in national exercises, general staff exercises and exercises of the Ministry of Energy, the Power Authority, and various government ministries and infrastructure bodies.

The Company is acting, together with the Power Authority in time of emergency and the Ministry of Energy, to update the scenarios for preparation regarding war and earthquakes. After their updates, the Company constructs a response plan, identifies gaps, and works with the relevant bodies to close them.

In addition, a system for event management, performing status evaluations and assembling situation reports has been developed, a main and alternate operating headquarters has been established for the CEO, and emergency headquarters have been set up for the CEO Deputies.

In order to better deal with significant emergency events such as war or earthquakes, the Company has updated its emergency operating concept and has conducted exercises and training to test its ability to implement it. The Company is also making adjustments to its command-and-control systems to align them with the latest operating concept. The Company gathers and updates data regarding essential plants at the national level and the essential plants in the Company and controls are conducted at the essential plants, which have been defined in the Company. In addition, the Company maintains fitness of the independent Save and Rescue system, including purchasing appropriate equipment and conducting relevant training, and maintains contact and cooperation with first responders (fire and rescue, MDA, Israel Police) in order to improve the initial response capabilities to emergencies and natural disasters.

It is noted that "all risks" insurance of the Company's property covers the risk that is involved in natural disasters, except with respect to the electricity grid and subject to the deductible specified in the insurance policy of the Company.

29.1.3 Climate change – Extreme weather events

In recent years, we have witnessed a continuous increase in the intensity and frequency of extreme weather events in Israel and around the world. Average temperatures are rising significantly and extreme events are becoming more frequent.

Global warming has direct consequences for extreme temperature events, rising sea levels, increasing and prolonging droughts, the formation of floods, changes in precipitation patterns and an increase in the frequency of fires.

The Company prepares for continued functional continuity during extreme weather events and in this framework, the Company carries out various preparatory actions, including: preparing for a peak demand that is higher than expected according to the forecast, maintenance of substation units, transmission and distribution lines, identification of network failure points, preparation activities for the consequences of extreme weather events on electrical infrastructure, etc.

The Company cooperates with professional bodies in the field of forecasting weather phenomena and with regulatory bodies in the emergency field, in order to receive reference scenarios for various weather phenomena and anticipate the frequency and severity of these events in the future. In addition, relevant parties in the Company receive notifications about expected extreme weather events, even in the immediate future. In addition, the Company has promoted a process of receiving immediate alerts for extreme breaking weather events, and accurate forecasts for a period of several days. These immediate alerts are transmitted to all relevant parties in the Company.

The Company conducts two national readiness exercises every year, for summer and winter. As part of these exercises, extreme weather scenarios are practiced depending on the season. In addition, in order to better deal with emergency events such as extreme weather events, the Company has updated its emergency operating concept and conducted exercises and training to test its ability to implement it. The company is also making adjustments to its command-and-control systems to align with its operating concept. In preparation for the national exercises, all of the Company's supporting information and control systems are tested and the readiness of the divisional and staff operating headquarters is tested for weather events typical of the relevant season extreme weather conditions and for other emergency events. An orderly learning of lessons is carried out after each of the exercises and the implementation of the conclusions is monitored. In addition, the Company also participates in national exercises, General Staff military exercises and exercises of the Ministry of Energy, the Power Authority and various government ministries and infrastructure bodies.

It is indicated that natural damages to the Company's assets are covered under "all risks" insurance.

In addition, the Company manages the aspects of the transition to a low-carbon economy within the framework of the relevant risks.

29.1.4 Explosion and fire

The facilities of the Company, including the power stations, substations, workshops, warehouses, administrative buildings etc., are exposed to various types of explosion and fire risks, due to the presence of fuels, hazardous materials, fire explosives (concentration of flammable materials), high temperatures and pressures, many electricity and control installations, rotating machines that cause friction, weather hazards, as well as maintenance work with naked flame.

The occurrence of a fire at a power station may lead to direct damages to equipment, damages resulting from the cessation of the activity of generation units, and may cause indirect damages, among others, as a result of the operation of the other stations using more expensive and more polluting alternate fuels or interrupt customers. Fire events involve cleaning, renovation/repair, replacement of facilities, waste disposal and so on.

In addition, fires may constitute a safety threat to the employees at the Company’s installations and neighboring plants.

The Company's fire department provides extensive training to Company employees and holds joint exercises with the fire services and emergency teams in the various divisions to raise awareness of preventing fire incidents and reducing damage in these events.

The Company operates an array for coping with fire risks, which includes sophisticated and advanced systems for file detection and extinguishing. The Company also has firefighting and rescue system at the Company’s generation sites operating in cooperation with the national Fire and Rescue Authority. In the hazard reviews that are conducted by the engineers of the insurance companies and by the engineers of the insurance brokers within the framework of the “all risks” insurance policies for the Company’s assets, fire risks at the facilities for the Company are assessed, among other things, and recommendations are received for their reduction or elimination.

The Company's insurance policies cover direct and indirect fire damage to the Company's property (excluding with respect to the electricity grid) and claims by its employees and third parties against the Company subject to a deductible specified in the insurance policies.

29.1.5 Information security and cyber

Business procedures in the electricity chain are dependent on complex teleprocessing infrastructures, and therefore a cyber-attack may harm the process of the electricity chain in the country. Hacking the teleprocessing infrastructures may cause damage to financial business procedures, operating procedures, leakage of sensitive information (including business or personal information) or damage to the Company's image.

In recent years, there is a gradual increase in the level of the aforesaid risk, in the quantity and severity of the events, in Israel and worldwide. The cyber area is managed according to a risk management methodology, while mapping the business processes and key operational processes, mapping the Company's key assets and examining the potential damage of cyber threats in these processes.

The Company is guided in the cyber field by a regulator - the Israel National Cyber Directorate ("**NCD**") In accordance with the Law on the Regulation of Security in Public Entities, 1998. The Company updates the NCD and is in coordination with it (in routine and in emergency situations), fulfills the NCD's requirements, is authorized by it at the highest level, and implements its instructions.

The Company is operating to prevent cyber events in the operating and administrative systems, *inter alia* through control, prevention, defense, backup and security mechanisms. The Company is acting to improve and increase the level of protection from cyber threats in several aspects: operating a national cyber center to monitor and handle a cyber-event in the Company's networks, local monitoring of critical installations, increasing the level of cyber protection of the critical networks, as well as secured links and critical facilities, the networks and the various sites. At the requirement of regulation and NCD, The activity is carried out through the formulation of secure architectures, testing and assimilation of advanced tools.

In addition, the Company is working to learn the risks of using AI tools, while hedging cyber risks and implementing guidelines for the secure use of AI tools in accordance with the Company's evolving understanding of the issue.

The Company carries out information activities for the purpose of increasing awareness to the subject of cyber protection and secure use of AI tools among the Company's employees

The Company maintains a training system for a variety of parties to enrich their knowledge on the subject.

Additionally, the Company performs exercises in units/sections/divisions and a cyber drill at Company and Management level to check the strength of the Company and raise awareness of employees to the subject. In addition, as part of the Company's preparation for handling information security and cyber incidents, the Company has set up response teams for handling a cyber-incident or suspected cyber incident. Furthermore, the Company has internal procedures in the field of cyber and operates according to them.

The CEO of the Company heads a senior steering committee for cyber protection in the Company and is updated once a year, as needed by the VP Telecommunications and Cyber Sector manager in collaboration with the forum of VPs about the status of the strength of the Company while the VP of information and communication professionally leads all information and cyber security activities in the Company, under the Company's cyber administration operates in subordination to him, and its members hold key positions in this field in all the Company's relevant units. The Company operates according to a policy on cyber protection and information security, according to a work plan that is approved by the VP of IT and the Head of critical information infrastructures and implemented by the Head of the Cyber Sector (organizational CISO) who is subordinate to the VP of IT and the members of the cyber administration. If necessary, the Company uses external experts from time to time. In addition, periodic discussions on cyber are held By the Board of Directors and its committees.

The issue of cyber protection and information security is supervised by the Company's Board of Directors, which, among other things, examines and approves the Company's strategy on the subject, including approving annual and multi-annual work plans, all in accordance with the provisions of the law and the guidelines of the regulators. Accordingly, the Board of Directors and its Committees hold periodic discussions on the subject. In addition, a dedicated awareness-raising activity is carried out for board members.

In light of the aforesaid and as on the date of publication of the report, the Company estimates that the Company effectively manages the risk, including identification of the risk and assessing it, analysis of current risk, control and monitoring factors.

29.1.6 Availability of the teleprocessing systems

The Company's teleprocessing systems support, among other things, the main business processes, including information systems that support the administrative activities of electricity generation and supply, financial and logistical processes, maintenance, customer service, project execution, human resources, and more. Lack of availability of the information and communication systems and/or numerous failures may lead to disruptions in the Company's business operation including operations in managing the generation and supply of electricity, and lead to financial damage, damage to operation, and damage to image.

As part of the handling of these risks, the following, inter alia, are carried out: planning and construction of components with high availability, backups, existence of UPS systems and emergency generator management of a broad defense system that enables active monitoring and protection and performing recovery exercises from a system failure of the Company's computing environments.

The Company's ICT equipment and computerized systems are insured against physical damage, similar to the rest of the Company's operational property, as part of the "all risks" insurance, which includes loss of profits due to damage.

29.2 Industry level risks

29.2.1 Setting of the electricity charge rate

As a rule, the revenues of the Company are based on the electricity charge rate that the Company collects from consumers. In accordance with the financial position, revenues, profits and cash flow of the Company are affected materially by the method of determining the electricity charge rates. See Note 3 to the Financial Statements for further information on the manner of setting and updating the electricity charge.

Under the Electricity Sector Law, for purposes of setting rates, the Electricity Authority is required to carry out cost control, and it may disregard, in the matter of determining rates, all or part of the expenses which in its opinion are not required for the fulfillment of obligations of the holder of an essential service provider's license.

In cases where the rate does not cover the Company's costs or the rate base is not updated in time, this may have a negative impact on the Company's financial position.

A delay in recognition of costs borne by the Company or distributing them over a few years results in temporary damage to cash flow in the Company, since the return received includes interest and linkage.

Regarding the Authority's decision on the method of updating the tariff starting in January 2026, see Note 3 to the Financial Statements.

In the coming years, the Electricity Authority may examine and even update the tariff bases. Such updates, if and to the extent that they are adopted, may harm the Company's revenues, cash flow and financial position.

29.2.2 Fuels

Due to the increasing dependence of the Company on the generation of electricity using natural gas particularly in light of the conversion of coal-fired power stations to gas and the transition to using only natural gas for electricity generation in the coming years, there are risks stemming from a possible shortage in the supply of natural gas to the Company. The only sources of natural gas for the Company are Tamar, Leviathan, and Karish reservoirs and accordingly there is a risk of natural gas shortage due to limitations of gas suppliers and/or limitations related to the natural gas transmission system.

In the present reality, shortage in the supply of natural gas can be created as a result of one of the gas suppliers (“Tamar”, “Leviathan” or “Karish”) not supplying the quantities defined in each of the agreements, from failure in the piping transmitting the natural gas from the gas reserves to the coastal system entry points at Ashdod and/or at Dor, and from the incapability of the national transmission system to supply the Company with the contractual gas quantities that are at its disposal.

For additional details of the Company’s engagements with the gas suppliers, see Note 35 to the Financial Statements.

As a result of the continued fighting in various fronts, or if the war intensifies there may be a shortage of energy sources available for generation activities, including a shortage of gas in the event of damage to the gas rigs, temporary discontinuance of their activity due to harming them and/or a shortage of fuels in light of fears of difficulties in purchasing and transporting fuels. The Company is preparing following these events and makes purchases for emergency needs, including for sectorial fuels. For details regarding the temporary cessation of operations of some gas rigs due to Operation "Lion's Roar", see Notes 1h2 and 8b to the Financial Statements.

Disruptions in the gas supply may cause the Company to power its generation system using more expensive and more pollutant alternative fuels, in order to satisfy its consumers’ demand for electricity. Disruptions in the transmission of the gas from the gas fields to the coast and/or in the national gas conduction system whose repair may take a long time, are estimated to be of low probability by the Company, but in these cases, the Company’s fuel costs may be higher than forecasted costs according to which the electricity rates are determined at the beginning of the year (the” **Excess Fuel Costs**”).

Prolonged interruption of gas flow to the Company, which may lead to increased use of alternative fuels (when such use is also limited in time in some units according to the manufacturer's instructions, for fear of damage to equipment) may result in lack of availability of these fuels so that the Company will not have adequate generation capability with alternative fuels in order to supply the demand for electricity, a scenario which, beyond the operating implications of limitation in the supply of demands, may have also negative financial and image-wise implications.

In addition, gas prices under the Tamar Agreement are linked to the US Consumer Price Index and are updated at the beginning of each calendar year and accordingly, inflation in the US could lead to an increase in gas prices under the Agreement. Regarding the Authority's decision on the method of updating the tariff starting in January 2026, see Note 3 to the Financial Statements.

Coal used by the Company is acquired directly or indirectly from sources outside of Israel. Due to the great dependence on foreign sources, the Company is exposed to many risks, such as a delay in the supply of fuels, that may result from political or security instability in our region or in the source regions, including in the case of a long war or closure of

seaports, boycott of goods against Israel, and strikes in ports. The disruptions in the supply of coal have adverse consequences for the Company financially and image-wise.

On August 14, 2024, Colombia signed an order prohibiting the export of thermal coal to the State of Israel, and coal suppliers were prohibited from exporting coal to Israel. On August 20, 2025, Colombia signed an additional order, which imposes a more stringent ban on the export of thermal coal to the State of Israel. In addition, the ongoing war between Russia and Ukraine has materially affected the Company's coal purchases. Due to economic sanctions that limit the possibility of purchasing coal from Russia and due a significant decrease in the quality of the coal that was provided, instead of the Russian coal which may adversely affect the Company's ability to use coal in its generation units and meet the emission permit requirements. As of today, the Company purchases coal mainly from South Africa and small quantities from Kazakhstan, which meets the coal quality requirements that apply to it.

Due to the significant decrease in coal production expected during 2026, the Company does not expect this to have a material impact on its situation. However, following the "Lion's Roar" Operation, the Company's coal consumption increased significantly, so the Company is required to increase coal purchases from the sources mentioned above. Accordingly, the Company is exposed to a risk stemming from restrictions on the purchase of large quantities of coal during times of continuing emergency due to its dependence on limited coal sources, as above. For further details, see sections 7.12, 8.9 and 9.9 above.

The increase in coal consumption following the Operation “Lion's Roar” led to an increase in the quantities of ash and gypsum by-products that require removal from production sites. In addition, following the war, activity in the construction industry was reduced by approximately 80%, large-scale military call-ups of drivers by transport companies, and the month of Ramadan that fell during March 2026, led to a situation where the construction industry is unable to absorb all the quantities of ash produced. The solution to dealing with the quantities of ash and continuing the continuous operation of the units using coal is wet unloading in accordance with the appropriate permits and approvals from the Ministry of Environmental Protection.

In order to examine the contractual obligations of the Company to buy fuels, the Company executes an examination of the short and long term forecasted fuels consumption. The estimate is based on analytical tools and a wide range of data (demand forecasts for electricity, performance of the generation system, fuels price forecast, etc.) regarding which there is a high level of uncertainty. In order to reduce the risk of overestimate/underestimate of the expected fuel quantities, a calculation process is carried out, based on various assumptions and data.

29.2.3 Environmental protection

The activity of the Company is exposed to various environmental risks, including pollutant emissions into the air of fuel combustion products, storage and use of hazardous and combustible materials, soil and water source pollution, industrial effluents, asbestos, coal ash, noise, non-ionizing radiation, and others.

Therefore, the Company’s activity is subject to extensive regulation in the field of the environment. In recent years, there has been a worsening of the environmental requirements that apply (or are in legislative proceedings) to the Company's activities, as well as the supervision and enforcement of these requirements. The Company estimates that this trend is expected to continue and even worsen in the coming years, in accordance with international awareness and requirements and, inter alia, in accordance with what is customary in Western countries. For additional details regarding the Company's preparation for changes in regulation applicable to it and which may affect its operations, see Section 29.3.4 below.

The Company estimates that as of the date of this report, it is materially complying with the material provisions of the Law in the field of quality of the environment. The Company holds the environmental licenses required for its operation and is acting to obtain them in places where they are missing. Failure to comply with the provisions of the law and regulations in the field of environmental protection may expose the Company and its directors to criminal and administrative responsibility, including imposition of fines and sanctions and issue of closure orders for facilities and exposure to expenses for cleaning and rehabilitating environmental damage. In addition, against the background of the expanding phenomenon, in Israel and abroad, of filing lawsuits in the environmental field, claims may arise from time to time in the field of environmental protection even when the Company meets all the requirements of the relevant laws and standards.

The Company is studying the consequences of the proposed laws and regulations in the environmental protection field, is acting to prevent or minimize the environmental risks that may occur during its activity, is preparing for economic, legal and operational consequences that stem from the laws and regulations, and is allocating money in its budgets for the purpose of compliance with the laws and regulations in the field of environmental protection that apply to it and that are expected to apply to it. However, there is no certainty that the costs that will be demanded of the Company with respect to the laws and regulations existing and expected in the field of environmental protection will not exceed the amounts that have been allocated by the Company for these purposes; however, the Company estimates, as of the time of this report, and based on the provisions of the Electricity Sector Law, that the material costs that will be imposed on it as a result of new regulatory requirements shall be covered within the electricity charge rate, subject to cost control, however, the decision on cost recognition lies with the authority of the Electricity Authority.

The aforesaid with respect to the estimates of the Company regarding the stricter environmental requirements that apply to the Company's activity, as well as the estimations of the Company regarding the cover of the material costs that will be imposed on the Company as a result of these regulatory requirements within the framework of the electricity rate, are forward looking information, as per its definition in the Securities Law, which is based on information held by the Company as of the date of the report. The materialization of these estimates depends on various factors that are not under the control of the Company and accordingly, these estimates may not materialize or may materialize partially or differently than expected.

See Sections 7.12, 8.9, 9.9, 10.5, 11.5 and 22 for details on environmental risks and manner of their management.

For further details regarding climate risks, see section 29.1.3 above.

It should be noted that sudden and unexpected damages to third parties as a result of contamination events are covered under the Company's liability insurance, in accordance with the terms of the policy and its exceptions.

29.2.4 Procurement and Contractual Engagements

Failures in the Company's procurement proceedings and/or with the suppliers in operating, financial and other fields (without fuel procurement) may harm, inter alia, the Company's ongoing operation and the electricity supply, in executing projects and in preparation for emergency situations. Regarding the purchase of fuels see section 29.2.2.

An event of insolvency of an individual/strategic supplier of equipment or of a critical raw material could result in shortages and adversely affect the generation capacity and the current operation. Additionally, a low stock level due to budget restrictions, delays in supply and the supply of defective equipment could adversely affect the current operation and the meeting of project timetables. A service supplier who fails to meet requirements of quality of the environment may lead to breach of laws, regulations and regulation in the field of quality of the environment. It is noted that the Company carries out acts to minimize the above by red-light examination[42] of suppliers before winning tenders, examination of the existence of suitable permits of the supplier as a precondition to various engagements, and advancing orders from suppliers while maintaining high safety inventory levels, in particular spare parts for power stations and network items and connection to homes while expanding the circle of potential suppliers. Additionally, as a strategy in contractual engagements to purchase critical items, the Acquisition Section tends to split the order to at least two suppliers in order to minimize the risk.

Shipments of raw material and equipment purchased by the Company from suppliers abroad may or may not be delayed due to political instability, embargoes, port strikes, security tensions, sabotage, etc. For example, due to the continuation of the Russia-Ukraine war and other geopolitical conflicts led to severe disruptions in the supply chains throughout the world, which have led to an increase in the prices of goods and services. In addition, there is great importance to the manner of transporting and storing the equipment and raw materials, which may be damaged as a result of various factors, including transportation failures, limited access to ports, natural disasters, etc. The Company stores the equipment in accordance with the suppliers' instructions and in accordance with procedures in order to avoid storing equipment and/or hazardous materials in an uncontrolled manner.

As of the Financial Statements approval date, of the report, the Company has not been materially affected by the disruptions described above, but it cannot estimate how additional disruptions in future will affect the Company. For additional details see section 29.1.1 and Note 1h to the Financial Statements.

In addition, the Company purchases an insurance policy for shipments in transportation, which includes coverage for damage to equipment during sea/air transportation and land transportation. The policy provides "umbrella" coverage that covers all of the Company's shipments, regardless of the terms of sale.

29.2.5 Work Safety and Occupational Health

The operating activities of the Company involve various safety hazard risks such as the results of hazardous materials, height, electricity, and others, that can harm the health of its employees/contractors' employees and with respect to which the Company may be exposed to claims for bodily injury or other damages. The Company takes all measures to eliminate or reduce these risks, formulated instructions and procedures which reflect the requirements of the law and the standards which apply to it in the field of health and safety and updates them currently. Additionally, the Company operates in accordance with safety management programs in the various units of the Company including training sessions on the subject. Despite the abovementioned, the Company cannot prevent completely this risk. It should be noted that the Company has insurance coverage for employees and for third parties, subject to the deductibles specified in its insurance policies.

[42] Red lights - the Company receives credit information about businesses, companies and entities from the BDI (Business Data Israel) information company, such as alerts regarding strategic customers on various financial issues including bankruptcies, blocked accounts, etc.

29.2.6 Traffic system

The Company has a large number of vehicles, heavy vehicles and work vehicles intended for complex field work and whose drivers require a dedicated license and high level of skill. The risk includes operation of motor vehicles fleet and road accidents in all of the abovementioned vehicles, with an emphasis on accidents due to the fault of the driver.
The actions to reduce the risk include, inter alia, preventive driving instruction for the drivers and strict maintenance of the entire vehicle fleet, installing safety warning systems and installing advanced safety systems mainly in heavy vehicles.

29.2.7 Project management

The Company deals in the management of various projects, including projects that are required as part of the Company's development plan, which includes, inter alia, construction of substations, switching stations, construction of high and ultra-high voltage lines construction of generation units, conversion to gas and more (on January 26, 2025, a license was received in Netiv Ha'Or to operate CCGT 70, and on January 7, 2026, a license was received to operate CCGT 80. See Note 1e to the Financial Statements).

This activity involves exposure to risks such as shortage of personnel, delays in receiving permits, negotiating with contractors, damage to infrastructure, project budget, dependence on tangential projects or system administrator decisions about proactive outages, and more. In addition, from time to time the Company faces new challenges that require to develop and implementing innovative solutions. For example, due to the scale of electricity consumption of artificial intelligence server farms and the increase in the use of renewable energies, the Company will be required to find solutions to challenges it has not yet faced so far.

The realization of risks detailed above may cause damage to the reputation of the Company, constitute a cause to file actions against the Company, cause deviations from regulations, laws and statutory requirements failure to meet schedule, budget, and quality of the projects, disruptions in the electricity supply chain, bodily injury or property damage due to safety events, and harm to the financial position of the Company. Moreover, the importance of the major projects that the Company undertakes, both in terms of investment and in terms of risk, draws the Company Management's attention to them, and they are regularly reported to the Company's CEO and Board of Directors.

The Company is in constant contact with the relevant regulators for the projects and Noga, and reports about the projects' progress, including changes in the schedule of the projects. For additional details including the projects in the field of generation, see Notes 1e9 and 1g to the Financial Statements.

Following the outbreak of the "Swords of Iron" war, on October 7, 2023, a real shortage of available and professional manpower among contractors was created and the lack of foreign experts. These factors affected the ability to advance projects with varying intensity and impact due to the continued fighting and security developments that took place since the outbreak of the Swords of Iron war and until the publication date of this report. The Company is monitoring and following the development of the security situation. In case the security situation worsens, which will have a material effect on the Company's projects, the Company will review the need to apply to regulators regarding the implications of the situation on project advancement including inquiries to Noga.

In addition, as an alternative for the presence of experts, the Company is working to receive services through alternative means of communication, as much as practicable, to maintain the aspects of warranty and quality as required.

For further details on the impact of the "Swords of Iron" war Operation "Rising Lion" and the Operation "Lion's Roar" on project management, see Note 1h to the Financial Statements.

29.3 Risks that are unique to the Company

29.3.1 Financial management – market raising and liquidity

The risk relates to failures in implementing the Company's financial management and securing the financial resources required for the Company's operation that may lead to a lack of financial liquidity, a cause for immediate repayment of financial liabilities and impairment of the Company's regular operation and realization of its objectives.

The Company's credit rating and the rating outlook have changed several times during 2025. For details regarding the changes that took place in the credit rating and the rating outlook see Note 19e to the Financial Statements.

A further lowering of the Company's credit ratings could have a negative impact on the Company's financing costs and its ability to raise debt and accordingly could lead to harm to the Company's operating results and financial position.

The Company prepares cash flow forecasts, which, among other things, constitute a basis for examining the needs of raising financing. Some of the forecasts are based on forecasts received from Noga, since Noga has all the information regarding the producers and consumers of electricity in the economy, which is more comprehensive and relevant than the information held by the Company.

When Noga's forecasts are not received at the time required for the Company's needs, the Company makes its forecasts based on the information available to it. When such forecasts are received from Noga, the Company makes a retrospective comparison between the forecasts and examines the nature and extent of the gaps. As of today, there is an agreement to receive forecasts from Noga until the end of 2026.

To the extent that later the Company does not receive forecasts from Noga, this may have an impact on the Company's financial decision-making process

For details regarding the Company's market, debt raising and liquidity risks see Note 25 to the Financial Statements.

For details of the main terms of the Company's financing contracts that may cause immediate repayment, see Note 19d to the Financial Statements.

29.3.2 Accounting, taxation and suppliers

The risk of accounting, taxation and suppliers, is a risk that expresses a situation in which there are failures in internal controls that can lead to errors, delays or deficiencies in the Company's financial statements, and deficient implementation of the tax law regarding the taxation aspects and/or incorrect management of the books of the Company and/or not complying with the law of ethics in payment to suppliers.
Materialization of the risk may impact, among other things, the Company's image and investor relations, impose fines and personal liability on officers, and in certain circumstances may lead to events as detailed in Note 19 to the Company's Financial Statements.
In dealing with the risk, the company performs, inter alia, the following steps:

- Implementation of the accounting and tax methodology and information requirements among the parties involved in an activity that has accounting implications and also implementation of work procedures and internal audit for purpose of complying with Laws and regulations.
- Implementation of the Government Companies Regulations (Additional Reports on the Effectiveness of Internal Control Over Financial Reporting), 2007.

29.3.3 Competition

Competition risk means failure to identify business opportunities, lack of exposure to business processes in the free market or regulatory processes that determine the conduct of players in the relevant market that may cause the Company to decrease market shares in existing areas, prevent it from entering new areas or damage its revenues and business position within its current activities.

The implementation of the reform, as specified in Note 1e to the Financial Statements, lead to a reduction of the Company's activity in the generation segment, the opening of the supply segment to competition and the separation of the system management activity from the Company (a process that was completed on November 1, 2021). For more details regarding the structural change and its implementation, including the sale of the Company's gas-powered generation sites, see Note 1e to the Financial Statements.

A further decrease in market share in the generation segment occurred and is expected to continue in light of the legal limitations applicable to the Company in the generation segment, including prohibition from establishing new units, replacing or upgrading existing ones in parallel with the activity of private producers and plans for the establishment of new power stations to be operated by them, as well as changes in the operating regimes of the coal-fired units due to the implementation of the plan to stop using coal by transferring part of coal-fired units for preservation and convert the other stations to use natural gas. Additionally, in recent years, resolutions, regulations and other arrangements have been adopted which were intended to encourage the entry of private producers to the energy market.

The Company estimates, particularly in light of the significant increase expected in electricity demand in the coming years, that these decisions are expected to continue to cause an increase in the energy generation volume of the private electricity producers, encouraging generation using renewable energy, with an emphasis on the construction of high-capacity storage facilities at all voltage levels and as a result a decrease in market share of the Company in this segment.

For further details regarding the consequences of an increase in the scope of private production on the Company's activity in each of its activity segments, including the impact on the Company's revenues and profitability, see sections 7.4, 8.4, 9.4 and 10.4.

For details regarding the Government's decision to increase the electricity generation targets with renewable energies and the effects it may have on the Company, see sections 6.5, 7.4 as well as Note 34a5 to the Financial Statements.

There is uncertainty regarding the question of whether an additional outline will be implemented for the reform in the Electricity Sector whether additional or other actions will be taken to change the structure of the Company, and what the implications of such an outline or actions, to the extent that they are implemented, would be on the Company.

Regarding the transmission and distribution segments, the Company will continue to plan, establish, maintain and operate the electricity network throughout the country according to its licenses. For more details, see sections 8.4 and 9.4 above and Note 1e4 to the Financial Statements.

As of the Financial Statements approval date, as a result of several decisions made by the Electricity Authority in recent years to promote the competition in the supply segment, and particularly the decision to expand the competition in the supply segment also to basic meters and accelerating the deployment of smart meters, promoting market regulation that enables bilateral transactions between distribution producers and virtual suppliers and consumers, a decrease was recorded in the supply segment low voltage which is measured according to the rate of its customers relative to the total number of customers in said segment and voltage. As of the end of 2025, the number of consumers who left the Company in all voltages in favor of private suppliers, totaling approximately 342.7 thousand customers as of the date of the report.

The Company expects that this trend will continue in the future, in light of the expansion of regulation in this area, and in particular the decision allowing high-voltage producers in renewable energies to sell availablility certificates in bilateral transactions to private suppliers starting in January 2026, as well as the decision allowing the System Administrator to sell availablility certificates to private suppliers at competitive prices starting in January 2026.

The Company is also working to promote the national meter deployment project, which supports the deepening of competition in the supply segment. The Electricity Authority estimates that by the end of 2028, about a million additional customers will leave the Company to private suppliers.

For additional details regarding competition in the supply segment, see section 10.4 above.

The materialization of the risk, as it is described above, may affect, among other things, the Company's market share, its revenues, its financial situation and its business results, and this in consideration of how the risk materializes and its scope and how the Company will deal with the effects arising from it.

29.3.4 Legal and Regulation in the making

As a government and public company and as the holder of an "essential service provider" licenses, the Company is subject to extensive supervision both by the legislator and by the Government, the Ministry of Energy and Infrastructures, the Electricity Authority and other supervisory bodies, as well as the Company is affected by new regulation and regulatory updates to which it is obligated, including Laws, regulations, orders, instructions, Government decisions, regulatory decisions, etc. ("**New Regulation**").

New and existing regulation, related to the Company's business and operational environment, may lead to considerable financial consequences for the Company, damage to its competitive business ability and operational limitations. Main risks included in this topic are damage to the Company's activity as a result of new regulation that applies to the Company and may affect its activity, or from contradiction among existing regulations, especially if the costs of complying or not complying with the provisions of the new regulation are not recognized in full in the charge rate or if they are recognized in it, they are not recognized in it on time.

In addition, material actions and/or approval of applications for class actions against the Company may lead to image and financial implications for the Company. For additional details regarding claims filed against the Company, see Note 34 to the Financial Statements.

As part of the risk reduction plans, steps are taken such as: general third party liability insurance and executive liability insurance; segmentation of claims into issues and categories and systemic treatment of issues in which there is an upward trend in claims filed against the Company; specific treatment of hazards that are the subject of demands/claims filed against the Company and found by it to be justified; ongoing handling of claims and actions filed against the Company through internal entities and through external law firms; existence of enforcement programs on various issues including competition laws, securities law, corporate and government companies law, and prohibition of bribery of public

employees. In addition, the Company monitors regulation in the making, examines its potential impact on the Company and, as the case may be, prepares responses to relevant parties.

In addition, as detailed above, the Company operates in accordance with the licenses that were granted to it by virtue of the provisions of the Electricity Sector Law and were extended from time to time. For more details, see section 23.1 and Note 1e to the Financial Statements.

Failure to extend the Company's licenses or changes to license conditions or other provisions stipulated in the Electricity Sector Law may have a materially negative effect on the Company's business activities and financial results.

29.3.5 Customers and collection management – service and collection

The Company provides its customers credit and as a result of this, it is exposed to a risk of monetary loss as a result of customer insolvency or a decrease in the credit quality of debtors or parties to contracts or to risks deriving from unique characteristics of some of the customers of the Company.

The Company uses the collection tools under its authority to exhaust collection procedures, however its abilities to disconnect customers who have balances owed to the Company are limited, inter alia, in light of the Rosenzweig High Court decision, due to which the groups eligible for recognition of exemption from disconnection of electricity supply were significantly expanded.

For additional details regarding amendments made by the Electricity Authority to the criteria for disconnecting customers from electricity supply in accordance with the Rosenzweig High Court decision, see Note 6a to the Financial Statements.

In addition, effective from the time the "Swords of Iron" War broke out and in accordance with the Electricity Authority's criteria, the Company refrained from disconnecting customers from supply of electricity due to non-payment of debts throughout the period in which the "special situation in the home front" is declared, as declared by the Minister of Defense and approved by the legally authorized entities. Accordingly, the Company's debts increased. From March 12, 2025 until the Rising Lion campaign, the Company disconnected non-residential customers due to non-payment and from July 2025, the Company also began disconnecting residential customers, except in evacuated communities. From December 1, 2025, the Company resumed disconnecting customers due to non-payment in all parts of the country. In 2025, the Company managed to reduce its debt position. For additional details regarding enforcement measures to collect payments from consumers, see Section 23.1.3.1 above and Note 6a to the Financial Statements.

Following the outbreak of the "Lion's Roar" Operation, a "special situation in the home front" was declared throughout the State of Israel starting February 28, 2026. From this date, the Company refrains from disconnecting customers due to non-payment, resulting in an increase in the Company's debts.

Regarding the payment of all debts of the Palestinian Authority and EJEC, on January 22, 2025, the debt was settled (according to the outline of agreements approved by the company's Board of Directors and the Political and security Cabinet. For further details see Note 6c2 in the Financial Statements. However, as of the Financial Statements approval date, there is no assurance that the debts of the Palestinian Authority and EJEC to the Company will continue to be paid in the same manner in the future.

Failures to provide optimal customer response may lead to damage to the Company's image. Therefore, the Company invests in the implementation of a service concept and its implementation which emphasizes fostering excellence and innovation in the field of service and customer experience while strictly providing transparency, fairness and reliability in providing service.

29.3.6 Generation Array Management and Technical Failures

Equipment failure in power stations may negatively impact the generation capacity, and even worse, removal of the power station from the generation grid. Repair of extensive failures involves very high direct and indirect costs of equipment, spare parts, experts, contractors and Company employee labor, and in addition also to costs deriving from the operation of units while using more expensive and more polluting alternative fuel over time while increasing their maintenance costs, due to disabled stations working on natural gas / coal and activation of other stations working on diesel oil. Additionally, in accordance with the methodology that was determined at the new generation base, a situation in which the availability of the generation units in practice is lower that the determined normative availability, may harm the Company’s revenues.

Non-optimal operation and/or maintenance of the generation units (such as under extreme operation regimes or not according to the manufacturer’s instructions) and/or failure of communication with Noga may lead to non-fulfillment of the requirements of the Noga Company and regulatory requirements, damage in generation performance, increased wear of the generation units and shortening their life span, and malfunctions in the generation array. In addition, there is risk of technical failures in the generation installations, due to various technical and physical reasons which may cause cessation of generation or its restriction for a long time. In order to reduce this risk, the Company executes maintenance and operation controls (such as: managing the risks for operating operations, maintenance management and planning

while also examining the commercial aspect of the unavailability of generation units, monitoring the condition of the equipment, analyzing sensitive events, analyzing vulnerable points and recurring faults, transferring information between the various stations in professional forums, improving skills of the operating and maintenance team and management and control of the strategic parts inventory).

Insofar as this risk will materialize and lead to non-compliance with the requirements for the units' availability, it may be interpreted as the Company not meeting its liabilities under its licenses or the provisions of the law, and may therefore adversely affect the Company, from the standpoint of its performance and its outcomes and its image in the public eye.

The Company is conducting renovations in the generation units, to comply with rules and regulations, fulfillment of manufacturers' instructions (to preserve the warranty), and for reasons of reliability and availability of the units while keeping employees' safety of. The Company also carries out system improvements on the basis of a techno-economic consideration to secure availability and reliability of the generation units. The Company estimates that the effective methods to reduce technical failures and improve equipment reliability is through the correct operation, continuous monitoring of data, strict forecasted maintenance and planned maintenance in the recommended gaps, ensuring the existence of spare parts for critical equipment, and acquisition of reliable equipment, based on known technologies and refreshers and professional training for maintenance and operations workers.

"All risks" insurance for the Company's property covers direct and indirect physical property damage subject to a deductible specified in the insurance policy.

In the risk surveys conducted by insurance company engineers and insurance broker engineers as part of "all risks" insurance for the Company's property, physical property risks to the Company's facilities are assessed, inter alia, and recommendations are made to reduce or eliminate them.

29.3.7 Managing the electricity grid

Inefficient management of the network and/or equipment life cycle, including failure to comply with approved development plans and lack of synchronization with Noga, may cause an increase in technical failures, damage to the reliability of electricity supply, increased public exposure to the dangers of electric shock and fire, which could lead to injury to persons or damage to property, economic damage, damage to the Company's ability to connect decentralized generation installations to the grid, damage to the Company's image and service provided to its customers, as well as impair the company's ability to be a major player in a competitive market. In order to comply with the Electricity Authority's outline for non-supply of target minutes, the Company operates an extensive multi-year work plan that includes upgrading and improving the various components of the network.

In addition, addressing the obsolescence of the network's command and control system prior to the implementation of the replacement system required the implementation of mitigation activities such as establishing backup systems and validating their proper operation in exercises and there is no assurance regarding the question of whether the Company will be required to take additional steps in this area in the future.

The continuation or intensification of fighting in the various arenas is affecting and may continue to affect the Company's accessibility to the operation and ongoing maintenance of the electricity grid in the conflict areas and may affect the pace of network development on transmission and distribution system and also the regular supply of electricity to the Company's customers in these areas.

29.3.8 Embezzlement, Fraud, Bribery and Corruption

The Company conducts extensive business operations of billions of Shekels a year and is therefore exposed to a wide range of risks of embezzlements and fraud that may cause financial damage and harm its image. The Company's key work processes are supported, among other things, by a number of information systems. The risk of embezzlement and fraud may materialize within the work process or through the information systems that support it.

The main exposures that have been identified may materialize, among others, in the following fields: Acquisition and contractual engagements with suppliers, tender management, revenues from collection and execution of special projects, storage and inventory management, wages, information management and trade secrets.

The Company regularly conducts risk surveys in the field of embezzlement and fraud in various divisions and areas of activity. The implementation of the survey recommendations is carried out as part of the reduction plan whose gradual implementation includes, inter alia, actions to minimize the risk arising from the structural and functional change in the Company, the identification and prevention of new risk scenarios, the institutionalization controls in the area of prevention of embezzlement and fraud and damage to Company assets under the SOX controls, maintaining the separation of duties, using an SOD station (separation of duties) so that no one party is entrusted with the ability to perform an action from its beginning and another end (completing a circle), deepening the actions for controlling sensitive roles and more.

During 2023-2025, the Company conducted a risk survey of embezzlement and fraud in the divisions of HR, Operation and Logistics (still undergoing) and the Treasury Department in the Finance and Economics Division, including validation of the list of sensitive positions as part of these surveys.

As another step to reduce the risk of embezzlement and fraud, the Company implemented a computerized system for management and control of business processes, which warns of anomalies in business processes according to a methodology for assessing the risk of embezzlement and fraud.

Within the framework of the reduction plan, amongst others, an internal enforcement plan is also carried out in the area of prohibition of bribery. In this framework, the Company formulated an outline for a plan in the field of prohibition of bribery of a public servant in accordance with the guiding criteria which were determined, inter alia, by the OECD, and a general prohibition on bribery according to Israeli law. An internal enforcement plan to prevent bribery was promoted, within which the Company procedure "Prohibition of giving bribes and enforcement array" was published, including the appointment of officers according to the procedure. In this framework, the Company guides the relevant subsidiaries to implement the compliance directive with the necessary adjustments.

Additionally, the Company continually performs steps to assimilate and maintain an organizational culture in accordance with the policies for prevention of embezzlement and fraud which include training and seminars, carrying out a cross-company campaign on awareness for prevention of embezzlement and fraud and acted to implement control procedures for holders of sensitive positions at medium, high, and very high risk.

The Company operates in accordance with the approved policy for the prevention of embezzlement and fraud, and has even published a Company procedure that regulates the prevention of embezzlement and fraud in the framework of this risk management by the Company, and approved expanded anti bribery and corruption policies. The Company's policy is published on the Company's external website, under Investor Relations.

The status of progress of the multi-annual reduction plan is reported to a designated steering committee for embezzlement and fraud headed by the relevant Deputy CEO. The status is also reported to the relevant committees of the Board of Directors.

29.3.9 Communications Management

Lack of comprehensive media preparedness before a crisis or during crisis management, which may jeopardize the Company's image among its customers or other stakeholders. In light of the above, the Company maintains direct contact with the various media outlets and the parties within them, and also carries out informational activities that include transmitting information, instructions, and important updates, both routinely and in emergencies, as well as initiating positive public relations based on the Company's activities.

29.3.10 Human capital

The risk relates to failures in planning and implementing human resources needs required to implement work plans, in routine and emergency times, which will result in failure to meet Company goals, loss of vital knowledge, and financial expenses as a result of disputes with the Employees' Organization, which will cause tensions in labor relations. Failure to meet regulatory requirements, difficulties in employee recruitment, failure in employee retention and development, failure in safeguarding knowledge and more). Additionally, the lack of actuarial balance in the employees' pension fund will lead to a loss of financial strength.

The Company handles this risk through medium and long-term planning of human resources, ongoing human resources replacement, mobilization and rotation, acts to change the salary structure for new employees, and arrangements for preserving human resources for temporary employees, technological and designated training, and preparing a managerial reserve. Furthermore, the Company acts to maintain good labor relations, while holding an ongoing dialog with the labor union, the Histadrut and the relevant State entities. Changes in the field of labor relations, including due to relevant directions or decisions of the regulators that regulate the Company, including the Commissioner of Wages, may be expressed in labor disputes, which may lead to employee sanctions to the point of a long, all-out strike. The Company will continue to operate in such a manner that the changes will be made on their merits while informing in coordination or approval of the relevant parties. For details regarding the labor disputes see Section 35c. As of the publication date of the report, the Company continues to work in dialogue with the Employees' Organization and the State to resolve gaps and disputes, as they come to light.

Although in the past no material impairment in the supply of electricity has been caused, it is not possible to rule out the possibility that in the future, all-out or protracted sanctions or strikes may impair the regular supply of electricity to the customers of the Company, the revenues, business outcomes, image and reputation of the Company.

Additionally, actuarial deficiency in the central pension fund of the employees or differences in the actuarial model for calculating the deposits to the pension fund, could obligate the Company to make additional deposits to the fund and thereby lead to an adverse impact on the financial strength of the Company. As of the publication date of the reports,

there is a significant actuarial surplus and therefore the risk has mitigated. For additional details see Note 11j1 to the Financial Statements.

For details on the status of employees in the Company, see Note 1e to the Financial Statements.

Meir Spigler Chief Executive Officer	Doron Arbely Chairman of the Board of Directors

Date: March 19, 2026

The Israel Electric Corporation Ltd.

Chapter B

Board of Directors' Report on the Status of the Company's Affairs

For the Year Ended
December 31, 2025

Prominent Disclaimer

This English translation of the "**Company's Board of Directors' Report on the Status of the Company's Affairs**" for the year ended December 31, 2025 ("English Translation") is provided for informational purposes only.

In the event of any conflict or inconsistency between the terms of this English Translation and the original version prepared in Hebrew, the Hebrew version shall prevail and holders of the Notes should refer to the Hebrew version for any and all financial or other information relating to the Company.

The Company and its Directors make no representations as to the accuracy and reliability of the financial information in this English Translation, save that the Company and its Directors represent that reasonable care has been taken to correctly translate and reproduce such information, yet notwithstanding the above, the translation of any technical terms are, in the absence of generally agreed equivalent terms in English, approximations to convey the general sense intended in the Hebrew version.

The Company reserves the right to effect such amendments to this English Translation as may be necessary to remove such conflict or inconsistency.

The Board of Directors of the Israel Electric Corporation (the "Company") hereby presents the Directors' Report on the status of the Company's affairs for the year ended on December 31, 2025, ("The Report Period") according to the directives of the Securities Regulations (Periodic and Immediate Reports) – 1970 ("The Securities Regulations") and the provisions of the Government Companies Authority ("The Companies Authority").

a. Explanations of the Board of Directors on the Status of the Company's Affairs

1. Brief Description of the Company and its Business Environment

a) General

The Company operates in the entire electricity chain starting from the electricity generation stage through the transmission, storage, distribution, supply and trading electricity stages, all in accordance with licenses granted for each type of activity. The Company also deals in the construction of infrastructures required for these activities. The Company is defined as an "Essential Service Provider" (as the term is defined in the Electricity Sector Law).

The Company is owned by the State of Israel which holds approximately 99.85% of its share capital, therefore the Company and its operations are subject, inter alia, to the directives of the Government Companies Law – 1975 (hereinafter: the "Government Companies Law"). As of March 5, 1996, the Company operates according to the Electricity Sector Law – 1996 (hereinafter: the "Electricity Sector Law") and the regulations thereunder. The Electricity Sector Law replaced the Electricity Concessions Order and the Electricity Authority was founded in accordance with this ordinance. The duties of the Electricity Authority are, inter alia, to set electricity rates and define rate amendment processes, to award licenses and to supervise compliance with the instructions specified in the licenses (which in certain cases require the approval of the Minister of Energy). For further details of the Electricity Sector Law, including the details and role of the Electricity Authority, inter alia, in accordance with the amendment to the Electricity Sector Law, see Note 1 to the Financial Statements of December 31, 2025.

b) Condensed Review of the Changes in the Business Environment during the Report Period

1) For details regarding the Company's actions to implement the outline for structural change in the reporting period with respect to the sale of the Eshkol site, financial stability targets, grant of transmission and storage license, organizational change and the efficiency plan, updates regarding the generation subsidiary and establishment of stations that operate on a combined cycle (CCGTs) and update of operating dates, in view of the outbreak of the "Swords of Iron" War, see Note 1e to the Financial Statements.
2) For details regarding the agreement to sell the Company's lease rights in the Technical Center complex, see Note 1f to the Financial Statements.
3) For details regarding material provisions of the Law applying to the Company in the area of environmental protection, including additional updates regarding minimizing the use of coal and converting coal fired units to natural gas, emission permits of the coal-fired units and the conversion project to gas, see Note 1g to the Financial Statements.
4) For details regarding the fire of the collector at Rutenberg power station see Note 1h3 to the Financial Statements.
5) For details regarding the collapse of a crane at the coal dock at the "Rutenberg" power station, see Note 1h1 to the Financial Statements.
6) For details regarding electricity tariff amendments and regulations and particularly the update to the design of the electricity tariff for Company's consumers which came into force effective January 1, 2026, see Note 3 to the Financial Statements.
7) For details regarding EJEC and the Palestinian Authority's debts, including amounts received from the Ministry of Finance to offset the debts and outline of agreements that was approved by the Company's Board of Directors and the Political and Security Cabinet, see Note 6c to the Financial Statements**.**
8) For details regarding the Electricity Authority's decision regarding the value of the land at the Eshkol site and its implications, see Notes 3x and 14 to the Financial Statements.
9) For details regarding the extension of the useful life of the coal-fired units and emission reduction facilities, see Notes 2x and 1g to the Financial Statements.
10) For details regarding the Special Collective Agreement Supplement – Special Retirements, see Note 11f1 to the Financial Statements.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

b) Condensed Review of the Changes in the Business Environment during the Report Period (continued)

11) For details regarding a special collective agreement that regulates the economic conditions and benefits for the Company's employees for the years 2020-2027 (2023 salary agreement), in accordance with the wage agreement (framework) in the public sector that was signed and its effects on the obligations for pensions and other benefits upon employment termination, see Note 11f6 to the Financial Statements.

12) For details regarding retirement agreements and wages see Note 11 to the Financial Statements.

13) For details regarding changes in actuarial assumptions, see Note 11g to the Financial Statements.

14) For details regarding the Company's material raisings and repayments in the Financial Statements' period, and in the period after the Statement of Financial Position date and the Company's credit rating, see Note 19 to the Financial Statements.

15) For details regarding the Company's assessment agreement for 2018-2023 and the partial assessment agreement for 2024, see Note 20c to the Financial Statements.

16) For details regarding the gas supply agreement from "Tamar Field", see Note 34a1 to the Financial Statements.

17) For details regarding class actions and other material actions, see Note 34b to the Financial Statements.

18) For details regarding labor disputes see Note 34c to the Financial Statements.

19) For details regarding transactions with interested parties and related parties see Note 33b to the Financial Statements.

20) For details regarding changes in the Company's Board of Directors and Management, see section b below.

21) For details regarding CPI and variable interest rates risks see Note 25c to the Financial Statements.

22) For details regarding the effects of the " Swords of Iron" War "Rising Lion" Operation and the "Lion's Roar" Operation on the results of the Company's operations, its financial position and its cash flows, see Note 1h2 to the Financial Statements

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

c) Business Targets and Strategy

1) Financial targets

Following are the goals approved by the Company's Board of Directors on December 18, 2024, for 2025 and the targets that were approved on December 10, 2025, for financial planning during the period 2026-2030:

a) Real net financial debt ratio to EBITDA: the target is a ratio up to 5.2 for 2025 and a ratio of up to 5.0 for each of the years 2026-2030.
As of December 31, 2025, the ratio is approximately 4.28.
The ratio is based on the real net financial debt of the Company as of December 31, 2025, in the amount of NIS 32,616 million and on EBITDA including transaction in regulatory accounts and neutralizing special and non-current events for 2025, in the amount of NIS 7,617 million.
Regarding financial indicators that are not based on accepted accounting principles (non- GAAP), see Note a7 below.

b) Total debt to total assets ratio (leverage) not more than 65% for each of the years 2025-2030.
In practice, as of December 31, 2025, the ratio stands at approximately 59%.

c) Maintaining an international rating of at least 'BBB'.
For details of the Company's credit rating see Note 19e to the Financial Statements.

d) The safety cushion will be of a monetary value of no less than NIS 3 billion and will be composed of: balance of cash and short-term deposits of no less than NIS 1.5 billion at the end of each month and unused secured credit lines valid for a period exceeding one year supplementing cash balance to NIS 3 billion at any time. As of December 31, 2025, the Company complies with the objective.

e) The scope of real net financial debt will not exceed NIS 40 billion in each of the years 2025-2030, subject to compliance with financial ratios specified above, with regards to debt ratios. The financial debt as of December 31, 2025 is NIS 32,616 million. For the composition of the financial debt, see section a7 below.

Furthermore, the Company's Board of Directors approved three additional targets pursuant to the circular of the Government Companies Authority (see section a7c below).

f) FFO to adjusted financial debt ratio ranging between 15%-23%.
In practice, as at December 31, 2025, the ratio stands at 15.4%.

g) FFO + interest expenses divided by interest expenses ratio greater than 3.
In practice, as at December 31, 2025, the ratio stands at 6.86.

h) Return on Capital Employed (ROCE) ratio greater than 5% in the short term and greater than 4.3% in the long term. In practice, as at December 31, 2025, the ratio stands at 4.7%.

2) Additional Targets

For general details of the Company's business targets and strategies see Section 27 of Chapter A - Report of Description of the Business Affairs of the Corporation as of December 31, 2025.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

c) Business Targets and Strategy (continued)

3) The Electric Company's strategic emergency awareness and readiness plan:

The Company's preparations for emergency and the main points of the "strategic emergency awareness and readiness plan" were presented and approved for the first time in a meeting of the Board of Directors of the Company of August 14, 2013. This topic is presented annually. The latest updates of the plan's status were presented to the Board of Directors on January 8, 2026.

The plan is based on directives of the Government Companies Authority, as detailed in the Companies Authority circular on the subject of July 11, 2012. The plan includes emergency preparation activities for continued functional continuity and emergency electricity supply on the basis of priorities defined primarily for essential plants and after that for the rest of the customers of the Company in times of emergency.

As part of the preparations of the Company for times of emergency, the Company works according to a scenario received from the National Emergency Management Authority (NEMA) an aggregate attribution scenario that includes several scenarios on the basis of which the Company made preparations to provide a response, in cooperation with the Power Authority. The Company has formulated its response plan for the war scenario and has presented it for approval by the Company CEO and Management, the Ministry of Energy, the Power Authority and the Electricity Authority, in order to approve resources for strengthening abilities.

The war scenario was updated in light of lessons from the "Swords of Iron" war and the Russia-Ukraine war. The updated scenario was presented to the CEO of the Company and its Management. The Company is working with the Power Authority (Noga) and the Ministry of Energy to examine its preparation for the updated scenario. The special advisor for emergency affairs, Maj. Gen. (res) Yoel Strick, consulted the Company on this matter.

The Company acts in cooperation with the Power Authority, the Ministry of Energy Department of Emergency, Security, Information, and Cyber, and with guiding entities in the State, constructs scenarios and defined plans of response to them, prepares emergency plans and procedures, coordinates service levels for emergency, confine emergency manpower, increases its inventory levels for a war scenario, acts to enhance operational continuity in the Company, operates an organizational and personal resilience array, conducts instructions, training and practice for employees and systems for various situations, and draws conclusions from actual events and drills and monitors their implementation.

The Company has defined detailed operational plans for the rehabilitation of the transmission and distribution systems in the event that they are damaged during a war, has trained the necessary personnel for this purpose, and has purchased appropriate equipment for their implementation.

The Company has undertaken intensive action to improve physical protection at critical sites for the continued supply of electricity through the "Raincoat" project (protection from air attacks) another protection project based on the lessons from the Swords of Iron war carried out with the cooperation of the Ministry of Energy, the Power Authority and the Home Front Command, and concurrently acts to improve and expand the active defense system in its critical facilities in cooperation with the National Emergency Authority, the Ministry of Defense, the IDF and the air defense system.

During the Rising Lion War, the Company operated in a special emergency format, activated emergency headquarters, conducted daily internal situation assessments, participated in situation assessments by Noga and the Ministry of Energy and worked to repair damage to electrical infrastructure in the shortest possible time and during the Lion's Roar Operation, the Company operates in a similar format to maintain functional continuity.

The Company has a risk management system subject to regulatory requirements, including risk identification programs and activities to minimize them.

The Company purchased an insurance policy for damages and indirect expenses as a result of natural disasters, fire, explosion, contamination and mechanical damage. The Company also acts in the field of earthquakes and tsunamis through a management steering committee and 4 sub-committees for the identification of vulnerabilities in its facilities and works to reduce the damage on the one hand and the ability to rehabilitate quickly after an event on the other hand.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

c) Business Targets and Strategy (continued)

3) The Electric Company's strategic emergency awareness and readiness plan: (continued)

The Company is also preparing for exceptional and extreme weather through a designated committee which manages the Company's operations as part of its preparation for extreme weather conditions and climate change and performs special drills in preparation for winter and summer. In addition, the Company continues to develop control systems for the performance of preventative actions and the ability to provide quick response after an event, in order to restore the electricity supply as quickly as possible to its customers. The Company is adapting its command-and-control systems to its updated operating concept and is working to test the systems with appropriate exercises.

The Company holds an inventory of fuels, materials, and equipment intended for emergencies and operational failures, and purchased a strategic inventory to be used by the electricity sector under cabinet decision no. 116b. The Company is acting to increase redundancy in the electricity sector, and, among other things, will act to convert coal-fired generation units to natural gas use, and the preservation of coal-fired units at the Orot Rabin power station.

The Company has established an array of headquarters for control in times of emergency, alternative headquarters that can change locations in times of need, and reporting rules and systems for emergencies that are practiced every year.

The Company has a security, firefighting, search and rescue teams' array for initial and immediate response, including the necessary emergency measures.

The Company is making preparations for business continuity in the computer, communication, public relations and public information systems.

The Company, together with the whole electricity sector, conducts two internal national drills on a regular annual basis, and enhances cooperation with other entities by integrating in national exercises, exercises by the Ministry of Energy and other government ministries, designated authorities, home front command, and the Israeli Police, at the national level and the district and local level. The Company is acting in cooperation with the Ministry of Energy and the Ministry of Defense to create an active defense capacity at the Company's essential sites. The Company is acting to categorize essential enterprises with the Ministry of Energy and is updating a data center concerning nationally essential enterprises.

d) Report of gaps between the recognized costs of the electricity rates and the actual costs for 2025

This disclosure is provided in accordance with the decision of the Electricity Authority, as aforesaid, and in the format determined by it. Its purpose is to compare sums recognized with respect to each component of the rate with the results in practice. However, the attribution to the various rate components was carried out on the basis of assumptions and estimates executed by the Company, on the basis of its understanding of the electricity rate. Regarding the allocation of costs and the assumptions on which this allocation is based, see Note 35 to the Financial Statements regarding the activity segments of the Company. This disclosure does not relate to financing expenses and tax.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

d) Report of gaps between the recognized costs of the electricity rates and the actual costs for 2025 (continued)

Electricity generation and purchases segment

Section	Rate Components NIS in millions						
	Total income	Fuels	Electricity purchases and arrangements	Operation	Efficiency, income attributed to financing reform costs, other income	Depreciation	Gross weighted recognized return/operating profit
Income according to actual rate/rate in force as calculated by the Company plus income (expenses) as part of the accounting with the Noga Company (1)	9,307						
Less/plus consumer debt refund with respect to previous years which is included in the actual rate	878						
Less/plus compensation with respect to delay in update for the current year (*)	(224)						
Total income in books	9,961						
Deviation in actual income due to deviation in consumption distribution (2)	-						
Payments from the EJEC Agreement and the Palestinian Authority, after deduction of cash-based income	(354)						
Theoretical income from rates before efficiency application less deviation of consumption distribution and adjustment of non-recognition of income East Jerusalem Company (3)	9,607	5,581	18	2,820	(337)	607	918
Efficiency and income attributed to financing reform costs	-	-	-	(329)	337	(8)	-
Theoretical income from rates after efficiency deduction less deviation of consumption distribution and adjustment of non-recognition of income East Jerusalem Company	9,607	5,581	18	2,491	-	599	918
Classifications compared to the Financial Statements (4)							
Classification 1 - fuel related	-	200	-	(200)	-	-	-
Classification 2 - investments in operating power stations	-	-	-	(193)	-	193	-
Classification 3 - capital services with respect to joint property	-	-	-	(145)	-	103	42
Classification 4 - capital services with respect to spare parts	-	-	-	(53)	-	30	23
Classification 5 - financing of suppliers' credit working capital	-	-	-	(14)	-	-	14
Total theoretical income from rates classified according to Financial Statements	9,607	5,781	18	1,886	-	925	997
Actual results according to the Segmental Reporting Note (5)	15,077	5,454	5,759	2,073	(344)	1,846	289
Plus/less deducted/added regulatory assets (6)	654	-	-	(39)	-	(813)	1,506
Various income (7)	(33)	-	-	-	-	-	(33)
Classification 1 - investment renovations	-	-	-	145	-	(145)	-
Classification 2 – additional costs arising from reform costs exceeding the retirement costs	-	-	-	(5)	-	(1)	6
Classification 3 – Fuels depreciation	-	58	-	-	-	(58)	-
Classification 5 – wages for fuel related fees	-	120	-	(120)	-	-	-
Classification 6 – accounting with Noga	(5,737)	5	(5,742)	-	-	-	-
Subtotal	9,961	5,637	17	2,054	(344)	829	1,768
Differences (8)	354	144	1	(168)	344	96	771
Income/expenses with respect to previous years against which regulatory assets were not recorded	-	-	-	-	-	-	81

* Without neutralizing the impact of not collecting an average rate and non-recognition of income from the East Jerusalem Electricity Company.
The regulatory assets do not include regulatory assets with respect to financing costs recorded in expenses.
Main reasons for the differences are stated below.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

d) Report of gaps between the recognized costs of the electricity rates and the actual costs for 2025 (continued)

Transmission segment

Section	Rate Components NIS in millions					
	Total income	Electricity purchases	Operation	Depreciation	Income attributed to reform costs	Gross weighted recognized return/ operating profit
Income according to actual rate/rate in force as calculated by the Company plus income (expenses) as part of the accounting with the Noga Company (1)	2,944					
Less/plus consumer debt refund with respect to previous years which is included in the actual rate	(386)					
Less/plus compensation with respect to delay in update for the current year	(355)					
Total income in books	2,203					
Payments from the EJEC Agreement and the Palestinian Authority, after deduction of cash-based income	(37)					
Deviation in actual income due to deviation in the consumption distribution (2)	-					
Theoretical income from rates before efficiency application less deviation of consumption distribution and cash-based recognition of East Jerusalem Company and PA (3)	2,166	-	590	1,022	(145)	699
Income attributed to financing reform costs	-	-	(137)	(8)	145	-
Theoretical income from rates after efficiency application less deviation of consumption distribution and cash-based recognition of East Jerusalem Company and PA	2,166	-	453	1,014	-	699
Classifications compared to the Financial Statements (4)						
Classification 1 - capital services with respect to common property	2	-	(48)	32	-	18
Total theoretical income from rates classified according to Financial Statements	2,168	-	405	1,046	-	717
Actual results according to the Segmental Reporting Note (5)	2,910	(36)	444	703	-	1,799
Plus/less deducted/added regulatory assets (6)	(741)	-	-	267	-	(1,008)
Various income (7)	(2)	-	-	-	-	(2)
Classification 1 –reform costs	(1)	-	(14)	-	-	13
Classification 2 – accounting with Noga	36	36	-	-	-	-
Subtotal	2,202	-	430	970	-	802
Differences (8)	34	-	(25)	76	-	85
Income/expenses with respect to previous years against which regulatory assets were not recorded	-	-	-	-	-	43

* Without neutralizing the impact of not collecting an average rate and non-recognition of income from the East Jerusalem Electricity Company.
The regulatory assets do not include regulatory assets with respect to financing costs recorded in expenses.
Main reasons for the differences are stated below.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

d) Report of gaps between the recognized costs of the electricity rates and the actual costs for 2025 (continued)

Distribution segment

Section	Rate Components NIS in millions					
	Total income	Purchases of Electricity	Operation	Depreciation	Income attributed to reform costs	Gross weighted recognized return/ operating profit
Income according to actual rate/rate in force as calculated by the Company plus income (expenses) as part of the accounting with the Noga Company (1)	9,260					
Less/plus consumer debt refund with respect to previous years which is included in the actual rate	246					
Less/plus compensation with respect to delay in update for the current year	(723)					
Total income in books	8,783					
Deviation in actual income due to deviation in the consumption distribution (2)	-					
Payments from the EJEC Agreement and the Palestinian Authority, after deduction of cash-based income	-					
Theoretical income from rates before efficiency application less deviation of consumption distribution and cash-based recognition of East Jerusalem Company and PA (3)	8,783	4,268	1,977	1,714	(381)	1,205
Efficiency and income attributed to financing reform costs	-	-	(370)	(11)	381	-
Theoretical income from rates after efficiency application less deviation of consumption distribution and cash-based recognition of income East Jerusalem Company and PA	8,783	4,268	1,607	1,703	-	1,205
Classifications compared to the Financial Statements (4)						
Classification 1 - Capital services with respect to common property	-	-	(363)	277	-	86
Classification 2 –Capital services with respect to meters	-	-	(43)	21	-	22
Total theoretical income from rates classified according to Financial Statements	8,783	4,268	1,201	2,001	-	1,313
Actual results according to the Segmental Reporting Note (5)	8,140	3,054	1,338	1,525	(11)	2,234
Plus/less deducted/added regulatory assets (6)	(477)	-	-	154	-	(631)
Various income (7)	(168)	-	(165)	-	-	(3)
Classification 1 – reform costs	(1)	-	(9)	(13)	-	21
Classification 2 – accounting with Noga	1,289	1,288	-	-	-	1
Classification 3 – other income	-	(11)	-	-	11	-
Subtotal	8,783	4,331	1,164	1,666	-	1,622
Differences (8)	-	(63)	37	335	-	309
Income/expenses with respect to previous years against which regulatory assets were not recorded	-	-	-	-	-	129

* Without neutralizing the impact of not collecting an average rate and non-recognition of income from the East Jerusalem Electricity Company.
The regulatory assets do not include regulatory assets with respect to financing costs recorded in expenses.
Main reasons for the differences are stated below.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

d) Report of gaps between the recognized costs of the electricity rates and the actual costs for 2025 (continued)

Supply segment

Item	Rate component NIS in million					
	Total income	Operation	Depreciation	Electricity purchases	Income attributed to reform costs	Gross weighted recognized return/ operating profit
Income according to actual rate/rate in force as calculated by the Company plus income (expenses) as part of the settlement with the Noga Company (1)	507					
Less/plus consumer debt refund with respect to previous years which is included in the actual rate	(30)					
Less/plus compensation with respect to delay in update for the current year	(24)					
Total income in books	453					
Deviation in actual revenue due to deviation in the distribution of consumption (2)	-					
Theoretical income from rates before efficiency application less deviation of consumption distribution and cash-based recognition of East Jerusalem Company and PA (3)	453	488	-	-	(35)	-
Income attributed to financing reform costs	-	(35)	-	-	35	-
Theoretical income from rates after efficiency application less deviation of consumption distribution and cash-based recognition of East Jerusalem Company and PA	453	453	-	-	-	-
Classifications compared to the Financial Statements (4)						
Classification 1 - Capital services with respect to common property	-	(36)	36	-	-	-
Total theoretical income from rates classified according to Financial Statements	453	417	36	-	-	-
Actual results according to the Segmental Reporting Note (5)	567	530	67	-	-	(30)
Plus/less deducted/added regulatory assets (6)	(54)	-	-	-	-	(54)
Various income (7)	(60)	(57)	-	-	-	(3)
Classification 1 – reform costs	-	(1)	-	-	-	1
Classification 2 – accounting with Noga	-	-	-	-	-	-
Subtotal	453	472	67	-	-	(86)
Differences (8)	-	(55)	(31)	-	-	(86)
Income/expenses with respect to previous years for which regulatory assets were not recorded	-	-	-	-	-	-

* Without neutralizing the impact of not collecting an average rate and non-recognition of income East Jerusalem Company.
The regulatory assets do not include regulatory assets with respect to financing costs recorded in expenses.
Main reasons for the differences are stated below.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

d) Report of gaps between the recognized costs of the electricity rates and the actual costs for 2025 (continued)

Specific instructions:

(1) Total consumer charges with respect to electricity consumption in the reporting year (including charges with respect to advances, spread, compensation for update delay and other consumer debts and charges not yet invoiced at the end of the reporting period) as well as supplement of income/(expenses) as part of the accounting with Noga.

(2) The sum reflects the deviation created as a result of the rates for a quantity unit being determined by a theoretical distribution, whereas the actual distribution is different.

(3) The theoretical income with respect to the reporting period (meaning without return of consumer debt with respect to the past) if there had been no deviations in the consumption distribution and the rate had been continuously updated. The costs the Company deems should be approved for it with respect to the reporting period and have not yet been approved and for which regulatory assets have been recorded at the end of the period. Meaning, this income also includes profit that is defined as unrealized profit according to accounting principles.

(4) Sums included in the rate in a certain component included in the Financial Statements in a different component.

(5) Columns “Fuels” to "Gross weighted recognized return/operating profit” are identical to the total expenses of the segment, except for financing expense and tax.

(6) Reduction/addition of deducted/added regulatory assets in the expense items of the Profit and Loss Statement.

(7) Income from unregulated operation is included in the segment’s income. The segment’s income includes income that has not been attributed with costs.

(8) The differences between theoretical income classified according to Financial Statements and the subtotal.
The income and gross weighted recognized return/operating profit, meaning surplus actual income over the theoretical is presented with a positive mark. In the other columns, the surplus expense over the income is presented with a negative mark.

The Authority, when determining the rate, recognized some of the expense items not according to the classifications recorded in the Financial Statements. Accordingly, adjustments were made to the income and the expenses of those items that were recognized by the Authority in a different manner than that recorded in the Financial Statements, in order to allow proper comparison between the Company’s income and its expenses.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

d) Report of gaps between the recognized costs of the electricity rates and the actual costs for 2025 (continued)

Following are details of the main explanations for the gaps according to components

1. Fuel –

The gaps in fuels are due to the following reasons:

- Profit/loss from fuels - composed of profit/loss from the price due to gaps between the recognized price and the cost of fuel (except coal estimated by the Company that as of February 1, 2022 until the end of the coal use period costs of fuel will be recognized from the inventory and accordingly no profits or losses will remain for consumption from the coal inventory) consumed from inventory and gas incentive.
- Gap from fuel related - results from gaps between the related costs with respect to fuels in practice and the normative related costs.

2. Operation –

The lack of recognition mainly derives from the administrative and general expenses component in the generation segment (including non-recognition of bad debts), and lack of recognition in the supply segment.

3. Depreciation –

The excess recognition is mostly due to high inflation that was not fully reflected in the linkage differentials asset.

4. Income from previous years –

Income addition mainly with respect to return on investment income not recorded in 2024 and for generation A and B pension income.

5. Other income-

The income in the generation segment is for income received from the insurance company for the collapse of the coal pier at the Rutenberg site.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

e) Major Open Issues with the Electricity Authority

Details of material issues in dispute between the Company and the Electricity Authority. The sums detailed in this table represent the Company's estimates only with regard to the financial implications of the existing gaps, and there is no certainty that the Electricity Authority will recognize all or part of the sums detailed below:

The issue	Details
Mechanism for meeting availability values for the Electric Company's generation units	In the rate base for the generation segment for the years 2022-2027, the Authority determines for CCGT and open gas turbines, operating on gas as the main fuel, a mechanism for availability payments that takes into account the gap between the actual availability rates of each unit compared to the availability recognized by the Authority. According to the decision, failure to meet the recognized availability will result in expenses of 100% of the gap between payments based on recognized availability and actual availability. On the other hand, if the Company's performance is better than the recognized availability, the Company will receive a reward at a rate lower than the fine (approximately 20% of the gap between payment based on actual availability rates and the recognized availability rate). There are unresolved issues that are still being discussed with the Authority regarding the method of determining the mechanism for meeting normative availability. As of the Financial Statements approval date, a final decision on the matter has not yet been made.
Project of converting coal-fired units to natural gas	On November 20, 2019, the Minister of Energy published a policy document entitled: "Ceasing the routine use of coal in the generation segment of the electricity sector in routine by 2026", according to which, after completing the first conversion to the use of natural gas in one generation unit, the Authority will evaluate the results of the conversion. Following the aforementioned document, on August 31, 2025, the Minister of Energy's decision was received regarding the update of the policy principles from 2019 regarding the continued conversion of generation units to gas. On September 10, 2025, the Electricity Authority's decision was published on the subject of assessing the economic feasibility of the conversion policy in accordance with the Minister of Energy's policy principles of November 20, 2019, which formed the basis for the Minister's decision regarding the approval of the conversions to gas. As stated in the wording of the decision, in light of the increase in the costs of converting to gas of 6 units by the Company, in relation to the estimated cost presented by the Company in the past, and which was the basis for determining the 2019 policy principles, and in view of the significant delay in the schedules - the Authority is examining the possibility of recognizing the rate of return on foreign capital only in the project, in accordance with the level of risk that the Company does not necessarily bear. The Company objects to this determination.
Recognition of the full pension costs of the Company's employees	On February 5, 2018, the Electricity Authority published a decision regulating the recognition of the retirement costs of the Company's employees. According to the decision the rate recognition update mechanism will apply once every 5 years. Although this update is already required, the update has not yet been implemented. There are issues that are still being discussed with the Authority. As of the Financial Statements approval date, the Authority's decision regarding the required update has not yet been received.
Recognition of coal transportation costs to Rutenberg	Following the collapse of the crane at the Rutenberg coal pier, the Company began transporting coal by trucks from the Orot Rabin site to Rutenberg. Since not all of the land transportation costs incurred by the Company were covered by the insurance company, the Company applied to the Electricity Authority for recognition within the tariff framework for the remaining land transportation costs for which there is no coverage. The Company is in discussions with the Electricity Authority on the subject. As of the Financial Statements Approval date, the Authority's decision regarding the required update has not yet been received.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

1. Brief Description of the Company and its Business Environment (continued)

e) Major Open Issues with the Electricity Authority (continued)

The issue	Details
Changes resulting from implementation of NOP 10 at Reading site	The Company is required to carry out activities pursuant to NOP 10 and the Asset Arrangement. In accordance with decision of the Minister of Energy and Infrastructure of January 30, 2024, regarding the future of the Reading station, electricity generation at the Reading power station must be stopped. Cessation of the station's activities does not cancel the obligations arising from NOP 10. The Company has contacted the Electricity Authority several times on this matter. As of the Financial Statements approval date, the Authority has not yet made a decision on the matter.
Recognition of asbestos removal costs	After the Company completed its plan to remove the asbestos used for thermal insulation in power stations, the Authority announced in its decision dated December 25, 2024, that "the Authority has completed the recognition of the unique cost for the Company's activity in the field of asbestos". The Company explained that additional asbestos treatment/removal projects are currently being carried out at the Company's sites where asbestos that is not used as thermal insulation was discovered but is embedded in seals containing asbestos. This activity is in accordance with the requirements of the Ministry of Environmental Protection to which the Company is legally obligated and its cost is estimated at tens of millions of NIS. The Company requests that the Authority changes its decision and recognizes the costs in full.
Recognition of bad debt costs	The decision on the rate base for 2022 for the generation segment does not recognize debts that the Company is unable to collect. Although the Company carries out significant collection procedures, the Company incurs debts every year that it is unable to collect, including due to decisions that do not allow its customers to be disconnected. Since 2022, the Company has been working with the Authority to recognize bad debt costs. In this framework, it has submitted all the materials and data that the Authority requested, and joint discussions have taken place. The Authority has not yet made a decision on the matter.
Project to reduce emissions at coal-fired power stations	See Note 3j to the Financial Statements.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

2. Financial Position

Data on the Company's financial position on December 31, 2025 and December 31, 2024 are as follows:

	NIS in millions			
	December 31, 2025	December 31, 2024	Increase (decrease)	Percent %
CURRENT ASSETS				
Cash and cash equivalents	2,383	2,157	226	10%
Short term investments	419	3,539	(3,120)	(88%)
Trade receivables for sales of electricity	4,869	5,157	(288)	(6%)
Other current assets	2,198	863	1,335	155%
Inventory – fuel	274	1,399	(1,125)	(80%)
Inventory – stores	109	167	(58)	(35%)
Assets held for sale	-	-	-	-
	10,252	**13,282**	**(3,030)**	**(23%)**
NON-CURRENT ASSETS				
Inventory - fuel	2,932	1,944	988	51%
Long-term receivables	1,387	1,451	(64)	(4%)
Investment in associate	-	15	(15)	(100%)
	4,319	**3,410**	**909**	**27%**
Assets with respect to post-employment benefits:				
Excess pension plan assets over pension liability	11,433	11,905	(472)	(4%)
Funds in trust	1,030	1,057	(27)	(3%)
	12,463	**12,962**	**(499)**	**(4%)**
Fixed assets, net:				
Fixed assets in use, net	57,600	52,263	5,337	10%
Fixed assets under construction	9,366	11,345	(1,979)	(17%)
	66,966	**63,608**	**3,358**	**5%**
Intangible assets, net	1,325	1,219	106	9%
Total assets	**95,325**	**94,481**	**844**	**1%**
Debit balances of regulatory deferral accounts	11,468	10,168	1,300	13%
Total assets and debit balances of regulatory deferral accounts	**106,793**	**104,649**	**2,144**	**2%**

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

2. Financial Position (continued)

Data on the Company's financial condition on December 31, 2025 and December 31, 2024 are as follows: (continued)

	NIS in millions			
	December 31, 2025	December 31, 2024	Increase (decrease)	Percent %
CURRENT LIABILITIES				
Credit from banks and other credit providers	2,687	4,046	(1,359)	(34%)
Trade payables	2,923	3,184	(261)	(8%)
Other current liabilities	1,317	1,329	(12)	(1%)
Current taxes liabilities	511	744	(233)	(31%)
Customer advances, net of work in progress	1,289	1,199	90	8%
Provisions	825	739	86	12%
	9,552	**11,241**	**(1,689)**	**(15%)**
NON CURRENT LIABILITIES				
Debentures	32,051	33,989	(1,938)	(6%)
Liabilities to banks	3,010	1,134	1,876	165%
Liabilities with respect to other benefits after employment termination	4,396	4,728	(332)	(7%)
Deferred taxes, net	9,139	8,448	691	8%
Liability to the State of Israel	1,971	1,981	(10)	(1%)
Lease liabilities	505	740	(235)	(32%)
Other liabilities	477	491	(14)	(3%)
	51,549	**51,511**	**38**	**0%**
EQUITY				
Share capital	908	908	-	-
Capital reserves	805	785	20	3%
Capital remeasurement reserve	116	(73)	189	(259%)
Retained earnings	41,440	36,677	4,763	13%
	43,269	**38,297**	**4,972**	**13%**
Total liabilities and capital	**104,370**	**101,049**	**3,321**	**3%**
Credit balances of regulatory deferral accounts	2,423	3,600	(1,177)	(33%)
Total liabilities, equity and credit balances of regulatory deferral accounts	**106,793**	**104,649**	**2,144**	**2%**

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

2. Financial Position (continued)

a) Current and Non-Current Assets

Below are details of the major changes:

1) The increase in cash and cash equivalents is caused mainly from realization of investments in ETFs, receipt of loans and issuance of debentures net of proceeds from the realization of fixed assets and repayment of debentures. For additional details, see the Statement of Cash Flows in the Company's Financial Statements.

2) The decrease in short-term investments is mainly due to realization of investments in money market funds.

3) The decrease in customer balances derives mainly from increase in the collection of debts due to returning to full enforcement activity including disconnections throughout the country in addition to settlement of debts of EJEC and the Palestinian Authority from the Ministry of Finance funds, for additional details see Note 6 to the Financial Statements.

4) The increase in the trade receivable balance is mainly due to proceeds from the excess pension plan assets in the reserve at a rate of over 25% excess above the liabilities calculated by the fund.

5) The increase in the current and non-current fuels inventory derives mainly from a decrease in the quantity of coal and diesel expected to be used in a period up to twelve months, for further details see Note 8 to the Financial Statements.

6) The decrease in the excess pension plan assets over pension liability item derives mainly from classification to receivables of excess pension plan assets to be transferred to the Company and decrease in the interest rates vector used for capitalization of the liability on one hand, net of the return on the plan assets, on the other hand, for further details see Note 11 to the Financial Statements.

b) Investments in Fixed Assets

Below are details of Company investments in Fixed Assets in the Report Period and in the corresponding period in the previous year:

	For the year ended on	
	December 31, 2025	December 31, 2024
	In NIS millions	
Power stations, CCGTs, structures	978	982
Sub-stations and high voltage lines	2,002	1,678
Switching stations and ultra-high 400 Kilowatt voltage lines	587	636
Distribution grids and meters	2,902	2,801
Inventory – stores	255	427
CCGTs 70-80	213	509
Others	824	805
Total	**7,761**	**7,838**

Investments include the implementation of IAS 19 – remeasurements capitalized to fixed assets.
After neutralizing this effect, there is an increase in investments in an amount of approximately NIS 2 million (from NIS 7,773 million in 2024 to NIS 7,775 million in 2025).

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

2. Financial Position (continued)

c) Current and Non-Current Liabilities

1) The decrease in the balance of suppliers is mainly due to the Noga supplier balance and a decrease in the suppliers of the Coal Company.

2) The decrease in total financial liabilities mainly derives from repayments executed during the report period, for details see Note 19 to the Financial Statements.

3) The decrease in liabilities with respect to other benefits after employment termination mainly derives from a transfer of funds to the company managing the reform pension supplement funds. For additional details see Note 11c to the Financial Statements.

d) Regulatory deferral account

For details regarding the increase in balances of regulatory deferral accounts including deferred taxes for regulatory deferral accounts in the amount of NIS 2,477 million and changes in them in the report period see Note 14 to the Financial Statements.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

3. Comparison and Analysis of Operating Results for the Reporting Period compared to the Corresponding Period in the Previous Year:

a) Statements of Operations and Other Comprehensive Income in NIS Millions:

Statements of Operations	For the year ended on December 31, 2025 In NIS millions	%	December 31, 2024 In NIS millions	%	Change In NIS millions	%	Paragraph
Revenues	26,745	100%	26,184	100%	561	2%	b
Cost of operating the electricity system	21,001	79%	22,825	87%	(1,824)	(8%)	c
Profit from operating the electricity system	**5,744**	**21%**	**3,359**	**13%**	**2,385**		
Other revenues, net	(576)	(2%)	(6,857)	(26%)	6,281	(92%)	f1
Sales and marketing expenses	959	4%	913	3%	46	5%	
Administrative and general expenses	864	3%	898	3%	(34)	(4%)	
Income from liabilities to pensioners, net	(252)	(1%)	(341)	(1%)	89	(26%)	
Reform agreement and other agreements results	149	1%	788	3%	(639)	(81%)	f2
Profit from current operations	**4,600**	**17%**	**7,958**	**30%**	**(3,358)**		
Financial expenses	883	3%	1,341	5%	(458)	(34%)	e
Profit before income tax	**3,717**	**14%**	**6,617**	**25%**	**(2,900)**		
Tax on income	894	3%	1,601	6%	(707)	(44%)	
Profit after income tax	**2,823**	**11%**	**5,016**	**19%**	**(2,193)**		
Company share of losses of associated companies	(15)	0%	(6)	0%	(9)		
Profit before regulatory deferral accounts	**2,808**	**10%**	**5,010**	**19%**	**(2,202)**		
Movements in regulatory deferral accounts balances, net of tax	1,955	7%	(1,649)	(6%)	3,604	(219%)	f3
Profit for the period	**4,763**	**18%**	**3,361**	**13%**	**1,402**		
Consolidated Reports of Other Comprehensive Income (Loss):							
Remeasurement of a defined benefit plan, net of tax	156	1%	(437)	(2%)	593	(136%)	f4
Hedge accounting cash flow, net of tax	20	0%	(52)	0%	72	(138%)	
Movement in regulatory deferral accounts balances, net of tax	33	0%	(45)	0%	78	(173%)	
Other comprehensive income (loss) for the period	**209**	**1%**	**(534)**	**(2%)**	**743**		
Comprehensive income for the period	**4,972**	**19%**	**2,827**	**11%**	**2,145**		

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

3. Comparison and Analysis of Operating Results for the Reporting Period compared to the Corresponding Period in the Previous Year (continued)

b) Revenues

Total revenues for the reporting period are NIS 26,745 million compared to NIS 26,184 million for the previous year.

Revenues from the sale of electricity for the reporting period amounted to approximately NIS 26,431 million, compared to approximately NIS 25,841 million for the previous year. An increase of approximately NIS 590 million in revenues from electricity sales, which constitutes an increase of approximately 2 %. The increase derives mainly from the increase in revenues from infrastructure services and due to an increase in the electricity rates offset in part due to the decrease in the quantity of kWh sold to the Company's customers compared to the corresponding period last year. In addition, the Company recognized revenues for prior periods that were not recognized in the past in the amount of NIS 391 million due to proceeds received for EJEC debts as a result of the outline of the agreements and offsets made by the Treasury (compared to a total of approximately NIS 602 million in the corresponding period last year). For further details, see Notes 6 and 26 to the Financial Statements.

c) Cost of Operating the Electricity System

The cost of operating the electricity system in the reported period amounted to approximately NIS 21,001 million, as compared to approximately NIS 22,825 million last year, a decrease of NIS 1,824 million, approximately 8%, mainly deriving from:

1) Fuels consumption cost

The cost of fuels consumed in the reporting period (including wages and depreciation attributed to fuel) amounted to a sum of approximately NIS 5,632 million, compared to approximately NIS 6,302 million in the previous year, a decrease of approximately NIS 670 million, which constitutes a decrease of approximately 11 %.

The change in the cost of fuel consumption is primarily due to a change in the mix of fuel consumption and a decrease in the generation compared to the corresponding period last year.

Following are details of the changes in NIS millions for the year ended on December 31, 2025

Fuel Type	Change in Consumption	Change in Prices	Total
Crude	(10)	(1)	(11)
Coal	(910)	111	(799)
Diesel oil	(3)	4	1
Natural gas	320	(135)	185
Total	**(603)**	**(21)**	**(624)**
Change in fuel related costs			(46)
Total changes			**(670)**

2) Decrease in electricity purchases of approximately NIS 1,063 million deriving mainly from a decrease in electricity purchases from Noga net offset by an increase in the quantities of electricity purchased from producers at high and low voltage.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

3. Comparison and Analysis of Operating Results for the Reporting Period compared to the Corresponding Period in the Previous Year (continued)

d) Depreciation and Amortization

Following are details of depreciation and amortization expenses presented in the profit and loss statement:

	For the year ended December 31			
	2025	2024		
Depreciation and Amortization Expenses	**NIS in millions**		**Difference**	**Change in %**
Electricity system operation	3,765	4,010	(245)	(6%)
Sales and marketing	218	192	26	14%
Administrative and general	158	156	2	1%
Total depreciation expenses	**4,141**	**4,358**	**(217)**	**(5%)**

The decrease in depreciation expenses in the operation of the electricity system is mainly due to the extension of the useful life of coal-fired power stations as detailed in Note 2x. On the other hand, there is an increase in depreciation expenses resulting from investments in distribution, transformation and transmission and from commencement of operations of CCGT 70.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

3. Comparison and Analysis of Operating Results for the Reporting Period compared to the Corresponding Period in the Previous Year (continued)

e) Financial Expenses

		For the year ended December 31		
		2025	2024	Difference
		NIS in millions		
A.	**Financing expenses (income) due to exchange rate differences and linkage differences and revaluation of hedge transactions**			
	Exchange rate differences in respect of financial liabilities in foreign currency, arising mainly from NIS/Dollar differences as a result of a 12.53% decrease in the representative exchange rate and NIS/Yen differences as a result of an approximately 12.54% decrease in the representative exchange rate during the report period	(1,010)	29	(1,039)
	Revaluation of hedging transactions resulting from changes in the period of the exchange rates	1,130	(57)	1,187
	Revaluation of hedging transactions resulting from changes in the period of the Consumer Price Index	188	432	(244)
	Revaluation of hedge transactions to their fair value mainly deriving from changes of capitalization interest rates and credit risk which occurred during the report period	(151)	15	(166)
	Linkage differentials due to index linked financial liabilities which increased at a rate of 2.36% in the report period compared to 3.43% increase in the same period the previous year	667	885	(218)
	Expenses due to exchange rate differences and linkage differences and revaluation of hedge transactions	**824**	**1,304**	**(480)**
B.	**Interest and Other Expenses**			
	Interest expenses	994	1,206	(212)
	Other financing expenses	138	50	88
	Total interest and other expenses	**1,132**	**1,256**	**(124)**
	Total financing expenses before capitalization	**1,956**	**2,560**	**(604)**
C.	**Capitalization of credit costs**			
	Financing expenses which were capitalized on projects under construction	463	653	(190)
	Total financing expenses	**1,493**	**1,907**	**(414)**
	Other financing income	**(610)**	**(566)**	**(44)**
	Total financing expenses, net	**883**	**1,341**	**(458)**

Against the foreign currency exposure (mainly Dollar), the Company implements a policy of hedging for the rate of exchange. Hedging transactions executed by the Company throughout the years are for replacing its foreign currency liabilities with NIS liabilities (part of which are CPI-linked and part are not CPI-linked). Additionally, the Company recognizes regulatory deferral accounts with respect to the CPI linkage differentials. For details see Note 14 to the Financial Statements. For details of swap transactions designated as an accounting hedge see Note 25i to the Financial Statements.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

3. Comparison and Analysis of Operating Results for the Reporting Period compared to the Corresponding Period in the Previous Year: (continued)

f) Additional Business Results during the Reporting Period:

1) The decrease in other revenue mainly derives from the sale of the Eshkol power station which was carried out in the corresponding period offset by the recognition of insurance funds in the period following a compromise agreement between the Company and the insurance company regarding the collapse of the crane in Rutenberg and the sale of the Company's lease rights in the technical center during the reporting period. For further details, see Note 1e9 and 1f to the Financial Statements.

2) For details regarding the impact of the results of the reform agreement and other agreements for early retirement in the amount of approximately NIS 149 million and in the amount of approximately NIS 788 million for the year ended December 31, 2025 and 2024, respectively, see Note 11f to the Financial Statements.

3) For details regarding the movement in regulatory deferral account balances on the effects of annual rate updates for 2024 and 2025 updates as well as additional decisions of the Authority on the Company’s results in the report period and the regulatory deferral account balances as of December 31, 2025, see Note 3g and Note 14 to the Financial Statements.

4) The increase in other comprehensive profit with respect to re-measurements of a defined benefit plan of approximately NIS 593 million after tax effect , in comparison to the corresponding period, deriving mainly from actuarial gains in the fund in the reporting period offset by actuarial losses in the report period due to decrease of capitalization interest of the actuarial liability whereas last year actuarial losses primarily due to the decrease of the interest rates vector for the capitalization of the liability between the years offset by lower actuarial gains last year in the fund.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

3. Comparison and Analysis of Operating Results for the Reporting Period compared to the Corresponding Period in the Previous Year: (continued)

g) Segmental profit

Below is analysis of the change in profit by operating segments (for details regarding segment reporting see Note 35 to the Financial Statements):

	Explanation	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	Total
		(NIS in millions)					
Segmental profit for 2025 ...		1,921	939	1,922	(84)	(31)	4,667
Segmental profit for 2024 ...		1,901	927	1,782	(24)	22	4,608
Difference.....		20	12	140	(60)	(53)	59
Mainly derives from -							
Revenue recognition not previously recognized for past debts of EJEC and PA and cancellation of provision for doubtful debts	(a)	(268)	(14)	(30)	(2)	-	(314)
Fuel.....		(30)	-	-	-	-	(30)
Operating expenses.....		60	(17)	122	(45)	-	120
One-off and past repayments	(b)	131	(73)	(173)	(2)	(53)	(170)
Capital servicing	(c)	127	116	221	(11)	-	453
		20	12	140	(60)	(53)	59

Explanations:

(a) The decrease in profit is due to the difference in recognition of income not previously recognized for prior periods and the cancellation of a provision for doubtful debts in 2024 for amounts received from the Ministry of Finance for debts of EJEC and PA.

(b) The decrease in one-off profit and for past repayments is due primarily to past debts that were collected as part of the decision regarding the designation of excess proceeds from the sale of the Eshkol site and as part of the 2025 Annual Update decision (in 2024). The above is offset with income from the insurance company for the collapse of the coal pier at the Rutenberg site received this year, as well as from excess costs as a result of transportation required following the collapse of the coal pier in the corresponding period last year.

(c) The increase in profit from capital servicing is primarily due to an increase in income from financing components and yield due to an increase in fixed assets recognized in the tariff and an increase in interest and yield rates.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Comparison Periods:

a) Statements of Operations and Other Comprehensive Income in NIS Millions:

Statements of Operations	For the year ended on December 31, 2024 In NIS millions	%	December 31, 2023 In NIS millions	%	Change In NIS millions	%	Paragraph
Revenues	26,184	100%	24,686	100%	1,498	6%	b
Cost of operating the electricity system	22,825	87%	20,980	85%	1,845	9%	c
Profit from operating the electricity system	**3,359**	**13%**	**3,706**	**15%**	**(347)**		
Other revenues, net	(6,857)	(26%)	(189)	(1%)	(6,668)	3528%	f1
Sales and marketing expenses	913	3%	853	3%	60	7%	
Administrative and general expenses	898	3%	1,086	4%	(188)	(17%)	f2
Income from liabilities to pensioners, net	(341)	(1%)	(303)	(1%)	(38)	13%	
Reform agreement and other agreements results	788	3%	227	1%	561		f5
Profit from current operations	**7,958**	**30%**	**2,032**	**8%**	**5,926**	**292%**	
Financial expenses	1,341	5%	1,141	5%	200	18%	e
Profit before income tax	**6,617**	**25%**	**891**	**4%**	**5,726**	**643%**	
Tax on income	1,601	6%	179	1%	1,422	794%	
Profit after income tax	**5,016**	**19%**	**712**	**3%**	**4,304**	**604%**	
Company share of earnings (losses) of associated companies	(6)	0%	8	0%	(14)		
Profit before regulatory deferral accounts	**5,010**	**19%**	**720**	**3%**	**4,290**	**596%**	
Movements in regulatory deferral accounts balances, net of tax	(1,649)	(6%)	1,515	6%	(3,164)	(209%)	f3
Profit for the period	**3,361**	**13%**	**2,235**	**9%**	**1,126**	**50%**	
Consolidated Reports of Other Comprehensive Income (Loss):							
Remeasurement of a defined benefit plan, net of tax	(437)	(2%)	1,030	4%	(1,467)	(142%)	f4
Hedge accounting cash flow, net of tax	(52)	0%	93	0%	(145)	(156%)	
Movement in regulatory deferral accounts balances, net of tax	(45)	0%	(59)	0%	14		
Other comprehensive income (loss) for the period	**(534)**	**(2%)**	**1,064**	**4%**	**(1,598)**		
Comprehensive profit for the period	**2,827**	**11%**	**3,299**	**13%**	**(472)**		

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Comparison Periods: (continued)

b) Revenues

Total revenues for 2024 amounted to NIS 26,184 million compared to NIS 24,686 million for 2023.

Revenues from the sale of electricity for 2024 amounted to approximately NIS 25,841 million, compared to approximately NIS 24,281 million for 2023. An increase of approximately NIS 1,560 million in revenues from electricity sales, which constitutes an increase of approximately 6%. The increase derives mainly from the increase of the electricity rates offset in part due to the decrease in the quantity of kWh sold to the Company's customers and the elimination of non-recognition of revenues from EJEC as a result of the outline of the agreements and offsets made by the Treasury from the PA's tax funds. For further details, see Notes 6 and 26 of the Financial Statements.

c) Cost of Operating the Electricity System

The cost of operating the electricity system in 2024 amounted to approximately NIS 22,825 million, as compared to approximately NIS 20,980 million in 2023, an increase of NIS 1,845 million, approximately 9%, mainly deriving from:

1) Fuels consumption cost
The cost of fuels consumed in 2024 (including wages and depreciation attributed to fuel) amounted to a sum of approximately NIS 6,302 million, compared to approximately NIS 7,489 million in 2023, a decrease of approximately NIS 1,187 million, which constitutes a decrease of approximately 16%.

The change in the cost of fuel consumption is primarily due to a decrease in production and a decrease in the price of coal compared to the corresponding period last year.

Following are details of the changes in NIS millions for the year ended on December 31, 2024

Fuel Type	Change in Consumption	Change in Prices	Total
Crude	(15)	-	(15)
Coal	(404)	(823)	(1,227)
Diesel oil	19	6	25
Natural gas	(118)	22	(96)
Total	**(518)**	**(795)**	**(1,313)**
Change in fuel related costs			126
Total changes			**(1,187)**

2) Increase in electricity purchases of approximately NIS 2,980 million deriving mainly from an increase in the purchase price of electricity purchased from Noga (the System Manager), net and from increase in the quantities of electricity purchased, among others, from the sale of Eshkol power station.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Comparison Periods: (continued)

d) Depreciation and Amortization

Following are details of depreciation and amortization expenses presented in the profit and loss statement:

	The year ended December 31			
	2024	2023		
Depreciation and Amortization Expenses	**NIS in millions**		**Difference**	**Change in %**
Electricity system operation	4,010	3,932	78	2%
Sales and marketing	192	181	11	6%
Administrative and general	156	161	(5)	(3%)
Total depreciation expenses	**4,358**	**4,274**	**84**	**2%**

The increase in depreciation expenses in the operation of the electricity system is mainly due to investments in distribution, transformation and transmission, the classification of the Eshkol power station as held for sale, termination of the useful life of Gezer and decrease of investments in Reading after the end of useful life in 2023.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Comparison Periods: (continued)

e) Financial Expenses

	For the year ended December 31		
	2024	2023	Difference
	NIS in millions		
A. Financing expenses (income) due to exchange rate differences and linkage differences and revaluation of hedge transactions			
Exchange rate differences in respect of financial liabilities in foreign currency, arising mainly from NIS/Dollar differences as a result of a 0.55% increase in the representative exchange rate and NIS/Yen differences as a result of an approximately 9.17% decrease in the representative exchange rate during the report period	29	290	(261)
Revaluation of hedging transactions resulting from changes in the period of the exchange rates	(57)	(378)	321
Revaluation of hedging transactions resulting from changes in the period of the Consumer Price Index	432	453	(21)
Revaluation of hedge transactions to their fair value mainly deriving from changes of capitalization interest rates and credit risk which occurred during the report period	15	(252)	267
Linkage differentials due to index linked financial liabilities which increased at a rate of 3.43% in the report period compared to 3.34% increase in the same period the previous year	885	663	222
Expenses due to exchange rate differences and linkage differences and revaluation of hedge transactions	**1,304**	**776**	**528**
B. Interest and Other Expenses			
Interest expenses	1,206	1,152	54
Other financing expenses	50	34	16
Total interest and other expenses	**1,256**	**1,186**	**70**
Total financing expenses before capitalization	**2,560**	**1,962**	**598**
C. Capitalization of credit costs			
Financing expenses which were capitalized on projects under construction	653	500	153
Total financing expenses	**1,907**	**1,462**	**445**
Other financing income	**(566)**	**(321)**	**(245)**
Total financing expenses, net	**1,341**	**1,141**	**200**

Against the foreign currency exposure (mainly Dollar), the Company implements a policy of hedging for the rate of exchange. Hedging transactions executed by the Company throughout the years are for replacing its foreign currency liabilities with NIS liabilities (part of which are CPI-linked and part are not CPI-linked). Additionally, the Company recognizes regulatory deferral accounts with respect to the CPI linkage differentials. For details see Note 14 to the Financial Statements. For details of swap transactions designated as an accounting hedge see Note 25i to the Financial Statements.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Comparison Periods: (continued)

f) Additional Business Results during the Reporting Period:

1) The increase in other revenue mainly derives from the sale of the Eshkol site and from evacuation fees from Giborei Israel complex. For further details, see Note 1e9 and 1f to the Financial Statements.

2) The decrease in general and administrative expenses mainly results from the cancellation of a provision for doubtful debts in respect of amounts received for EJEC's debts. For further details, see Note 6 to the financial statements.

3) For details regarding the movement in regulatory deferral account balances as well as the impact of the 2023 and the 2024 annual rate updates on the Company's results in the report period and the regulatory deferral account balances as of December 31, 2024, see Note 3g and Note 14 to the Financial Statements.

4) The decrease in other comprehensive profit with respect to re-measurements of a defined benefit plan of approximately NIS 1,467 million after tax effect , in comparison to the corresponding period last year, deriving mainly from actuarial losses in the report period due to decrease of capitalization interest of the actuarial liability whereas last year actuarial gains primarily due to the increase of the interest rates vector for the capitalization of the liability between the years in addition to the actuarial gain from changing the assumption of increase in wages net of actuarial gains on the pension plan assets in 2024 compared to losses in 2023.

5) For details on the impact of the results of the reform agreement in the amount of approximately NIS 788 million and in the amount of approximately NIS 227 million for the year ended December 31, 2024 and 2023, respectively, see Note 11f to the Financial Statements.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Comparison Periods: (continued)

g) Segmental profit

Below is analysis of the change in profit by operating segments (for details regarding segment reporting see Note 35 to the Financial Statements):

	Explanation	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	Total
		(NIS in millions)					
Segmental profit for 2024 ...		1,901	927	1,782	(24)	22	4,608
Segmental profit for 2023 ...		1,204	536	1,291	3	7	3,041
Difference		697	391	491	(27)	15	1,567
Mainly derives from -							
Revenue recognition not previusly recognized for past debts of EJEC and PA and cancellation of provision for doubtful accounts	(a)	663	51	-	-	-	714
Fuel		(42)	-	-	-	-	(42)
Operating expenses		(37)	19	(77)	-	-	(94)
One-off and past repayments	(b)	87	193	304	(27)	15	571
Capital servicing	(c)	26	128	264	-	-	418
		697	391	491	(27)	15	1,567

Explanations:

(a) The increase in profit is due to the recognition of income not yet recognized for prior periods and the cancellation of a provision for doubtful debts in 2024 for amounts received from the Ministry of Finance for debts of EJEC and PA. For details, see Note 6c to the Financial Statements.

(b) The increase in one-time profit and for past refunds is due primarily to the impact of the 2025 Annual Update and the decision regarding the designation of excess proceeds from the sale of the Eshkol site and the decisions of the Electricity Authority on additional matters. For details, see Note 3g to the Financial Statements.

(c) The increase in profit from capital servicing is primarily due to an increase in income from financing components and yield due to an increase in fixed assets recognized in the tariff and an increase in interest and yield rates (for details, see Note 3i to the Financial Statements).

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

5. Comparison and Analysis of Operating Results for the Quarter Compared to the Corresponding Quarter in the Previous Year:

a) Statements of Operations and Other Comprehensive Income in NIS Millions:

Statements of Operations	For the three months ended on December 31, 2025 NIS in millions	%	December 31, 2024 NIS in millions	%	Change NIS in millions	%	Paragraph
Revenues	5,622	100%	5,624	100%	(2)	(0%)	
Cost of operating the electricity system	4,309	77%	4,963	88%	(654)	(13%)	b
Profit from operating the electricity system	**1,313**	**23%**	**661**	**12%**	**652**	**99%**	
Other expenses (income)	10	0%	(61)	(1%)	71	(116%)	
Sales and marketing expenses	267	5%	234	4%	33	14%	
Administrative and general expenses	184	3%	242	4%	(58)	(24%)	c1
Revenues from liabilities to pensioners, net	(31)	(1%)	(81)	(1%)	50	(62%)	
Reform agreement and other agreements results	45	1%	618	11%	(573)	(93%)	c2
Profit (loss) from current operations	**838**	**15%**	**(291)**	**(5%)**	**1,129**		
Financial expenses	22	0%	102	2%	(80)	(78%)	d
Profit (loss) before income tax	**816**	**15%**	**(393)**	**(7%)**	**1,209**		
Expenses (revenues) of taxes on income	203	4%	(25)	(0%)	228	(912%)	
Profit (loss) after income tax	**613**	**11%**	**(368)**	**(7%)**	**981**		
Company share in profits (losses) of associated companies	(15)	0%	-		(15)		
Profit (loss) before regulatory deferral accounts	**598**	**11%**	**(368)**	**(7%)**	**966**		
Transactions in balances of regulatory deferral accounts, net of tax	52	1%	869	15%	(817)	(94%)	
Profit for the period	**650**	**12%**	**501**	**9%**	**149**		
Consolidated Reports of Other Comprehensive Income (Loss):							
Remeasurements of a defined benefit plan, net of tax	(304)	(5%)	(735)	(13%)	431	(59%)	
Cash flow hedge accounting, net of tax	(27)	(0%)	(106)	(2%)	79	(75%)	
Movement in regulatory deferral accounts balances, net of tax	8	0%	(6)	(0%)	14	(233%)	
Other comprehensive loss for the period	**(323)**	**(6%)**	**(847)**	**(15%)**	**524**		
Comprehensive income (loss) for the period	**327**	**6%**	**(346)**	**(6%)**	**673**		

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

5. Comparison and Analysis of Operating Results for the Quarter Compared to the Corresponding Quarter in the Previous Year (continued)

b) Cost of Operating the Electricity System

The cost of operating the electricity system in the quarter amounted to approximately NIS 4,309 million, compared to approximately NIS 4,963 million in the corresponding quarter last year, a decrease of approximately NIS 654 million mainly deriving from:

1) Fuels consumption cost

The cost of fuels consumed in the quarter amounted to a sum of approximately NIS 1,155 million, compared to approximately NIS 1,466 million for the corresponding quarter the previous year, a decrease of approximately NIS 311 million, which constitutes a decrease of approximately 21%.

The change in the cost of fuels consumption derives mainly from a change in the mix of fuel consumption and a decrease in gas and coal prices compared to the corresponding period last year.

Following are details of the changes in NIS millions for the three months ended on December 31, 2025

Fuel Type	Change in Consumption	Change in Prices	Total
Crude oil	(6)	(3)	(9)
Coal	(349)	(38)	(387)
Diesel oil	(41)	1	(40)
Natural gas	186	(44)	142
Total	**(210)**	**(84)**	**(294)**
Change in related costs			(17)
Total changes			**(311)**

2) A decrease in electricity purchases of approximately NIS 114 million deriving mainly from decrease in the purchase of electricity from Noga net offset by an increase in the quantities of electricity that were purchased from producers at high and low voltage.

c) Additional Business Results in the Quarter:

1) The decrease in general and administrative expenses is mainly from a decrease in the provision for doubtful accounts due to the Company's return to regular debt collection during the period.

2) The decrease in the results of the reform agreement is due to a special collective agreement for the retirement of 300 employees that was implemented beginning in November 2024 and included in the corresponding quarter last year the effect of past service cost, see Note 11f to the Financial Statements.

3) The decrease in losses in other comprehensive income due to the remeasurement of a defined benefit plan net of tax compared to the corresponding period last year, in the amount of approximately NIS 431 million, which is mainly due to a greater decrease in capitalization interest of the liability in the corresponding period last year, compared to the current period.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

5. Comparison and Analysis of Operating Results for the Quarter Compared to the Corresponding Quarter in the Previous Year (continued)

d) Financial Expenses

		For the three months ended December 31		
		2025	2024	Difference
		NIS in millions		
A.	**Financing expenses (income) due to exchange rate differences and linkage differences and revaluation of hedge transactions**			
	Exchange rate differences due to foreign currency financial liabilities deriving mainly from NIS/Dollar differences as a result of a decrease in exchange rate by approximately 3.51% and NIS/Yen differences as a result of a decrease in the exchange rate by approximately 8.78%.	(336)	(262)	(74)
	Revaluation of hedging transactions resulting from changes of the exchange rates during the period	364	269	95
	Revaluation of hedging transactions resulting from changes in the Consumer Price Index during the period	(47)	(18)	(29)
	Revaluation of hedge transactions to their fair value mainly deriving from the changes of capitalization interest rates and credit risk during the report period	11	10	1
	Linkage differentials due to index linked financial liabilities that decreased in the quarter at a rate of 0.58% compared to a decrease of 0.09% in the corresponding quarter of the previous year	(168)	(29)	(139)
	Income due to exchange rate differences and linkage differences and revaluation of hedge transactions	**(176)**	**(30)**	**(146)**
B.	**Interest and Other Expenses**			
	Interest expenses	264	329	(65)
	Other financing expenses	15	29	(14)
	Total interest and other expenses:	**279**	**358**	**(79)**
	Total financing expenses before capitalization	**103**	**328**	**(225)**
C.	**Capitalization of credit costs**			
	Financing expenses which were capitalized on projects under construction	16	73	(57)
	Total financing expenses	**87**	**255**	**(168)**
	Other financing income	**(65)**	**(153)**	**88**
	Total financing expenses, net	**22**	**102**	**(80)**

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

6. Liquidity for the Reporting Period

a) General:

1) The Reporting Period (2025 compared to 2024)

	For the year ended on			
	2025	**2024**	**Difference**	**Item**
Net cash derived from operating activities...	7,026	6,412	614	a)
Net cash used in investing activities	(3,484)	(1,990)	(1,494)	b)
Net cash used in financing activities	(3,279)	(4,892)	1,613	c)

a) For details regarding the change, see Annex A of the Statement of Cash Flow in the Financial Statements.

b) The change mainly derives from a decrease in proceeds from realization of fixed assets offset by repayment of investment (in the corresponding period last year) in monetary funds and bank deposits.

c) This change mainly derives from repayment of debentures and receipt of long -term loans offset by the issuance of debentures compared to the corresponding period last year (for details, see Note 19i to the Financial Statements).

2) The Comparative Periods (2024 compared with 2023)

	For the year ended on			
	2024	**2023**	**Difference**	**Item**
Net cash derived from operating activities...	6,412	4,263	2,149	a)
Net cash used in investing activities	(1,990)	(5,823)	3,833	b)
Net cash derived from (used in) financing activities	(4,892)	560	(5,452)	c)

a) For details regarding the change, see Annex A of the Statement of Cash Flow in the Financial Statements.

b) The change is mainly due to investment in monetary funds and bank deposits.

c) This change mainly derives from repayment of debentures and long -term loans compared to the corresponding period last year (for details, see Note 19c1 to the Financial Statements for the year ended December 31, 2024).

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

6. Liquidity for the Reporting Period (continued)

b) Financing Sources

1) General

The Company finances its actions from its own sources, from issuing debentures in Israel and abroad and from loans from banking corporations in Israel and abroad. For details of the Company's recruitment of funds in the reporting period, see Note 19c to the Financial Statements.

2) Long Term Debentures and Loans

The balance of long-term financial liabilities of the Company as of December 31, 2025 and December 31, 2024, is approximately NIS 37,032 million, and approximately NIS 37,104 million, respectively, detailed as follows:

	As at December 31, 2025	As at December 31, 2024
	NIS in Millions	
Index-Linked Shekel Liabilities		
Negotiable debentures	26,334	26,534
Non-negotiable debentures	604	738
Loans to the State of Israel	2,051	2,025
Total	**28,989**	**29,297**
Non-Index-Linked Shekel Liabilities		
Loans	1,500	1,500
Total	**1,500**	**1,500**
Dollar Linked Liabilities		
Debentures in the US	6,667	7,622
Loans	20	96
Total	**6,687**	**7,718**
Liabilities denominated in other foreign currencies:		
Debentures in Japan in Yen	1,120	1,281
Loans in Euros	67	140
Total	**38,363**	**39,936**
Premiums, discount and deferred expenses	(314)	(230)
Classification into current maturities	(2,505)	(3,646)
Long term hedge transactions	1,488	1,044
Total debentures, liabilities to banks, debentures to the State of Israel and long term liabilities to the State of Israel	**37,032**	**37,104**

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

6. Liquidity for the Reporting Period (continued)

b) Financing Sources (continued)

3) Average Long-Term Credit as of December 31, 2025

Credit is taken from banking corporations and others. The average credit for the reporting periods was approximately NIS 36,375 million and represents mainly long-term loans and debentures (including hedging transactions, deferred, premium/discount of debentures).

4) Suppliers' and Customers' Credit

	As of December 31,			
	2025		2024	
	Days	Credit average	Days	Credit average
Trade payables	36	2,355	33	2,267
Trade receivables (*)	49	3,572	61	4,406
Trade receivables excluding the debts of the Palestinian Authority and the East Jerusalem Electricity Company (see Note 6 to the Financial Statements)	47	3,079	51	3,240

(*) The credit days presented above represent the credit days from the invoice issue date until the payment date.
(Past debts with respect to system costs are neutralized from the calculation).

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

7. Financial indicators that are not based on accepted accounting principles (Non-GAAP)

In this report, the Company includes non-GAAP financial indicators.
Such indicators provide useful information for the management and the investors by neutralizing certain components which the management believes do not constitute an indication for the Company's ongoing activity, and therefore improve the comparative abilities of the financial results between periods, and allow for greater transparency of central indicators used for estimating the Company's performance, for comparing the operational results between the periods, and examining the Company's debt repayment capacity, and this, among other things, in order to fulfill the goals defined as part of the structural change outline (for details, see Note a1c above). Such indicators should not be considered as substituting the detailed information provided in the Financial Statements in accordance with the IFRS. The indicators are as follows:

a) EBITDA – including movement in regulatory deferral accounts, while neutralizing special non-current events

Definition: profit before financial expenses, depreciation and tax reductions on income, added with movement in regulatory deferral accounts (without depreciation, financial, and tax components), while neutralizing special non-current events. The results for the report period are as follows:

		For the year ended on December 31		
	Note	2025	2024	2023
		(NIS in millions)		
Profit before tax		3,717	6,617	891
Financial expenses	32	883	1,341	1,141
Depreciation and reductions		4,141	4,358	4,274
EBITDA before normalization		8,741	12,316	6,306
Movement in regulatory deferral accounts	14	1,242	(3,746)	402
Neutralizing special and non-current events (*)		(2,366)	(1,347)	53
Normalized EBITDA		**7,617**	**7,223**	**6,761**

(*) The details of the central events neutralized from the calculation according to years are as follows:

2025 - Mainly resulting from the tariff recognition of the land component of the Eshkol station (including the forfeiture amount as well as interest and linkage) in the amount of approximately NIS 1,377 million (for details, see Note 3aa to the Financial Statements) as well as income from receipts from the Treasury for debts of EJEC and the Palestinian Authority in the amount of approximately NIS 391 million (for details, see Note 6 to the Financial Statements). In addition, income was recognized from receipts from the insurance company for compensation for the damage caused by the collapse of the crane in Rutenberg in the amount of approximately NIS 343 million (for details, see Note 1h to the Financial Statements). In addition, income was recognized from the sale of the Company's lease rights in the technical center in the amount of approximately NIS 255 million (for details, see Note 1f to the Financial Statements).

2024 - Mainly resulting from the recognition of income and cancellation of a provision for doubtful debts in respect of receipts from the Ministry of Finance in respect of the debts of EJEC and the PA in the amount of approximately NIS 706 million (for details, see Note 6c to the Financial Statements) from income resulting from the rate recognition in the land component of the Eshkol station in the amount of approximately NIS 508 million (for details, see Note 3g in the Financial Statements). In addition, revenues from rate recognition in amounts for which regulatory assets were not recognized in the past which were determined as part of the 2025 annual update and as part of the designated excess proceeds from the sale of Eshkol station (for details see Notes 3g and x to the Financial Statements less expenses in respect of a special retirement campaign for 300 employees (for details, see Note 11f1c to the Financial Statements).

2023 - Mainly derives from income with respect to regulatory deferral accounts in the amount of approximately NIS 53 million.

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

7. Financial indicators that are not based on accepted accounting principles (Non-GAAP) (continued)

b) Real Financial debt, net

Definition: debentures, loans from banking corporations, negotiable papers, debentures and liabilities to the State of Israel, net swap and forward transactions, and liabilities with respect to leasing, while neutralizing cash, deposits, and regulatory deferral accounts due to CPI linkage differentials. The results for this report period are as follows:

		For the year ended on December 31		
	Note	2025	2024	2023
		(NIS in millions)		
Credit from banking corporations and other credit providers	15	2,687	4,046	6,668
Debentures	19	32,051	33,989	31,891
Liabilities to banking corporations	19	3,010	1,134	3,419
Liabilities to the State of Israel	19	1,971	1,981	1,927
Liabilities for leases	21	505	740	568
CPI linkage differentials regulatory account	14m	(3,824)	(3,321)	(2,724)
Real financial debt, gross		**36,400**	**38,569**	**41,749**
Cash and cash-equivalents	4	2,383	2,157	2,651
Hedging transactions and deposits for securing the swap transactions	7,9	982	980	1,126
Short-term investments	5	419	3,539	201
Financial debt, net		**32,616**	**31,893**	**37,771**

c) Financial targets pursuant to the circular of the Companies Authority

On November 17, 2021, the Government Companies Authority published a circular of financial targets which included a set of targets and indices for government companies divided into segments, the following are the indices designated for infrastructure companies in accordance with the methodology defined in the said circular:

1) Adjusted financial debt: gross financial debt less cash and short-term investments plus interest and accrued expenses.

	For the year ended December 31,	
	2025	2024
	(in NIS millions)	
Real net financial debt (see section b above)	32,616	31,893
Neutralizing regulatory asset for linkage differential	3,824	3,321
Neutralizing hedge transactions debit balances and deposits to secure swap transactions	982	980
Plus interest and accrued expenses	592	618
Total debt pursuant to the Companies Authority circular	**38,014**	**36,812**

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

7. Financial indicators that are not based on accepted accounting principles (Non-GAAP) (continued)

c) Financial targets pursuant to the circular of the Companies Authority (continued)

2) FFO and Return (ROCE)

FFO – is based on calculation of the EBITDA before normalization while neutralizing the change in liabilities with respect to employee benefits (from cash flow report) and other expenses (revenues), net, less interest and taxes paid (from cash flow report):

Return (ROCE) – is based on calculation of the EBITDA before normalization while neutralizing the change in liabilities with respect to employee benefits (from cash flow report) and other expenses (revenues), net, less depreciation and amortization plus movement in regulatory deferral accounts (without components of financing, taxes and wages or employee benefits with respect to the reform):

	For the year ended December 31,	
	2025	2024
	(in NIS millions)	
EBITDA before normalizations (see section a above)	8,741	12,316
Change in employee benefits according to cash flow report	(237)	328
Other revenues, net (*)	(576)	(5,457)
Interest paid according to the cash flow report	(1,001)	(850)
Taxes paid according to the statement of cash flows	(1,060)	(558)
FFO	**5,867**	**5,779**
Plus interest and taxes paid according to the cash flow report	2,061	1,408
Less depreciation and amortization	(4,141)	(4,358)
Plus movement in regulatory deferral accounts	163	1,243
Return (ROCE)	**3,950**	**4,072**

(*) Neutralizing the effect of the reduction of current income for 2024 in the amount of NIS 1.4 billion against the excess proceeds from the sale of the Eshkol site, for details see Note 3g.

3) Capital employed: adjusted gross financial debt (before deduction of cash and short-term investments) plus equity

	For the year ended December 31,	
	2025	2024
	(in NIS millions)	
Equity	43,269	38,297
Debt pursuant to the circular of the Companies Authority	38,014	36,812
Plus cash and short-term investments	2,802	5,696
Capital employed	**84,085**	**80,805**

b. Aspects of Corporate Governance

1. Contributions

The Company is prevented from making contributions in light of Companies Authority directives.

2. Directors possessing accounting and financial expertise, external directors:

a) As determined by the Board of Directors, the minimal number of Directors possessing accounting and financial expertise will be 5 Directors, taking into account, inter alia, the Company's size, type of activity, and number of members of its Board of Directors. The Company estimates that this number will enable the Company's Board of Directors to meet the duties imposed on it according to law and the incorporation documents of the Company.

b) As of the report date, five directors with accounting and financial expertise served in the Company:
Reuven Schiff CPA (External Director); Amos Kalagy, CPA (External Directo); Mr. Doron Arbely (Chairman of the Board of Directors); Mr. Avraham Manela and Mr. Efraim Henig. In light of the above, the Company complies with the minimal number of Directors with accounting and financial expertise as set by the Board of Directors.

c) As of the report date, three external directors served in the Company: Mr. Michael Schneider; Reuven Schiff, CPA and Amos Kalagy, CPA. In light of the above, the Company meets the provisions of Section 239(a) of the Companies Law – 1999, according to which at least two external directors will serve in a public company and reporting corporation

For further details concerning the members of the Company's Board of Directors, see Note 26 in Chapter D.

3. Independent Directors

The Company did not adopt in its articles of association a provision regarding the number of independent directors.

4. Chairman of the Board of Directors

a) As of August 1, 2021, and until Mr. Doron Arbely was appointed as Chairman, on March 4, 2024, there was no serving Chairman of the Board of Directors in the Company. On December 18, 2022, the Company received a letter of demand for a financial sanction according to Section 52r of the Securities Law, 2018, in which the Securities Authority informed the Company of its decision to impose a financial sanction on the Company in the amount of NIS 900,000 (after reduction) due to the violation of Section 94(a) of the Companies Law, in view of not appointing a Chairman of the Board of Directors for the Company for over 60 days.

b) On January 18, 2023, the Company paid the financial sanction under protest and at the same time filed an administrative petition against the decision of the Securities Authority, and this, inter alia, because the Company's position (which was backed up by the Government Companies Authority) is that the imposition of the financial sanction was done illegally and without authority, inter alia because the decision did not take into account the position of the Government Companies Authority and the fact that the reason for not appointing a Chairman of Board of Directors is rooted in factors external to the Company and not due to the Company's failure, since in accordance with a practice over the years, the candidates proposed for the position of Chairman of the Company's Board of Directors are proposed and determined by the Ministers and not by the Company. A response to the petition was submitted on behalf of the Securities Authority. As part of the response, the Securities Authority objected to the grounds of the petition, although it stated that "there is no reason to require the petitioner to offer another solution to the legal situation (claiming it is difficult) that has arisen". On February 22, 2023, the Company received the Court's decision according to which the petition was denied

c) On April 30, 2024, the Company filed an appeal on the ruling of the Court under which an administrative petition that was filed by IEC against the Securities Authority on its decision dated December 18, 2022 to impose monetary sanction on IEC for failing to appoint a serving Chairman of the Board (hereinafter: "the Company's petition" and "the ISA decision"). Hearing of the appeal was scheduled for September 24, 2026.

b. Aspects of Corporate Governance

5. Appointments and Terminations of Office of office holders in the Company

a) Mr. Sharli Shriki serves as Senior VP of Network Services Division, effective January 9, 2025.

b) Mr. Amir Livne, Senior VP of Strategy, Innovation and Structural Change has ended his term in the Company on March 31, 2025.

c) Mr. Mofed Ganam serves as Senior VP of Security and Emergency, effective February 27, 2025.

d) Mr. Nayif Hino serves as Senior VP of Human Resources, effective May 15, 2025.

e) Mr. Herzel Friedman serves as Senior VP of Engineering and Strategy, effective November 6, 2025.

f) Mr. Gilad Hassid, Senior VP of Finance, Economics and Risk Management, ended his term in the Company on December 31, 2025. In accordance with the terms of his retirement, Mr. Hassid actually served as the Company's Senior VP of Finance, Economics and Risk Management, until June 30, 2025.

g) Mr. Eyal Hermony served as Acting Senior VP of Finance, Economics and Risk Management,, effective July 1, 2025, until December 4, 2025, instead of Mr. Gilad Hassid, as detailed in Section f above. Effective December 4, 2025, Mr. Eyal Hermony serves as Senior VP of Finance and Economics.

h) Ms. Onit Even, serves as Chief Risk Officer, effective February 19, 2026.

For additional details regarding the Company's office holders, see Regulation 26A in Chapter D.

b. Aspects of Corporate Governance (continued)

6. The Company's Internal Auditor

a) Details of the Internal Auditor

1) Rachel Ben Moshe, CPA.

2) On April 1, 2022, accountant Rachel Ben Moshe began her position as Internal Auditor and Ombudsman of the Company.

   As of May 2022, following organizational changes in the Company, the Public Complaints Commission was transferred to the Marketing, Service and Regulation Division (currently the Service Division) and from this date, the Internal Auditor fulfills the duty of the Internal Auditor and the Complaints Commissioner.

3) The Internal Auditor meets the conditions set in section 146(b) to the Companies Law, 1999 (hereinafter: the "Companies Law") and the provisions of sections 3a and 8 to the Internal Audit law, 1992 (hereinafter: the "Internal Audit law").

4) The Internal Auditor is an employee of the Company and does not fulfill another function in the Company in addition to internal auditing, except for the function of Supervisor for Complaints. Fulfilling the additional function does not harm the fulfillment of her main function (fulfilling this additional function is also enabled according to the law).

5) The Internal Auditor does not hold any securities of the Company or of anybody related to it and the Internal Auditor does not have material business relationships or other material relationships with the Company and does not fulfill any function outside the Company that creates or may create conflict of interests with her function as Internal Auditor.

b) Manner of Appointment of the Internal Auditor

On January 27, 2022, the Board of Directors of the Company decided to adopt the recommendation of the Search Committee and Audit Committee and appoint accountant Rachel Ben Moshe as Internal Auditor of the Company with a position of VP.
Rachel Ben Moshe began her term in office on April 1, 2022.

c) Identity of the Supervisor of the Internal Auditor

1) The Internal Auditor and Complaints Commissioner is subordinate to the Chairman of the Board of Directors and the CEO of the Company.

2) The identity of the supervisors conforms to the directives of section 148 and section 49 of the Government Companies Law, 1975.

3) The duties and authorities of the internal auditor are determined in accordance with section 4(a) to the Internal Audit Law and by the Audit Committee, according to the authority delegated to it for this purpose on May 24, 2012, by the Company's Board of Directors.

4) The obligations and authorities of the Internal Auditor are set in the Company's procedure "The Internal Audit and Complaints Commissioner" (the Audit Charter). The procedure is reexamined annually as to whether it needs to be updated. The procedure's last update was in September 2025, after the Audit Committee had discussed the procedure's updates and approved them in July 2025.

b. Aspects of Corporate Governance (continued)

6. The Company's Internal Auditor (continued)

d) Work Plan

1) The Internal Audit's Multi-Annual Work Plan (2024-2027) is based on an organized methodology for its preparation, including a risk survey – the survey is conducted at the same time as the comprehensive risk survey in the Company, within which the material risks affecting the Company's ability to achieve its updated goals were identified and evaluated. The risk survey for the internal audit and the multi-annual work plan for 2024-2027 were conducted in the months of July-November 2023.
The multi-annual internal audit work plan was discussed and approved by the Audit Committee on November 16, 2023 and by the Board of Directors on November 30, 2023. The Internal Audit Work Plan for 2025 was discussed and approved by the Audit Committee on November 14, 2024, and by the Board of Directors on December 17, 2024. The Internal Audit Annual Report for 2025 was submitted to the CEO and the Chairman of the Audit Committee. The report is expected to be brought for discussion in the Audit Committee of the Board in February 2026. Among other things, the report includes information about the actual performance of the work plan and audits compared to the plan (pertaining to all the tasks - planned, in addition to the work plan, accompanying audit, implementation of recommendations, and more), details of all audit reports regarding the reports discussed by the Audit Committee, details of follow-up reports of faults corrections following internal audit reports and following State Comptroller's reports and a report regarding the internal audit quality assurance program and reviewing the internal audit procedure and Complaints Commission.

2) The internal audit's Work Plan includes the resources required for executing planned audits, unannounced audits at the Company's sites, and audits to follow-up the implementation of recommendations from audit reports and reports of the State Comptroller. In addition, the work plan includes allocation of resources for audits and unscheduled inspections which are conducted at the request of the Chairman of the Board of Directors, the Chairman of the Audit Committee, the CEO, and the Internal Auditor, at times with priority over other tasks. In addition, the plan includes resources for handling complaints not from the field of consumption, as well as a related audit project.

3) The Company estimates that, according to the multi-annual and annual Work Plans, which were approved by the Audit Committee and by the Board of Directors, the work scope of the Internal Audit is adequate and sufficient to cover all the entities in the Company about once every three years (as required by the provisions of the law).

4) In December 2025, an audit report was distributed concerning "The Company's Agreements with Principal Holders and Affiliated Parties (January-December 2024)" (including transactions requiring approvals pursuant to Section 270 of the Companies Law, and extraordinary transactions, as this term is defined in the Companies Law.

e) Audit of Held Companies

Independent Internal Auditors were appointed for the National Coal Supply Corporation ("The Coal Company") and Netiv Ha'Or Ltd. In July 2025, the Audit Committee approved the working interfaces of the internal audit at the Electric Company with the Internal Auditor at these two subsidiaries.

f) Scope of Employment

The Internal Auditor is employed on a full-time basis.

As of the reporting date, the Internal Audit and Complaints Commissioner unit has 22 employees, including the Internal Auditor and 2 administration employees. In addition, the Internal Audit has a budget for outsourced employment in the scope of a full-time position.

b. Aspects of Corporate Governance (continued)

6. The Company's Internal Auditor (continued)

g) Performance of the Audit

1) Audits are conducted according to accepted professional standards, and in accordance with the laws, including the Internal Audit Law and the directives of the Government Companies Authority, furnished from time to time in circulars of the Government Companies Authority.

2) The Board of Directors and the Audit Committee assess that the Internal Auditor complied with the requirements specified in the professional standards.

h) Access to Information

The Internal Auditor and her representatives are granted free, continuous and direct access to every hard copy or digital document, data, database, or information, including financial data, for performing their tasks. The Internal Auditor and her representatives are entitled to enter every asset and inspect it, in conformance with the contents of Section 9 of the Internal Audit Law.

i) Reports of the Internal Auditor

1) The internal audit reports are submitted in writing and as the case may be, discussions regarding the reports are held with the participation of the Company's Management and the Board of Directors' Audit Committee, as applicable. An annual report is submitted annually, and it includes a summary of the work of the Internal Audit, a follow-up on implementation of decisions and recommendations.

2) During the work year, the Internal Auditor submits final versions of reports to the Chairman of the Board of Directors, to the CEO and to the Chairman of the Audit Committee of the Board of Directors. Audit reports are submitted to the members of the Board of Directors, to members of Management and to the audited entities through the Secretary of the Board of Directors. Additionally, the financial statements are also distributed to the Company's Management, the External Auditor, Risk Manager, Head of the SOX Department and the Embezzlement and Fraud Risk Controller.

   During January – December 2025 a total of 101 reports were distributed (48 of them were follow-up reports distributed to the management only) excluding specific examinations that were distributed to Management only: during this period, the Audit Committee of the Board of Directors held 8 discussions on the Internal Auditor's reports.

   The 2025 Internal Audit annual report was submitted to the CEO, the Chairman of the Audit Committee and the members of the Board of Directors. It was discussed by the Board of Directors' Audit Committee in February 2026.

j) Evaluation of the Board of Directors of the Internal Auditor's Activities

The scope, nature and activity of the Internal Audit are sufficient and reasonable in order to realize the audit objectives in the Company. In addition, the material subjects are covered at least once every 3 years as required by the provisions of the law.

k) Remuneration

The Internal Auditor is an employee of the Company.
The Internal Auditor is employed under a standard work agreement of the Governmental Companies Authority.
The Board of Directors estimates that her wages do not affect the ability of the Internal Auditor to exercise her professional balanced judgement.

b. Aspects of Corporate Governance (continued)

7. Internal Enforcement Plan in the Field of Securities and Government Companies

On June 14, 2012, the Board of Directors of the Company approved an outline for a Securities Law Internal Enforcement Plan that was formulated by the Company, according to criteria published by the Securities Authority on August 15, 2011, for recognizing an Internal Enforcement Plan in the field of Securities Laws as an effective enforcement plan (hereinafter: the "Criteria" and "Internal Enforcement Plan", respectively).

Based on the outline, the Company has adopted an Internal Enforcement Plan for the Company, and the Board of Directors of the Company appointed a designated Committee of the Board of Directors - a Corporate Responsibility, Environmental Protection, Regulation and Rate Committee (hereinafter: "Corporate Responsibility Committee"), that deals, inter alia, with supervision on the implementation of the Internal Enforcement Plan in the Company. Additionally, the Board of Directors appointed a supervisor in charge of the internal enforcement in the Company, and national enforcement and compliance team, unit enforcement and compliance teams and additional factors that constitute part of the internal enforcement array of the Company were also appointed. The Company formulated and prepared master procedures in the field of the internal enforcement and it is taking intensive enforcement actions for implementing and assimilating the Internal Enforcement Plan in the Company, including conducting tutorials to all the relevant enforcement factors of the Company.

According to the provisions of the administrative enforcement arrangement signed by the Company and the Securities Authority, which was approved by the Administrative Enforcement Committee on November 28, 2013 (hereinafter in this section: the "Arrangement" or the "Enforcement Arrangement"), in February 2014, the Company appointed an external inspector whose duty is, inter alia, to ensure completion of the formulation and effective implementation of the Securities Law Enforcement Plan and its procedures, and to submit reports to the Securities Authority on the findings of his inspection (hereinafter: the "External Inspector"). (For additional details regarding the Enforcement Arrangement see immediate report of November 28, 2013, reference number: 2013-01-208542).

Against the background of the great importance attached by the Board of Directors to the supervision of the Internal Enforcement Plan, the Board of Directors decided to extend the period of engagement with the External Inspector several times, voluntarily. The inspector's reports are submitted to the Corporate Responsibility Committee. The inspector reviews all the aspects of the internal enforcement in his reports. The external inspector's reports are positive and all the external inspector's recommendations were implemented by the Company.

On October 15, 2015, the Government Companies Authority published a Circular of criteria to examine applications to grant advance undertakings to indemnify office holders in Government Companies (hereinafter in this section: the "Circular"). As part of the Circular, inter alia, are details of the criteria the Authority should consider when formulating its recommendation to the Ministers regarding an undertaking to grant indemnification to the office holders, which also include adoption and assimilation of an internal enforcement plan in Government Companies by the Company pursuant to that stated in the document. The Company acted to assimilate the required aspects within the Internal Enforcement Plan.

The Circular instructs delivery of a report to the Authority, every year, regarding the manner of implementation of the enforcement plan in the Company. A report as aforesaid can be included in the Board of Directors' Report, and accordingly the details regarding the implementation of the enforcement plan in the Company.

Pursuant to the Board of Director's decisions, a periodic annual discussion regarding the enforcement plan is held both by the Corporate Responsibility Committee and by the plenum of the Board of Directors.

Since the plan was adopted, three external compliance surveys were performed to identify potential gaps and failures in the Company's activity and its exposures in the relevant fields. The first two surveys were conducted by Ziv Haft Consulting and Management Ltd. The 2014 compliance survey only dealt with Securities Law, and a survey of 2018 also included the Corporate and Government Companies Laws, in the format agreed upon with the Government Companies Authority. The third compliance survey was conducted in 2024 by the Barnea Jaffe Landa Law Firm focusing on examining the effectiveness of the enforcement plan according to the criteria and several circulars of the Government Companies Authorities. The results of the compliance surveys indicate that the Internal Enforcement Plan is performed adequately in all material aspects and does not constitute any significant risk for a material violation of the provisions of the law.

b. Aspects of Corporate Governance (continued)

7. Internal Enforcement Plan in the Field of Securities and Government Companies (continued)

On September 15, 2025, an Annual Enforcement Report for 2024-2025 was submitted, regarding Securities Law, Companies Law and Government Companies Law, and based on effective statements received from the unit Managers, the Chair of the National Team, the Deputy Legal Counsel for commercial civil issues, the Enforcement Plan Supervisor, and the CEO, the Corporate Responsibility Committee determined in a discussion of November 22, 2025, that the Enforcement Plan regarding the Securities Law, Companies Law and Government Companies Law that is conducted by the Company is effective based on the criteria set out in the Authority's Circular regarding an Internal Enforcement Plan and which have been adopted and adapted to the nature of the Company's operations and is prepared in accordance with the requirements of the Commissioner of the Enforcement Plan, the National Team and Company procedures, and recommended to the Board of Directors to reach a decision on the effectiveness of the plan as required by the Circular of the Government Companies Authority. In a discussion conducted on December 18, 2025, the Board of Directors determined that the Enforcement Plan is effective, based on the effectiveness statements received, and on the decision of the Corporate Responsibility Committee.

The Company is in contact with the Government Companies Authority with respect to the Company’s compliance with the Circular’s requirements and continues with intensive and practical activity to effectively implement the plan.

8. Policy for the Compensation of Senior Officers

On January 30, 2025, the Company's Board of Directors, in accordance with the recommendation of the Remuneration Committee as of that date, re-approved an updated remuneration policy for Senior Officers of the Company (the " Remuneration Policy"). The approval as stated above was given after the Board of Directors discussed and considered the recommendations of the Company's Remuneration Committee on the matter, taking into account the criteria set forth in the Companies Law and taking into account the considerations and principles detailed below. The remuneration package was adjusted to the size of the Company, the nature of its operations, the Company's aspiration to retain its Officers, and the Company's being a Government Company subject to the provisions of the Government Companies Law and its various regulations and the directives of the Government Companies Authority that limit the Company's ability to act independently in matters of salary and benefits for its employees.

As part of the remuneration policy that was approved, the considerations and principles underlying the policy were updated, reflecting the updated Company goals, a reference was added to the scope of the position of the Chairman of the Board of Directors, the salary ranges of Management members were clarified, the Company segment for the purpose of the annual remuneration and incentive grants was updated, and the arrangement regarding the renewal of liability insurance for Officers was updated. The updated remuneration policy was approved at the General Meeting on March 10, 2025.

For additional details and the full version of the remuneration policy, see the Company's immediate reports dated February 10, 2025, reference no.: 2025-01-009668, 2025-01-009669, and dated March 10, 2025, reference no.: 2025-01-015895, 2025-01-015897.

b. Aspects of Corporate Governance (continued)

9. External Auditors of the Company

Fees of the External Auditor

The fees of the external auditor are determined in accordance with the rules of the Government Companies Authority (Appointment of External Auditors and their Fees) – 1994 and according to its circulars, including the scope of hours and rate per hour, without the involvement of the Company. Current advance payments are paid to the external auditor during the audit year, according to the progress of the regular audit and review work, for services related to the audit and for tax services, up to the ceiling determined for these types of work. The balance of the fee (less advance payments paid) is paid at the end of the audit year, pursuant to the approval of the Government Companies Authority.
During the audit year, the external auditor also receives payment of fees related to providing additional services, which are not included in the aforementioned list, according to the progress of the work and subject to the approval of the Companies Authority.
The Board of Directors approves, based on Management's report and the recommendation of the Financial Statements Committee, that the External Auditor is qualified to perform its duties and that its fees and scope of work in connection with auditing the company, the scope and hours as determined by the Companies Authority, are satisfactory in view of the nature of the activities of the Company and its complexity.
This resolution is brought before the General Assembly of Shareholders, which is holding a hearing on the matter and approving the appointment of the external auditor, subject to the approval of the Companies Authority, and his remuneration.

The total fees of the outside auditor in respect with audit services and other services relating to tax services audit and other related services for the years 2025 and 2024 are detailed below:

	For the year ended December 31, 2025	For the year ended December 31, 2024
	Somekh Chaikin	Somekh Chaikin
	NIS thousands	
a. Fees for audit services, for services related to audits and for tax services including prospectuses	4,030	3,996
b. Fees for additional work (special tax work, and special confirmations).....	545	445

The Board of Directors will examine the work hours report and fees submitted by the auditor in light of the circulars of the Companies Authority, emphasizing the level of the rates and the distribution among the professionals and will submit the conclusions of its examination for approval by the Companies Authority.

In the opinion of the Company, performances of the related services provided by the external auditors do not affect the independence of the external auditors.

After the report date, on January 27, 2026, the Company's General Meeting approved the appointment of EY Kost Forer Gabbay & Kasierer ("EY") as the Company's Auditor. On February 1, 2026, the Company received approval from the Government Companies Authority, in accordance with Section 44(a) of the Government Companies Law - 1975, to approve the appointment of EY as the Company's Auditor, effective from the approval date of the General Meeting.

c. Instructions for Disclosure Related to the Financial Reporting of the Company

1. The Financial Reporting of the Company

The Consolidated Financial Statements of the Company were prepared under International Financial Reporting Standards (IFRS) and their interpretations published by the International Accounting Standards Board (IASB). Additionally, the Financial Statements are prepared in accordance with the Securities Regulations (Annual Financial Statements), 2010. The Company consolidates the Coal Company and Netiv Ha'Or – Orot Rabin Ltd. in its Financial Statements. The financial data in the Board of Directors' Report are data from the Consolidated Financial Statements of the Company. For additional details see Note 2 to the Financial Statements.

2. Critical Accounting Estimates

a) Preparation of the Financial Statements in accordance with accepted accounting principles requires that the Management of the Company make evaluations and estimates which affect the reported values of the assets, liabilities, revenues and expenses and also the disclosure concerning contingent assets and liabilities. For details on the use of critical accounting estimates of the Company, see Note 2w to the Financial Statements.

b) Following are additional details regarding the critical accounting estimates of the Company:

1) Employee benefits:
For details of the critical accounting estimates related to employee benefits see Note 11 to the Financial Statements.
There is a difference of approximately NIS 3.5 billion between the actuarial liability according to the Financial Statements of the Fund as of December 31, 2025, and the actuarial liability according to the Financial Statements of the Company as of December 31, 2025, (with respect to the pension payments). The difference derives from a difference in calculation methodology between the bodies, which partly derives from different professional approaches, according to the rules that oblige each of the bodies: the Company calculates the actuarial liability in accordance with the accounting rules applied to the Company (in accordance with International Financial Reporting Standards, including IAS 19 and the directives of the Securities Authority), while the Fund acts in accordance with the instructions of the Capital Market, Insurance and Savings Authority, where the Actuary of the Fund noted that the assumptions used to prepare the statement of financial position comply with the instructions of the Capital Market, Insurance and Savings Division Authority for preparing actuarial statements of financial position.
The main difference between the assumptions derives from the discount rate, used to capitalize the actuarial liability, i.e. the Fund capitalizes the actuarial liability according to the discount rate of government debentures and the Company according to corporate debentures, (see Note 11g to the Financial Statements), and the assumption of the real increase in salary with respect to wage agreements.

2) Fair value for financial instruments - see Note 25 to the Financial Statements.

3) Regulatory deferral accounts – see Note 14 to the Financial Statements.

3. Material and Highly Material Valuations

a) In light of the update of Legal Position number 105-23 concerning parameters to examine the materiality of valuation, the Company policy in all that relates to materiality of valuations conforms to the position of the Securities Authority. Accordingly, a material valuation in the Company is a valuation that satisfies at least one of the following tests:

(1) Statement of financial position test – examining the valuation in relation to the total assets of the Company constitutes at least 5% of the total assets of the Company, as presented in the consolidated statement of financial position as of the last date of the reported period.

(2) Results test –the effect of the change in the value as a result of valuation of the net profit or comprehensive income, as the case may be, constitutes at least 5% of the net profit or comprehensive income of the Company, respectively, as well as constituting at least 2.5% of the Company's equity as of the end of the reporting period. A highly material valuation is a valuation that complies with a quantity threshold that is twice the material valuation according to the above detailed parameters (namely, 10% instead of 5% and 5% instead of 2.5%).

c. Instructions for Disclosure Related to the Financial Reporting of the Company (continued)

3. Material and Highly Material Valuations (continued)

b) Disclosure with respect to a valuation that served as the basis to determine the value of data in the Financial Statements

Highly Material Valuations

Details of valuations classified as highly material according to the above-mentioned materiality tests, in accordance with regulation 8b(i) to the Securities Regulations are presented below:

The Company conducts very high materiality valuations of the actuarial liability with respect to benefits to employees in accordance with IAS 19.

Identification of Valuation subject	Actuarial obligation for employee benefits in accordance with International Accounting Standard 19 (IAS 19)
The timing of the evaluation:	December 31, 2025
Determined in accordance with the evaluation	NIS 33,912 million
Identifying the appraiser and his characteristics:	Assessment was carried out by Alan Fefferman – Actuarial Services Ltd. by Alan Fefferman and the staff supervised by him. Alan Fefferman has an M.B.A from the Booth School of Business, University of Chicago, U.S.A., and he is an authorized Actuary (full member of the Israel Association of Actuaries – FILAA, and the Society of Actuaries in the U.S.A. – FSA). His professional experience over the past 42 years includes actuarial estimates of employee benefits of similar types to that of the Company, actuarial estimates of pension funds, and determining assumptions and methods for actuaries of pension funds and insurance companies, in duties of an assessing actuary, an examining actuary and a regulatory actuary.
Date of engagement with the evaluation appraiser	May 26, 2016
Dependency on evaluation order	The Company actuary is not dependent on the work or the Company. The Company Actuary receives fees for this work and for additional consulting services. The fees are not dependent on the outcome of the work.
Evaluation model which the appraiser used	Discounted Cash Flow (hereinafter: "DCF")
Assumptions according to which the appraiser performed the valuation, depending on the model estimates:	Weighted grossed up real interest rate in the current value of the liability is 2.84% Real update of salary in the work period – see section 11o to the Financial Statements. Pensioners and survivors' mortality including updating mortality rates – according to the Commissioner of Capital Market, Insurance and Savings 8-9- 2024, and a mortality survey for the Company's pensioners and surviving relatives. For additional actuarial assumptions, see the Actuary's Opinion in Annex A.
The body in the Company that decided to enter an agreement with the appraiser	Senior VP of Finance and Economics.
Prior consent of the appraiser to the addition of the assessment	Exists
Indemnification agreement	On May 26, 2016, the Company granted the appraiser an indemnity undertaking with respect to any amount or expense to be paid by him with respect to a claim or demand filed against him and connected directly or indirectly to an act or omission that the Company is responsible for the results deriving therefrom, insofar as such amount or expense exceeds three times the scope of the Company's basic engagement with the appraiser.

c. Instructions for Disclosure Related to the Financial Reporting of the Company (continued)

4. Disclosure of the Forecasted Cash Flow of the Company for Financing Repayment of Corporate Liabilities

As of the report date, the Company is not subject to warning signs detailed in Section 10(b)14(a) of the Securities Regulations.

The Company has cash flow from operating activities in the reporting period totaling approximately NIS 7,026 million, the balance of cash and short-term investments as of December 31, 2025, totals NIS 2,802 million, and the Company has positive working capital as of December 31, 2025, in the amount of approximately NIS 700 million. For details on the Board of Directors' decision regarding the safety cushion, see Section a1c above.

5. Evaluations of the Effectiveness of Internal Controls and Disclosure Controls over the Financial Statement

a) According to Government Companies Authority Regulations (Additional Report on Actions Taken and Presentations Made to Assure Correctness of the Financial Statements and the Board of Directors' Report - 2005) Government companies, including the Company, are required to attach to their yearly and quarterly Financial Statements an additional report concerning the activities taken and the presentations given so as to ensure full disclosure in the Financial Statements and the Directors' Report. In order to implement this directive, the Company is managing a system the purpose of which is to confirm and assess disclosure controls, information gathering processes and information processing for the Financial Statements. This, so as to permit functionaries signing the Financial Statements and the Directors' Report to declare in the additional report, that the Financial Statements and the Directors' Report do not contain incorrect presentations of material facts and that they properly reflect in all material aspects the Company's financial condition, operating results, changes in shareholders' equity and cash flows as of the dates and for the periods presented in the reports.

According to Government Companies Authority Regulations (Additional Report on Actions Taken and Presentations Made to Assure Accuracy of Additional Reports on the Subject of the Effectiveness of Internal Controls on Financial Reporting) – 2007, as of 2009, Government companies, among them the Company, are required to attach to their annual Financial Statements an additional report concerning actions taken to ensure the accuracy of the financial reporting. As part of these provisions, the Company's Management is required to document and examine all the business processes that are material to the financial reporting and the disclosure, to map the risks of a material error in these processes, to design suitable controls and estimate the effectiveness of these controls, for the purpose of the Management's assessment of the adequacy of internal controls over the financial reporting and disclosure. In addition, the Management is required to identify and assess the risks, design controls and evaluate the effectiveness of the Entity Level Controls (ELC), Information Technology General Controls (ITGC), and controls in the closing and financial reporting processes. The Company implements the regulations, all in accordance with the accepted Standards, methodologies and the updated models. For the purpose of implementing the Regulations, the Company has a body responsible for the establishment and ongoing maintenance of the processes, risks, and controls, documentation of the controls executed and their results, and carrying out follow-up after fault corrections. Within this framework, the Company engaged the Deloitte Israel consulting firm to act as an expert that will accompany the Company with the implementation of that required by the Regulations. In addition, every quarter, as part of the preparation of the financial reporting, a Discovery Committee, headed by the Company CEO, comprised of senior management functionaries convenes to examine the material issues requiring disclosure in the Company's report.

In addition, the Company regularly audits the process of evaluating the effectiveness of control of the financial reporting and disclosure in the subsidiaries - the National Coal Supply Company Ltd. and Orot Rabin Ltd. If there are significant deficiencies in the internal control of the subsidiaries - these are reported to the Committee for Reviewing the Financial Statements of the Companies.

In its additional report on the internal controls over the financial reporting in accordance with the Government Companies Regulations, attached to these Financial Statements, the Board of Directors and the Management of the Company announced that the internal controls in the Company over the financial reporting of the Company for the period ending on December 31, 2025 are ineffective, due to a material weakness of the internal controls over financial reporting, for an expansion see the Second Addendum to the Report of the Board of Directors.

Correspondingly, Somekh Chaikin, the external auditors of the Company, who audited the Financial Statements of the Company for the period ending on December 31, 2025, issued an opinion on the effectiveness of the internal controls over the financial reporting of the Company.

In its opinion, the external auditor refers to the aforementioned material weakness.

5. Evaluations of the Effectiveness of Internal Controls and Disclosure Controls over the Financial Statement (continued)

b) On November 24, 2009, the Finance Committee of the Knesset approved an amendment to the Securities Regulations (Periodic and Immediate Reports) - 1970 ("The Amendment"). This amendment requires all reporting corporations that have securities registered for trade in the Tel Aviv Stock Exchange to declare the effectiveness of their internal controls over financial reporting and disclosure.
On October 7, 2010, the Companies Authority published regulations (Additional Reporting on the Effectiveness of the Internal Controls over Financial Reporting) (Amendment) – 2010 and Regulations (Additional Report Regarding Actions Taken and Representations Made to Ensure the Accuracy of the Financial Statements and the Directors' Report) (Amendment) – 2010. Implementation of the aforementioned amendments in the regulations is intended to enable the Chairman of the Securities Authority to exercise his authority, according to sections 9b(f) and 38c(f) to the Securities Regulations and determine that a Government Company that is also a reporting company according to the Securities Law – 1968, that implements the said regulations of the Companies Authority will report the effectiveness of the internal controls in the format stipulated in the Companies Authority Regulations.
The Company appealed to the Chairman of the Securities Authority, requesting him to exercise his authority to determine that the Company, under its definition as a Government Company that complies with all Government Authority Regulations, including the aforementioned, will report the effectiveness of the internal controls in the format specified by the Companies Authority Regulations.
In response to the request of the Company, the Chairman of the Securities Authority decided on January 4, 2011, to accept the Company's request to report the effectiveness of the internal controls in the format specified by the Companies Authority Regulations, as long as the Company complies with these regulations. This arrangement is subject to the commitment of the Company to review the facts presented to the staff of the Securities Authority in the request on every report date and report any change to them. This includes a review of changes in the regulations or in Government Companies Regulations, changes in the status of the Company which affect the laws applied to it, changes in the implementation mode of Government Companies Regulations in the Company and any other change relevant to this subject. As of the date of the report, the Company complied with the requirements of the stipulations and found that there was no change in the regulations or any other relevant change.

6. Disclosure with Respect to the Financial Reporting Required according to the Government Companies Circular on Financial statements

a) Report concerning the follow-up on lawfulness and completeness of the registration of properties managed on behalf of others

The Company does not manage or hold properties for others. However, see additional details regarding certain properties used by the Company in Note 10a to the Financial Statements.

d. Dedicated Disclosure to Debentures Holders

1. Details of the Bonds of the Corporation

a) Following are details of debentures issued by the Company, as of December 31, 2025, as required in the eighth addition to the Securities Regulations:

1)

Debenture Series	Series 27	Series 29	Series 31	Series 32	Series 33	Series 34	Series 35
	NIS in millions						
Nominal value on the initial issue date	404	914	1,239	532	638	1,114	1,364
Nominal value including expansions that have been executed	2,527	1,478	3,889	1,202	4,292	4,080	4,924
Nominal value including linkage to the CPI (in the CPI-linked series)	3,001	1,768	4,574	1,396	4,987	4,365	5,268
Accumulated interest	25	27	30	6	36	7	8
Stock exchange value (which also constitutes fair value)	3,133	1,789	4,625	1,371	4,431	4,558	5,612
Initial issue date	June 7, 2015, pursuant to a shelf prospectus of May 27, 2015	March 27, 2017, pursuant to a shelf prospectus of November 27, 2015	November 12, 2018, pursuant to a shelf prospectus of April 27, 2018	July 22, 2021, pursuant to a shelf prospectus of May 28, 2021	July 22, 2021, pursuant to a shelf prospectus of May 28, 2021	June 11, 2023 pursuant to a shelf prospectus of May 28, 2021	June 11, 2023 pursuant to a shelf prospectus of May 28, 2021
Interest type	Fixed annual interest at a rate of 3.85%	Fixed annual interest at a rate of 4.5%	Fixed annual interest at a rate of 2.39%	Fixed annual interest at a rate of 1.0%	Fixed annual interest at a rate of 1.25%	Fixed annual interest at a rate of 3.00%	Fixed annual interest at a rate of 3.2%
Principal payment dates	The principal will be repaid in thirteen unequal annual payments which will be paid on April 12 of each of the years 2017 until 2029 (inclusive) in accordance with the following rates of the nominal value of the original principal: 1% on each of the dates April 12 2017 until April 12 2026, 20% on April 12, 2027, 35% on April 12, 2028 and 35% on the final repayment date on April 12, 2029	The principal will be repaid in two equal annual payments which will be paid on February 28, 2025 and February 28, 2026	The principal will be repaid in three unequal annual payments which will be paid on September 20 of each of the years 2029 until 2031 (inclusive) in accordance with the following rates of the nominal value of the original principal: 25% on each of the dates September 20, 2029 and September 20, 2030, 50% on the final repayment date on September 20, 2031	The principal will be repaid in one payment on July 22, 2027	The principal will be repaid in one payment on May 30, 2036	The principal will be repaid in one payment on June 12, 2033	The principal will be repaid in one payment on June 12, 2037
Interest payment dates	On October 12 and April 12 of each year as of October 12 2015 until April 12 2029	On February 28 and August 28 every year from August 28 2017 until February 28 2026	On March 20 and September 20 every year from March 20, 2019 until September 20, 2031	On July 22 every year from July 22, 2022, until July 22, 2027	On May 30 every year from May 30, 2022, until May 30 2036	On June 12 and December 12 of each year from December 12, 2023 to June 12, 2033	On June 12 and December 12 of each year from December 12, 2023 to June 12, 2037

d. Dedicated Disclosure to Debentures Holders (continued)

1. Details of the Bonds of the Corporation (continued)

a) Following are details of debentures issued by the Company, as of December 31, 2025, as required in the eighth addition to the Securities Regulations: (continued)

1)

Debenture Series	**Series 27**		**Series 29**		**Series 31**		**Series 32**		**Series 33**		**Series 34**		**Series 35**	
Linkage basis	Linked (principal and Interest) to the CPI published on May 15, 2015, of April 2015		Linked (principal and Interest) to the CPI published on March 15, 2017, of February 2017		Linked (principal and Interest) to the CPI published on October 15, 2018, of September 2018		Linked (principal and Interest) to the CPI published on July 15, 2021, of June 2021		Linked (principal and Interest) to the CPI published on July 15, 2021, of June 2021		Linked (principal and Interest) to the CPI published on May 15, 2023, of April 2023		Linked (principal and Interest) to the CPI published on May 15, 2023, of April 2023	
The debentures are convertible	No		No		No		No		No		No		No	
The entity is entitled to execute early redemption or enforced conversion of the debentures into other securities, insofar as it exists, and the terms for its exercise	Yes. The full terms are detailed in section 7 of the Deed of Trust		Yes. The full terms are detailed in section 7 of the Deed of Trust		Yes. The full terms are detailed in section 7 of the Deed of Trust		Yes. The full terms are detailed in section 7 of the Deed of Trust		Yes. The full terms are detailed in section 7 of the Deed of Trust		Yes. The full terms are detailed in section 7 of the Deed of Trust		Yes. The full terms are detailed in section 7 of the Deed of Trust	
A guarantee has been provided for payment of the corporation's liability under a deed of trust	No		No		No		No		No		No		No	
Pledged assets	A floating charge has been placed in favor of the Trustee – Hermetic Trust (1975) Ltd.		A floating charge has been placed in favor of the Trustee – Hermetic Trust (1975) Ltd.		A floating charge has been placed in favor of the Trustee – Hermetic Trust (1975) Ltd.		A floating charge has been placed in favor of the Trustee – Hermetic Trust (1975) Ltd.		A floating charge has been placed in favor of the Trustee – Hermetic Trust (1975) Ltd.		A floating charge has been placed in favor of the Trustee – Hermetic Trust (1975) Ltd.		A floating charge has been placed in favor of the Trustee – Hermetic Trust (1975) Ltd.	
Rating / Rating Company	Ma'alot S&P	Midroog	Ma'alot S&P	Midroog	Ma'alot S&P	Midroog	Ma'alot S&P	Midroog	Ma'alot S&P	Midroog	Ma'alot S&P	Midroog	Ma'alot S&P	Midroog
Series rating on date of issue	ilAA	Aa3.il	ilAA	Aa2.il	ilAA	Aa2.il	ilAA+	Aa1.il	ilAA+	Aa1.il	ilAAA	Aa1.il	ilAAA	Aa1.il
Series rating on the statement of financial position date	ilAAA	Aaa.il	ilAAA	Aaa.il	ilAAA	Aaa.il	ilAAA	Aaa.il	ilAAA	Aaa.il	ilAAA	Aaa.il	ilAAA	Aaa.il
Is this debenture series considered material under regulation 10(b)(13) of the Securities Regulations?	Yes		No		Yes		No		Yes		Yes		Yes	

d. Dedicated Disclosure to Debentures Holders (continued)

1. Details of the Bonds of the Corporation (continued)

a) Following are details of debentures issued by the Company, as of December 31, 2025, as required in the eighth addition to the Securities Regulations: (continued)

For details of the final repayment of the Debenture Series 29 after the Statement of Financial Position date, see Note 19c4 to the Financial Statements.

2) Details of trustee for the liabilities - debentures:

Name of trustee company:	Hermetic Trust (1975) Ltd.
Name of responsible person:	Adv. Dan Avnon joint CEO and Merav Oren Ofer, joint CEO
Address:	30, Derech Sheshet Hayamim, Bnei Brak
Telephone:	03-5544553
Fax:	03-5271451
Website:	www.hermetic.co.il

3) Commitment to comply with the Conditions of the Debentures

As on the date of the report, the Company complied with all the conditions and commitments according to the deed of trust for the debentures and there was no cause to place the debentures for immediate repayment. In addition, the Company did not receive any notice from the trustee to the debentures on its failure to comply with the conditions and commitments according to the said deed of trust.

d. Dedicated Disclosure to Debentures Holders (continued)

1. Details of the Bonds of the Corporation (continued)

Following are details regarding the negotiable debentures as of December 31, 2025, issued during the reporting period, as required by the eighth supplement to the Securities Regulations:

1)

Debenture Series	**Series 36**		**Series 37**	
	NIS in millions			
Nominal value on the initial issue date	387		573	
Nominal value	387		573	
Nominal value including linkage to the CPI (in the CPI-linked series)	393		582	
Accumulated interest	2		3	
Stock exchange value (which also constitutes fair value)	410		623	
Initial issue date	May 12, 2025, pursuant to the Company's prospectus dated April 18, 2024		May 12, 2025, pursuant to the Company's prospectus dated April 18, 2024	
Interest Type	Fixed annual interest at a rate of 2.99%		Fixed annual interest at a rate of 3.26%	
Principal Payment Dates	The principal will be repaid in one payment on May 11, 2034		The principal will be repaid in one payment on May 11, 2041	
Interest Payment Dates	On May 11 and November 11 of each year from November 11, 2025 to May 11, 2034		On May 11 and November 11 of each year from November 11, 2025 to May 11, 2041	
Linkage Basis	Linked (principal and interest) to the CPI published on April 15, 2025, for the month of March 2025		Linked (principal and interest) to the CPI published on April 15, 2025, for the month of March 2025	
The debentures are convertible	No		No	
The entity is entitled to execute early redemption or enforced conversion of the debentures into other securities, insofar as it exists, and the terms for its exercise	Yes. The full terms are detailed in Section 7 of the Trust Deed		Yes. The full terms are detailed in Section 7 of the Trust Deed	
A guarantee has been provided for payment of the corporation's liability under a deed of trust	No		No	
Pledged assets	A floating charge has been placed in favor of the Trustee - Hermetic Trust (1975) Ltd.		A floating charge has been placed in favor of the Trustee - Hermetic Trust (1975) Ltd.	
Rating / Rating Company	S&P Maalot	Midroog	S&P Maalot	Midroog
Series rating on date of issue	ilAAA	Aaa.il	ilAAA	Aaa.il
Series rating on the statement of financial position date	ilAAA	Aaa.il	ilAAA	Aaa.il
Is this debenture series considered material under regulation 10(b)(13) of the Securities Regulations	No		No	

For details on the issuance of Debenture Series 36 and 37 during the report period, see Note 19c1a to the Financial Statements.

d. Dedicated Disclosure to Debentures Holders (continued)

1. Details of the Bonds of the Corporation (continued)

Following are details regarding the negotiable debentures as of December 31, 2025, issued during the reporting period, as required by the eighth supplement to the Securities Regulations: (continued)

2) Details regarding the Trustee for the liability certificate - debentures

Name of Trustee:	Hermetic Trust (1975) Ltd.
Person responsible:	Adv. Dan Avnon, Joint CEO and Merav Oren Ofer, Joint CEO
Address:	30 Sheshet HaYamim Rd., Bnei Brak
Tel.:	03-5544553
Fax:	03-5271451
Website:	www.hermetic.co.il

3) Commitment to comply with the Conditions of the Debentures

As of the date of the report, the Company has complied with all terms and obligations pursuant to the Trust Deed of the debentures, and no cause existed for immediate repayment of the Debentures. Furthermore, the Company received no notices from the Trustee of the Debentures regarding any failure to comply with the terms and obligations pursuant to such Deed of Trust as aforesaid.

e. Miscellaneous

1. Environmental Plan, Environmental Hazards and Management thereof

For details of the environmental hazards and their management see Chapter A - Report of the Business Affairs of the Corporation sections 7.12, 8.9, 9.9 and 22.

2. Dividend Distribution and Appropriation of Income

For details on this subject including a letter from the Companies Authority to the Minister of Energy dated March 19, 2025 see Section 4 in Chapter A - Report of the Business Affairs of the Corporation and Note 24 to the Financial Statements.

3. Taxation

See Note 20 to the Financial Statements.

4. Legal Proceedings and Labor Disputes

See Note 34b and 34c to the Financial Statements.

5. Agreements including Agreements Requiring Government Approval

For details of the contractual engagements of the Company including those requiring Government approval see Note 34a to the Financial Statements.

6. Limitations and Supervision on Activities of the Company

See Section 23 in Chapter A - Report of the Business Affairs of the Corporation.

7. Transactions of the Company with Related Parties and Interest Holders, Including Indemnification Letters

See Note 33 to the Financial Statements.

8. Discussion of Risk Factors

See Section 29 in Chapter A - Report of the Business Affairs of the Corporation.

9. The State Comptroller’s Report

For details of the State Comptroller’s report see section 23.5.5 in Chapter A - Report of the Business Affairs of the Corporation.

10. Corporate Sustainability Report ESG

Since 2012, the Electricity Company has been publishing annual sustainability reports (ESG - Environmental, Social, Governance) reflecting the Company’s activity in non-financial fields: Environmental Protection, Social, and Corporate Governance. The ESG reports for 2012-2014 were written according to the International Reporting Standards of the Global Reporting Initiative (GRI) and underwent external review.

During 2015-2018, the Company continued publishing annual sustainability reports in the spirit of the GRI standard.

The 2019 ESG report was written according to disclosure requirements indices from international analysis entities examining the Electric Corporation’s activity according to management criteria and ESG risks and rating the Company annually to ESG ratings for investors.

The 2020-2022 ESG Reports were reported according to an updated standard published by the GRI Organization (GRI Standards)

ESG reports for 2023-2025 are reported in addition to the GRI standard, also in accordance with the Sustainability Accounting Standards Board (SASB) standard.

Due diligence report, which is performed by an external party and in accordance with an international due diligence standard.

Every year, the Sustainability Report is reported to the Government Companies Authority and is published on the Company's website.

The publication of annual Sustainability Reports constitutes part of the Company’s commitment for transparency towards its interested parties.

The Board of Directors and Management wish to express their appreciation to the Company's employees and its managers.

Meir Spigler	Doron Arbely
Chief Executive Officer	Chairman of the Board of Directors

Date of Approval: March 19, 2026

The Israel Electric Corporation Ltd.

Supplement

Additional Report Regarding the Effectiveness of the Internal Control Over Financial Reporting

For the Year Ended
December 31, 2025

Prominent Disclaimer

This English translation of the **"Additional Report Regarding the Effectiveness of the Internal Control Over Financial Reporting"** for the year ended December 31, 2025 ("English Translation") is provided for information purposes only.

In the event of any conflict or inconsistency between the terms of this English Translation and the original version prepared in Hebrew, the Hebrew version shall prevail and holders of the Notes should refer to the Hebrew version for any and all financial information relating to the Company.

The Company, its Directors and its Auditors make no representations as to the accuracy and reliability of the financial information in this English Translation, save that the Company and its Directors represent that reasonable care has been taken to correctly translate and reproduce such information, yet notwithstanding the above, the translation of any technical terms are, in the absence of generally agreed equivalent terms in English, approximations to convey the general sense intended in the Hebrew version.

The Company reserves the right to effect such amendments to this English Translation as may be necessary to remove such conflict or inconsistency.

SECOND ADDENDUM
(REGULATION 2)

A REPORT OF THE BOARD OF DIRECTORS AND THE MANAGEMENT ON THE INTERNAL CONTROLS OVER FINANCIAL REPORTING IN ACCORDANCE WITH GOVERNMENT COMPANIES REGULATIONS (ADDITIONAL REPORT REGARDING THE EFFECTIVENESS OF THE INTERNAL CONTROLS OVER FINANCIAL REPORTING), 2007

The Management, under supervision and upon approval of the Board of Directors of the Israel Electric Corporation Ltd. (hereinafter: the "Company"), is responsible for establishing and maintaining adequate internal controls over financial reporting of the Company. The internal controls over financial reporting is a process designed to provide a reasonable measure of assurance regarding the reliability of the financial report and the preparation of the financial statements for external purposes, in accordance with generally acceptable accounting principles and the directives of the Government Companies Law. Due to its inherent limitations, the internal controls over financial reporting are not intended to provide an absolute assurance that a material misstatement will be prevented or discovered.

The Management and the Board of Directors conducted an assessment of effectiveness of the internal controls over financial reporting of the Company and its efficiency, including its consolidated corporations, based on criteria defined in a control model named the "COSO Model".

Based on this evaluation, the Company's Management and Board of Directors concluded that the internal controls over financial reporting of the Company for the period ended on December 31, 2025, are not effective, due to a material weakness of the internal controls over financial reporting, as detailed below:

The Company did not maintain effective controls to ensure that the rights and benefits according to which payroll and pension payments are made and are included in actuarial obligations, are authorized in conformity with requirements of the Law.

Disclosure concerning the material weakness was first provided in the Report on the Internal Controls Over Financial Reporting, which was attached to the 2009 periodic report.

Correction of the material weakness and actions to ensure reliability of the financial reporting

The Company took actions to reinforce the controls pertaining to this matter and established a procedure, which was approved by the Company's Board of Directors, in 2011, concerning the rights and the benefits according to which payroll and pension payments are made and actuarial obligations are included. The procedure is implemented in practice. In relation to salary rights originating in the past, the Company has received an opinion from its legal counsel and in 2011 has applied to the Wages Commissioner for his approval of the effectiveness of salary rights for which an approval has not yet been issued. In 2024, the Company reapplied to the Wages Commissioner for settling the matter. The Commissioner's comprehensive approval has not yet been received.

On December 11, 2016, a collective agreement was signed, determining, inter alia, restitution with respect to payment of salary components which were defined as irregular by the Commissioner of Wages in 2013, and the arrangement of these components from that day on.

The Company believes that these actions have strengthened the internal control over financial reporting in the matters pertaining to the prospective treatment of the employee salary rights balance from 2011 onwards.

The potential impact of the material weakness described above with regards to financial reporting and disclosure is non-quantifiable.

The Company is working with all relevant parties to remove the material weakness.

The Opinion of the External Auditor

The external auditor of the Company, Somekh Chaikin, who audited the financial statements of the Company for the period ended on December 31, 2025, issued an opinion on the effectiveness of the Company's internal control over financial reporting.

In its opinion, the external auditor referred to the material weakness specified above.

Eyal Hermony Senior Vice-President of Finance and Economics	Mr. Meir Spigler Chief Executive Officer	Doron Arbely Chairman of the Board of Directors

Date of approval of the reports: March 19, 2026

Translated to English from the Hebrew original

Auditors' Report to the Shareholders of The Israel Electric Corporation Ltd in accordance with the Government Companies Regulations (Additional Reports Regarding the Effectiveness of Internal Control over Financial Reporting) – 2007

We have audited internal control over financial reporting of The Israel Electric Corporation Ltd (hereinafter "the Company") as of December 31, 2025 based on criteria determined in the combined framework of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter:- "COSO"). The Company's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the Company's internal control components over financial reporting accompanying the attached Directors' and Management Report on internal control over financial reporting.. Our responsibility is to express an opinion on the Company's internal control components over financial reporting based on our audit.

We did not audit the effectiveness of internal control over financial reporting of a consolidated subsidiary whose asssets and income included in consolidation represent less than 1% and 0% respectively of the relevant amounts in the consolidated financial statements as at December 31,2025 and for the year then ended.The effectiveness of internal control over financial reporting of that company were audited by other auditors whose reports were presented to us and our opinion, inasfar as it relates to the effectiveness of internal control over financial reporting, is based on the reports of the other auditors.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (PCAOB) in the United States in respect of audit of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. These standards requires us to plan and perform the audit to obtain reasonable assurance about whether, in all material respects, effective internal control was maintained over financial reporting. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists in the audited control components, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

Internal control over financial reporting of a government company is a process designed to provide a reasonable measure of assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS),the instructions of the Government Companies Authority.and the instructions of the Securities Regulations (Annual Financial Statements) – 2010. Internal control over financial reporting of a government company includes those policies and procedures which: (1) relate to the management of recording which, with reasonable detail, accurately and adequately reflect

the transactions and transfers of Company assets (including removing them from its authority); (2) provide a reasonable level of assurance that transactions are recorded as required in order to allow for preparation of financial statements in accordance with IFRS, instructions of the Government Companies Authority and the instructions of the Securities Regulations – (2010) and that the receipt and payment of Company funds are only effected in accordance with authorizations of the Company's Board of Directors and Management and subject to the permissions of the required State authorities according to law ; and (3) provide a reasonable level of assurance regarding prevention or timely disclosure of unauthorized acquisition, use or transfer (including removal from authority) of Company assets, which may have a significant effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any current evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a defect, or combination of defects, in the internal control over financial reporting, which is of such a severity that a reasonable possibility exists that a material misstatement in the annual or quarterly financial statements will not be prevented or discovered in a timely manner.

The following material weakness was identified and included in the evaluation of the Board of Directors and Management:

The Company did not maintain effective control over the fact that rights and benefits, according to which salaries and pensions are paid and in which respect actuarial liabilities are included, are authorized in accordance with law.

This material weakness was taken into account in determining the materiality, timing and scope of the auditing procedures applied in our audit of the Company's financial statements as of December 31, 2025 and for the year ended on that date, and this report does not affect our report on the said financial statements.

In our opinion, based on our audit and the reports of the other auditors, due to the effect of the material weakness identified above on the achievement of the control criteria objectives, the Company did not maintain effective internal control over financial reporting as of December 31, 2025, based on the criteria determined in the combined framework of internal control as published by COSO.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company’s consolidated financial statements as of December 31, 2025 and for the year ended on that date and our report dated March 19, 2026 included an opinion without change from the standard opinion on these financial stetements and drew attention in respect of claims and contingent liabilities where it was unable to estimate their chances of success.

Somekh Chaikin
Certified Public Accountants (Isr.)

March 19, 2026

The Israel Electric Corporation Ltd.

Chapter C

Consolidated Annual Financial Statements

For the Year Ended
December 31, 2025

Prominent Disclaimer

This English translation of the **"Consolidated Annual Financial Statements"** for the year ended December 31, 2025 ("English Translation") is provided for information purposes only.

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Translated to English from the Hebrew original

Independent Auditors' Report to the Shareholders of The Israel Electric Corporation Ltd

Opinion

We have audited the accompanying consolidated financial statements of The Israel Electric Corporation Ltd (hereinafter - "the Company") which comprise the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of profit or loss, comprehensive income or loss, changes in equity and cash flows for the year ended on the same date, and notes to the consolidated financial statements, including material accounting policies.

We have not audited the financial statements of a consolidated company whose assets included in the consolidated statement of financial position represent approximately 1% of total consolidated assets as at December 31, 2025 , and whose revenues included in the consolidated statement of profit and loss and other comprehensive income represent approximately 0% of total consolidated revenues for the year ended on December 31, 2025.

The financial statements of this company were audited by other auditors whose reports were furnished to us and our opinion, insofar as it relates to amounts included in respect of that company, is based on the reports of the other auditors.

In our opinion, based on our audit and the reports of other auditors, the attached consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2025 , and the consolidated results of their operations, and their cash flows for the year ended on the same date in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Basis for our opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance), 1973. Our responsibilities under these standards are further described in the Auditors Responsibilities for the audit of consolidated financial statements section of our report. We are independent of the Companyand its consolidate subsidiaries in accordance with the applicable legal provisions in Israel regarding independence and conflict of interest of auditors. Additionally , we have fulfilled our other ethical responsibilities in accordance with the Auditors Law, 1955 and the regulations thereunder. We believe that the audit evidence we have obtained , including the report of other auditors is appropriate and sufficient to provide a basis for our opinion.

Emphasis of Matter in respect of claims and contingencies whose chances cannot be assessed

We would draw attention to that mentioned in Notes 34b and 1g in the financial statements regarding class actions, requests to recognize class actions, contingencies related to environmental laws and significant other claims submitted against the Company, the possible chances of success or expected effects of which on the Company's financial position and results cannot be estimated. Our opinion does not include any change from the standard format in respect of this matter.

Key Audit Matters

The key audit matters detailed below are those matters which were communicated, or should have been communicated, to the Company's Board of Directors and which, in our professional opinion, were particularly significant in the audit of the consolidated financial statements for the current period. These matters included, among others, any matter which: (1) relates, or may relate, to items or significant disclosures in the consolidated financial statements and (2) our discretion in its respect was challenging, subjective or particularly complex. These matters were addressed as part of our audit and were included in the formation of our audit opinion on the consolidated financial statements. The communication of these matters below does not alter our opinion on the consolidated financial statements in general and we do not provide a separate opinion on these matters or the disclosures which relate to them.

Evaluation of the pension obligations and other post employment benefits

As detailed in the Company's note on accounting policy and Note 11 to the Company's consolidated financial statements, the Company has defined benefit plan pension obligations in the sum of NIS 28,376 million and other post employment benefit obligations in the sum of NIS 5,536 million as at December 31, 2025. The Company management estimates the actuarial obligation in accordance with the instructions of IAS-19 using an external independent actuary. The actuarial valuation requires management to carry out complex calculations and make actuarial assumptions, the most significant of which are the rate of capitalization and the real rate of salary increases in respect of general salary agreements ("rate of increase in real salaries").

We identified the evaluation of the pension obligation and other post employment benefits as a key audit matter as examination of the calculations and significant actuarial estimates used by management required us to use significant discretion and use of our office's actuarial department experts and an external independent actuary.

The primary audit procedures we performed to address this key audit matter are as follows:

- We identified and examined the design, application and effectiveness of key controls relating to the calculation of the actuarial calculation including the significant actuarial assumptions used by the Company with the assistance of the Company's external actuary and a verifying actuary on its behalf.
- We were assisted by an expert from the actuarial department of our office and an independent external actuary in order to examine the significant actuarial calculations and assumptions used in the calculation of actuarial obligations, including:
    - The adequacy of weighted real discount rate used by the Company through an independent calculation while, inter alia, using weighted real discount vectors in reliance on accepted data bases in carrying out actuarial valuations in accordance with IAS19.
    - Management assumption in respect of the rate of real salary increase based on examination of salary research carried out by the Company actuary including examination of reasonability of assumptions used in this research based on salary agreement (framework) signed in the public sector whose instructions will apply to the Company, with necessary changes, and examination of the reasonability of real salary increases from 2028 onwards based on the aforementioned agreement and prior experience.
    - Completeness of salary components and pension benefits and post employment benefits in Company calculations as compared to Company employment agreements.
    - Completeness and accuracy of data bases used by the Company in calculating pension and other post employment benefits.
    - Results of the independent actuarial valuation of the external actuary who assisted the audit team as compared to the valuation of the Company's actuary.
    - Analysis of the losses/profits from the remeasurements recorded during the period to locate unexplained differences.
- We examined the adequacy of the disclosure given in the note on accounting policies and in Note 11 in respect of the detailed actuarial valuation of the Company's actuary which was attached to the Company's periodic report for 2025 and in comparison to the disclosure requirements in accordance with standard IAS-19.

Valuation of balances of regulatory deferral accounts

As detailed in the Company's accounting policies note and Note 14 to the Consolidated Financial Statements of the Company, the Company has debit balances of regulatory deferral accounts in the sum of NIS 11,468 million and credit balances of regulatory deferral accounts in the sum of NIS 1,263 million as at December 31, 2025.

The Company operates in accordance with the Electricity Sector Law -1996 and its related amendments, and the electricity rates and the method of their update are determined by the Electricity Authority (hereinafter – "the Authority") , for further details see Note 3 to the Financial Statements.

As mentioned in Note 14a to the Financial Statements, as from January 1, 2014, (the date of transition to IFRS), the Company implements the instructions of IFRS 14, which means the continuation of implementation of the existing practice in the matter of recognition of regulatory deferral accounts. In its Financial Statements, the Company recognizes, in regulatory deferral accounts, amounts which are materially comparable to regulatory assets and liabilities which existed in the Company's books prior to the Company's transition to reporting according to IFRS, as detailed in Notes 2, 3 and 14 to the 2025 Financial Statements.

We identified the valuation of the balances of regulatory deferral accounts as a key audit matter, due to the complexity of the calculations and the significant discretion required from management in determining the recognition of regulatory assets and liabilities, including examination of the reasonability of the recognition level of balances of regulatory deferral accounts (which exceed the level of approximately 70%), assumptions regarding similar decisions given in the past and proposed decisions for hearing. and future decisions of the Authority.

Audit of these calculations and assumptions requires knowledge and understanding in the sector of regulatory rates in respect of the Company.

The primary audit procedures we performed to address this key audit matter are as follows:

- We identified and examined the design, implementation and effectiveness of key controls relating to the calculation of the regulatory deferral account balances, principally in all that relates to critical assumptions and estimates used by management.
- We examined the decisions and proposed decisions for hearing which were published by the Authority until the date of approval of the Financial Statements and appraised the effect of the calculations, critical assumptions and estimates used by the management in determining the asset and liability balances of regulatory deferral accounts.
- In instances where no Authority decision has yet been published, we received evidence from the Company's department of income and rates such as : correspondence with the Authority, protocols of discussions held by the Company with the Authority, Authority decisions which were published for hearing and Authority decisions given in the past in similar matters, opinions given by the legal counsel of the Company, as relevant, with the objective of appraising the reasonability of the critical assumptions and estimates used by management in determining the asset and liability balances of regulatory assets and liabilities, in respect of which Authority decisions have not yet been published.
- We examined the completeness and accuracy of the Company's calculations of regulatory assets and liabilities, in accordance with applicable Authority decisions, and for those instances where Authority decisions have yet to be published, in accordance with assumptions and estimates as detailed above.

We examined the adequacy of disclosure given in Note 14, in accordance with the requirements of IFRS 14.

Responsibilities of Board of Directors and Management for the Consolidated Financial Statements

The board of directors and management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, the instructions of Government Companies Authority and with the provisions of the Securities Regulations (Annual Financial Statements) 2010, and they are responsible for such internal control as the board of directors and management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors and management are responsible for assessing the Company's ability to continue as a going concern, to disclose this, as required, for matters related to a going concern and the use of the going concern basis of accounting, unless the board of directors and management either intend to liquidate the Company or to cease Company operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In the audit undertaken, including the reliance on the work of other auditors, in accordance with generally accepted auditing standards in Israel, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control .

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and management.

- Conclude on the appropriateness of the use by the board of directors and management of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial preparation of the consolidated financial statements, including examining that the accounting principles applied in the financial statements audited by other auditors are consistent with the principles applied by the Company/Partnership, that the reporting principles used in the preparation of the financial statements audited by other auditors are consistent with laws and mandatory guidance applicable to the Company, and that all the data required for consolidation have been appropriately reflected in the consolidated financial statements.

We communicate with the board of directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the safeguards applied to eliminate identified threats to our independence.

From the matters communicated or required to be communicated to the board of directors and management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

Reference paragraph

We also audited, in accordance with the standards of the PCAOB in the United States in respects of the audit of internal control over financial reporting, as adopted by the Institute of Certifiede Public accountants in Israel, the internal control over the Company's financial statements as of December 31, 2025, based on the criteria determined in the combined framework on interenal control published by COSO, and our report, dated March 19, 2026 included a qualified opinion on the effective maintenance of unternal control over financial reporting of the Company due to the existence of a material weakness.

The engagement partner on the audit resulting in this independent auditors' report is Yaniv Mor.

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, March 19, 2026

Translated to English from the Hebrew original

The Board of Directors

Israel Electric Corporation Ltd (**"the Company"**)

1 Netiv Haor, Haifa

Dear Sirs,

Re: Consent letter in respect of a shelf prospectus of Israel Electric Corporation from April 2024

We hereby inform you that we consent to the inclusion (including by way of reference) of our reports detailed below in the shelf prospectus to be published by the Company insofar as this will be published in respect of the shelf prospectus from April 2024.

1. The Report of the Auditors dated March 19, 2026 on the consolidated financial statements of the Company as at December 31, 2025 and for the year ended December 31, 2025.
2. The Report of the Auditors dated March 19, 2026 in accordance with the Government Companies Regulations (Additional Reports Regarding the Effectiveness of Internal control over Financial Reporting) – 2007 as at December 31, 2025.

Yours truly

Somekh Chaikin

Haifa, March 19, 2026

ADDENDUM
(REGULATION 2)
ADDITIONAL REPORT

IN ACCORDANCE WITH GOVERNMENT COMPANIES REGULATIONS
(ADDITIONAL REPORT REGARDING ACTIONS TAKEN AND REPRESENTATIONS MADE TO ENSURE THE ACCURACY OF THE FINANCIAL STATEMENTS, AND THE REPORT OF THE BOARD OF DIRECTORS), – 2005

I, Eyal Hermony, certify that:

1. I have reviewed the Periodic Report within the meaning of Chapter B of the Securities Regulations (Periodic and Immediate Reports) – 1970 of The Israel Electric Corporation Limited ("the Company" or the "Electric Corporation") for the year ended December 31, 2025 ("the reports").

2. To the best of my knowledge and after reviewing the reports, they do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the reports.

3. To the best of my knowledge and after reviewing the reports, the Financial Statements and other financial information included in the Directors' Report fairly present, in all material respects, the financial condition, results of operations, changes in equity and cash flows of the Company as of, and for, the periods presented in the reports.

4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the Company. Accordingly, we have designed such disclosure controls and procedures, or had established under our charge such disclosure controls and procedures, designed to ensure that material information relating to the Company including its subsidiary corporations, is made known to us by others in the Company and in those corporations, particularly during the period in which the reports were prepared.

5. The Company's other certifying officers and I have disclosed to the Company's auditors and to the Company's Board of Directors, based on our most recent evaluation:

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information.

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Eyal Hermony
Senior Vice-President of Finance and Economics

March 19, 2026

ADDENDUM
(REGULATION 2)
ADDITIONAL REPORT

IN ACCORDANCE WITH GOVERNMENT COMPANIES REGULATIONS
(ADDITIONAL REPORT REGARDING ACTIONS TAKEN AND REPRESENTATIONS MADE TO ENSURE THE ACCURACY OF THE FINANCIAL STATEMENTS, AND THE REPORT OF THE BOARD OF DIRECTORS), – 2005

I, Meir Spigler, certify that:

1. I have reviewed the Periodic Report within the meaning of Chapter B of the Securities Regulations (Periodic and Immediate Reports) – 1970 of The Israel Electric Corporation Limited ("the Company" or the "Electric Corporation") for the year ended December 31, 2025 ("the reports").

2. To the best of my knowledge and after reviewing the reports, they do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the reports.

3. To the best of my knowledge and after reviewing the reports, the Financial Statements and other financial information included in the Directors' Report fairly present, in all material respects, the financial condition, results of operations, changes in equity and cash flows of the Company as of, and for, the periods presented in the reports.

4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the Company. Accordingly, we have designed such disclosure controls and procedures, or had established under our charge such disclosure controls and procedures, designed to ensure that material information relating to the Company including its subsidiary corporations, is made known to us by others in the Company and in those corporations, particularly during the period in which the reports were prepared.

5. The Company's other certifying officers and I have disclosed to the Company's auditors and to the Company's Board of Directors, based on our most recent evaluation:

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information.

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Meir Spigler
Chief Executive Officer

March 19, 2026

ADDENDUM
(REGULATION 2)
ADDITIONAL REPORT

IN ACCORDANCE WITH GOVERNMENT COMPANIES REGULATIONS
(ADDITIONAL REPORT REGARDING ACTIONS TAKEN AND REPRESENTATIONS MADE TO ENSURE THE ACCURACY OF THE FINANCIAL STATEMENTS, AND THE REPORT OF THE BOARD OF DIRECTORS), – 2005

I, Doron Arbely, certify that:

1. I have reviewed the Periodic Report within the meaning of Chapter B of the Securities Regulations (Periodic and Immediate Reports) – 1970 of The Israel Electric Corporation Limited ("the Company" or the "Electric Corporation") for the year ended December 31, 2025 ("the reports").

2. To the best of my knowledge and after reviewing the reports, they do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the reports.

3. To the best of my knowledge and after reviewing the reports, the Financial Statements and other financial information included in the Directors' Report fairly present, in all material respects, the financial condition, results of operations, changes in equity and cash flows of the Company as of, and for, the periods presented in the reports.

4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the Company. Accordingly, we have designed such disclosure controls and procedures, or had established under our charge such disclosure controls and procedures, designed to ensure that material information relating to the Company including its subsidiary corporations, is made known to us by others in the Company and in those corporations, particularly during the period in which the reports were prepared.

5. The Company's other certifying officers and I have disclosed to the Company's auditors and to the Company's Board of Directors, based on our most recent evaluation:

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information.

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Doron Arbely
Chairman of the Board of Directors

March 19, 2026

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(NEW ISRAELI SHEKELS, IN MILLIONS)

	Note	As of December 31, 2025	2024
CURRENT ASSETS			
Cash and cash equivalents	4	2,383	2,157
Short term investments	5	419	3,539
Trade receivables for sales of electricity	6	4,869	5,157
Other current assets	7	2,198	863
Inventory - fuel	8	274	1,399
Inventory - stores		109	167
Total current assets		10,252	13,282
NON-CURRENT ASSETS			
Inventory - fuel	8	2,932	1,944
Long-term receivables	9	1,387	1,451
Investment in associates	10g	-	15
Assets with respect to benefits after employment termination:	11		
Excess pension plan assets over pension liability		11,433	11,905
Funds in trust		1,030	1,057
		12,463	12,962
Fixed assets, net:	12		
Fixed assets in use, net		57,600	52,263
Fixed assets under construction		9,366	11,345
		66,966	63,608
Intangible assets, net	13	1,325	1,219
Total non-current assets		85,073	81,199
Total assets		95,325	94,481
Debit balances of regulatory deferral accounts	14	11,468	10,168
Total assets and debit balance of regulatory deferral accounts		**106,793**	**104,649**

The accompanying notes are an integral part of the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(NEW ISRAELI SHEKELS, IN MILLIONS)

	Note	As of December 31, 2025	As of December 31, 2024
CURRENT LIABILITIES			
Credit from banks and other credit providers	15	2,687	4,046
Trade payables		2,923	3,184
Other current liabilities	16	1,317	1,329
Current tax liabilities	20	511	744
Customer advances, net of work in progress	17	1,289	1,199
Provisions	18	825	739
Total current liabilities		9,552	11,241
NON-CURRENT LIABILITIES			
Debentures	19	32,051	33,989
Liabilities to banks	19	3,010	1,134
Liabilities with respect to other benefits after employment termination	11	4,396	4,728
Deferred taxes, net	20	9,139	8,448
Liability to the State of Israel	19	1,971	1,981
Lease liabilities	21	505	740
Other liabilities	19	477	491
Total non-current liabilities		51,549	51,511
Total liabilities		61,101	62,752
EQUITY			
Share capital	22	908	908
Capital reserves	23	805	785
Capital remeasurement reserve	23	116	(73)
Retained earnings	24	41,440	36,677
Total equity		43,269	38,297
Total liabilities and equity		104,370	101,049
Credit balances of regulatory deferral accounts and deferred taxes with respect to regulatory deferral accounts	14	2,423	3,600
Total liabilities, equity and credit balance of regulatory deferral accounts		**106,793**	**104,649**

The accompanying notes are an integral part of the Financial Statements.

Mr. Eyal Hermony Senior Vice-President of Finance and Economics	Mr. Meir Spigler Chief Executive Officer	Mr. Doron Arbely Chairman of the Board of Directors

Date of approval of the Financial Statements: March 19, 2026

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME
(NEW ISRAELI SHEKELS, IN MILLIONS)

	Note	For the Year ended December 31		
		2025	2024	2023
Consolidated Statements of Profit (Loss):				
Revenues	26	26,745	26,184	24,686
Cost of operating the electricity system:	27			
Fuels		5,632	6,302	7,489
Purchases of electricity	35	8,777	9,840	6,860
Operation of the generation system		3,361	3,549	3,600
Operation of the transmission and distribution system and others		3,231	3,134	3,031
		21,001	22,825	20,980
Profit from operating the electricity system		5,744	3,359	3,706
Other revenues, net	28	(576)	(6,857)	(189)
Sales and marketing expenses	29	959	913	853
Administrative and general expenses	30	864	898	1,086
Income from liabilities to pensioners	11n	(252)	(341)	(303)
Reform agreement and other agreements results	11f	149	788	227
		1,144	(4,599)	1,674
Profit from current operations		4,600	7,958	2,032
Financial expenses		1,493	1,907	1,462
Financial income		(610)	(566)	(321)
Financial expenses, net	32	883	1,341	1,141
Profit before income taxes		3,717	6,617	891
Income Tax expenses	20	894	1,601	179
Profit after income tax		2,823	5,016	712
Company's share of the profits (losses) of associated companies	10g	(15)	(6)	8
Profit before regulatory deferral accounts		2,808	5,010	720
Movement in regulatory deferral accounts balances, net of tax	14	1,955	(1,649)	1,515
Profit for the year		**4,763**	**3,361**	**2,235**
Consolidated Statements of Other Comprehensive Income (Loss):				
Amounts that will be attributed in the future to the Statement of Profit (Loss):				
Profit (loss) with respect to cash flow hedging, net of tax	25i	20	(52)	93
Amounts that will not be attributed in the future to the Statement of Profit (Loss):				
Remeasurement of a defined benefit plan, net of tax	11l	156	(437)	1,030
Movement in regulatory deferral accounts balances, net of tax	14	33	(45)	(59)
		189	(482)	971
Other comprehensive income (loss) for the year, net of tax		**209**	**(534)**	**1,064**
Comprehensive income for the year		**4,972**	**2,827**	**3,299**

The accompanying notes are an integral part of the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(NEW ISRAELI SHEKELS, IN MILLIONS)

	Paid-up share capital	Capital reserves	Capital remeasurement reserves	Retained earnings	Total
	In NIS millions				
Balance as of January 1, 2023	**908**	**744**	**(562)**	**31,081**	**32,171**
Profit for the year	-	-	-	2,235	2,235
Other comprehensive income for the year, net of tax	-	93	971	-	1,064
Balance as of December 31, 2023	**908**	**837**	**409**	**33,316**	**35,470**
Profit for the year	-	-	-	3,361	3,361
Other comprehensive loss for the year, net of tax	-	(52)	(482)	-	(534)
Balance as of December 31, 2024	**908**	**785**	**(73)**	**36,677**	**38,297**
Profit for the year	-	-	-	4,763	4,763
Other comprehensive income for the year, net of tax	-	20	189	-	209
Balance as of December 31, 2025	**908**	**805**	**116**	**41,440**	**43,269**

For details regarding assignment of profits and the dividend distribution policy see Note 24 below.

The accompanying notes are an integral part of the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOW
(NEW ISRAELI SHEKELS, IN MILLIONS)

	For the Year ended December 31		
	2025	**2024**	**2023**
Cash flow from operating activities:			
Profit before regulatory deferral accounts according to the Statement of Profit and Loss	2,808	5,010	720
Adjustments required to present cash flow from operating activities – Annex A	4,218	1,402	3,543
Net cash provided by operating activities	**7,026**	**6,412**	**4,263**
Cash flow for investing activities:			
Investment in fixed assets and intangible assets	(7,524)	(6,984)	(6,416)
Proceeds from sale of fixed assets	472	8,812	234
Long term receivables, net	(7)	13	70
Repayment (investment) in Exchange Traded Funds, net	3,177	(3,393)	-
interest received (See Note 6c2)	433	-	-
Taxes paid for investing activity	(35)	(538)	-
Repayment of bank deposits, net	-	100	289
Net cash, used in investing activities	**(3,484)**	**(1,990)**	**(5,823)**
Cash flow for financing activities:			
Issuance of long-term debentures	949	3,389	5,583
Other long-term loans received	1,500	-	1,000
Repayment of long-term debentures	(1,913)	(5,408)	(3,754)
Repayment of long-term loans and liabilities to the State of Israel	(1,664)	(1,208)	(198)
Payment from settlement of derivatives, net	(198)	(922)	(570)
Repayment (depositing) deposits to secure swap transactions, net	(587)	165	256
Changes in short-term credit from banks, net	(193)	117	(522)
Repayment of lease liabilities	(172)	(175)	(150)
Interest and commissions paid, net	(1,001)	(850)	(1,085)
Net cash, derived from (used in) financing activities	**(3,279)**	**(4,892)**	**560**
Increase (decrease) in cash and cash equivalents	263	(470)	(1,000)
Impact of exchange rate fluctuations on balances of cash and cash equivalents	(37)	(24)	(3)
Balance of cash and cash equivalents at the beginning of the year	**2,157**	**2,651**	**3,654**
Balance of cash and cash equivalents at the end of the year	**2,383**	**2,157**	**2,651**

The accompanying notes are an integral part of the Financial Statements.

ANNEX A - ADJUSTMENTS REQUIRED TO PRESENT CASH FLOW FROM OPERATING ACTIVITIES

	Note	For the Year ended December 31		
		2025	2024	2023
Income and expenses not affecting cash flow:				
Company's share in losses (profits) of associates	10	15	6	(8)
Depreciation and amortization and changes in impairment		4,141	4,358	4,274
Income tax expenses (income)	20	894	1,601	179
Change in liabilities with respect to employee benefits, net		(237)	328	(114)
Financing expenses, net recognized in Statement of Profit and Loss	32	883	1,341	1,141
Other income and profit on disposal and sale of fixed assets and others	28	(523)	(6,776)	(110)
		5,173	**858**	**5,362**
Changes in assets and liabilities:				
Change in trade receivables		288	325	(780)
Change in other current assets including long-term receivables)		47	386	105
Change in inventory (including noncurrent inventory)		195	(185)	506
Deposits in funds and payments not from funds		(772)	(735)	(1,203)
Change in customer advances for work ordered, net of work in progress		218	508	(14)
Change in trade payables (including long term)		(240)	223	(738)
Change in other current liabilities (including those presented in long-term)		334	42	323
		70	**564**	**(1,801)**
Taxes on income, which have been paid		(1,025)	(20)	(18)
		4,218	**1,402**	**3,543**

The accompanying notes are an integral part of the Financial Statements.

NOTE 1:- GENERAL

a. Company Activities

1. The Israel Electric Corporation Limited (hereinafter: "The Company"), pursuant to licenses granted to the Company by the State of Israel, engages in the generation, transmission and storage, distribution and supply of electricity. The Company is classified as an Essential Service Provider in relation to generation, transmission, distribution and supply.

2. The Company was declared a monopoly by the General Director of Competition (formerly the General Director of the Israel Antitrust Authority) and the directives of the Economic Competition Law – 1988 (hereinafter: "Economic Competition Law") apply to the Company.

3. The Company is a Government Company (the State of Israel holds approximately 99.85% of its share capital) and it is subject to the provisions of the Government Companies Law – 1975 (hereinafter: "Government Companies Law") (see section d below).
   The Company is also a Public Company as defined by the Companies Law – 1999 (hereinafter: "Companies Law") and a Reporting Corporation, as defined by the Securities Law – 1968 (hereinafter: the "Securities Law").

b. Definitions

Interested Parties	–	As "Interested Party" is defined in Section 1 of the Securities Law, 1968.
Related Parties	–	As defined under International Accounting Standard 24.
Dollar/USD	–	US Dollar.
Subsidiary Companies	–	Company either directly or indirectly controlled (as defined under IFRS 10) by the Company and whose financial reports are fully consolidated with those of the Company.
Held Companies	–	Subsidiary companies and investee companies.
Associate Companies	–	Companies in which the Company has material influence.
The Group	–	The Company and its Subsidiary Companies.
Total Electricity Consumers	–	All the electricity consumers in Israel that are customers of the Company and that are customers of private producers.
Minister of Energy	–	The Minister of Energy and Infrastructure
The Companies Authority	–	The Government Companies Authority.
The Authority		The Electricity Authority
Netiv Ha'Or, The Generation Subsidiary	–	Netiv Ha'Or – Orot Rabin Ltd
Noga	–	Noga – Independent System Operator Ltd

NOTE 1:- GENERAL (continued)

c. Regulation and Statutory Provisions Applicable to the Company

1. The Company's operation is greatly affected by the regulations applying to it, including the provisions of the Electricity Sector Law and the regulations thereunder, according to which it is granted licenses for its activities, government policy and decisions (including decisions of the Ministry of Energy, the Ministry of Environmental Protection and the Ministry of Finance), criteria (as published from time to time in the Official Gazette), and decisions of the Electricity Authority (including with regard to the electricity rate which is determined by the Electricity Authority and collected from the Company's customers), the provisions of the Companies Law and its regulations (inter alia, regarding the Company's conduct as a public company), the provisions of the Government Companies Law and the regulations thereunder and the decisions of the Government Companies Authority (hereinafter: the "Companies Authority") (inter alia, regarding the Company's conduct as a government company), the manner of decision making by its organs, the appointment of directors and special officers, etc.), the provisions of the Natural Gas Sector Law, 2002 (hereafter: the "Gas Sector Law"") and the decisions of the Natural Gas Authority (hereinafter: the "Gas Authority"), the provisions of the Economic Competition Law, and the decisions of the Competition Authority and the General Director of the Competition Authority (by virtue of the Company being a monopoly or by virtue of its entering into agreements requiring the receipt of approval from the Competition Authority), the provisions of the Budget Foundations Law, 1985 (hereinafter: the "Budget Foundations Law") (the Company is a "budgeted entity" as it is defined in the said law), the provisions of the Securities Law and the regulations thereunder and the guidelines of the Securities Authority (by virtue of the Company being a reporting corporation and a public company, as these terms are defined in the Companies Law), the provisions of the Law to Promote Competition and Reduce Centralization, 2013 (hereinafter: the "Law of Centralization") and the regulations pertaining to business licensing, planning and construction and the quality of the environment.

2. The Electricity Sector Law

From March 4, 1996, the activity of the Electricity Sector is regulated under the Electricity Sector Law, 1996 (hereinafter: the "Electricity Sector Law") and the regulations thereunder, and the Company operates accordingly. The provisions of the Electricity Sector Law state that its purpose is to regulate the activity in the electricity sector for the benefit of the public, while securing reliability, availability, quality, efficiency and energy efficiency, and while creating conditions for competition and minimization of costs. On July 19, 2018, the Knesset approved the Electricity Sector Law (Amendment no. 16 and Temporary Provision) 2018, regulating the reform in the Electricity Sector (hereinafter in this Note: the "Amendment to the Law").

For further details regarding the Amendment to the Law see section e below.

NOTE 1:- GENERAL (continued)

d. Decisions of the Government Regarding the Electricity Sector and Activities of the Company

Over the years, Israeli Governments have made decisions that concern the electricity sector. Some of the decisions have not yet been implemented due to various considerations. The main subjects affected by material decisions of the Government are as follows:

1. National Outline Plan - Tel Aviv Reading power station
In 2016, the government approved the (partial) National Outline Plan NOP 10\a\3 applicable to the generation units existing on the site.

This plan determined, inter alia, termination of operation of the existing units by January 1, 2021, stages of discontinued operation of certain sites, transitional positions, and more.

The approval of the NOP imposes material economic costs on the Company, inter alia:

- Financial expenses regarding, inter alia, alternative construction, clearing and obligation to execute building conservation.
- Land value impairment and land expropriation; it is not known if the Company will be compensated in this respect.
- Additional environmental costs.

On May 25, 2023, the Government approved the (partial) National Outline Plan 10/A/3/3, which, under certain conditions, extends the date for operating the station until 2030 and even until 2032.

The Company included appropriate provisions in its financial statements with respect to the site's evacuation and restoration.
For more details on the subject of the future operations of the power station, see section e9 below.

2. Reform of the electricity sector

On June 3, 2018, the Government approved Resolution no. 3859 regarding "The Reform in the Electricity Sector, Structural Change in the Electric Company", and on June 10, 2018, the text of the resolution was published. Following this resolution, on September 3, 2019, Government Resolution No. 4682 was approved which deals with the approval for the Company to establish a Government Subsidiary - wholly owned by the Company. For additional details regarding the Reform in the Electricity Sector and the generation subsidiary, see Section e9 below.

3. The Communications company

On March 6, 2011, the Israel Government published Resolution no. 2949, allowing the Company to establish, along with another entity, a company that will use the fixed communications infrastructure installed on the electricity grid and operate it for the purpose of providing telecommunications services (hereinafter: the "Communications Company") and to enable the Company to hold shares and means of control in the communications company, this in the terms specified in the decision. For additional details see Note 10e below.

4. Government Policy on Energy Generation from Renewable Sources and Reduction of Greenhouse Gas Emissions

On October 25, 2020, Government Resolution no. 465 was published concerning the advancement of renewable energy in the electricity sector, under which the goal for renewable energy electricity generation was updated to a rate of 30% of all electricity consumption in 2030, and the intermediate goal was updated to stand at 20% by December 31, 2025. This Resolution was adopted following the Minister of Energy's decision of July 29, 2020 regarding the phasing out of coal use in the generation segment of the electricity sector by 2026.

On July 25, 2021, Government Resolution no. 171 was published regarding the transition to a low-carbon economy in order to comply with Israel's undertaking, pursuant to Government Resolution no. 2041 regarding the approval of the Paris Agreement on international response to climate change as of November 14, 2016, to submit to the climate treaty secretariat an updated national goal for the reduction of greenhouse gas emissions as of 2030, and in addition to act to transition Israel to a low-carbon economy by 2050. This Resolution includes, inter alia, an update of the national goal for the reduction of greenhouse gases of approximately 30% as of 2030, setting a national goal for 2050, according to which the annual amount of greenhouse gas emissions in 2050 will be reduced by at least 85% of the annual amount measured in 2015 and setting sectorial goals for the reduction of greenhouse gas emissions and creating efficiency in the market's energy consumption.

NOTE 1:- GENERAL (continued)

d. Decisions of the Government Regarding the Electricity Sector and Activities of the Company (continued)

4. Government Policy on Energy Generation from Renewable Sources and Reduction of Greenhouse Gas Emissions (continued)

The Company monitors the Government decisions on this issue including regarding all that concerns the pricing of greenhouse gas emissions and the amendment to the Order of Excise on Fuel (Imposition of excise), 2004 as well as the Order of Custom and Exemption Rate and Purchase Tax on Goods, 2017.

On March 14, 2022, the Government approved an update to the national plan for prevention and reduction of air pollution in Israel, in order to meet the national goals approved by the Government Resolution no. 171 as aforesaid.

For further details regarding the reduction of the use of coal, the future of units 1-4 at Orot Rabin site and the Company's activities to convert coal fired units to gas see section g below.

e. Structural Change

On May 17, 2018, the Minister of Energy published policy principles regarding structural changes in the electricity sector and the Company (hereinafter: the "Principles of the Minister's Policy"). On June 3, 2018, Government Resolution no. 3859 was adopted on the Reform in the Electricity Sector and Structural Change in the Company and the Amendment of the Government Resolution (hereinafter: the "Government Resolution regarding the Reform", or the "Government Resolution") and on July 26, 2018, the Knesset approved the Electricity Sector Law (Amendment no. 16 and Temporary Provision) 2018, (hereinafter: the "Amendment to the Law" or the "Amendment to the Electricity Sector Law").

The Structural Change Outline, the Government Resolution regarding the Reform, the Amendment to the Electricity Sector Law, the Principles of the Minister's Policy under his authority pursuant to Section 57a of the Electricity Sector Law, and the main commitments of the Company as adopted in the Board of Directors' decision, will be hereinafter together named the "Structural Change".

For decisions of the Electricity Sector regarding sale of power stations by the Company see Note 3k3 and regarding the Company's Take or Pay (hereinafter "TOP") liability see Note 34a1b below.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

The following is a description of the main points of the Structural Change Outline as specified in sections 1-8 below:

1. Production segment

The Company shall reduce its operations in the production segments, as follows:

a) Sale of sites

Within a period of approximately five years and as detailed in the table below, the Company will sell, in a competitive process, existing gas-operated generation sites to third parties, including the infrastructures and land of each site (hereinafter together: the "Sold Generation Sites"), as follows:

Site Name	Installed Capacity (MW)*	Date of transfer of possession
Alon Tavor	583	December 3, 2019
Ramat Hovav	1,137	December 3, 2020
Reading		June 3, 2021 ** (not transferred)
Hagit (The part of the site which includes a type E combined cycle area)	660	June 3, 2022
Eshkol	1,683	June 3, 2023

* The installed capacities are as stated in the Company's licenses

** See Section 9 below.

Area D - Part of the area at the Rutenberg power station (which was previously intended for a project that did not materialize) will be transferred by virtue of the Reform Agreement and pursuant to the outline determined in the Arrangement Agreements as defined in section f below. As of the Financial Statements approval date, the stage of infrastructure clearing and preparation of part of the area for transfer to the Israel Land Authority (ILA) has been completed, a version was approved for signing an agreement between the Company and the ILA that will regulate the manner and details of the transfer. Pursuant to the agreement formulated by the parties, the Company is entitled to receive from ILA reimbursement of lease fees, migration costs and additional costs agreed upon between the parties. As of the Financial Statements approval date the agreement has not been signed and as a result the area was not yet delivered to ILA.

The total installed capacity of the generation sites to be sold by the Company in accordance with the Structural Change Outline is approximately 4,500 megawatts.

For the decision of the Electricity Authority of May 15, 2018 regarding the consideration to the Company for the sale of the sites, see Note 3k3 below.

The Company's licenses for the Sold Generation Sites will be in effect with respect to all the activities carried out under the licenses, until the final date for delivery of possession thereof as detailed above, or until the actual date of delivery of possession thereof, according to the earlier of the two, all under the terms specified in those licenses, provided that the Company will act in accordance with their provisions, the provisions of the Electricity Sector Law, and the provisions of any other law.

The generation licenses for the generation units of the Company that are not included in the Sold Generation Sites will remain valid until the end of the engineering life of the generation units, with the Electricity Authority determining the engineering life of the generation units as aforesaid.
As of the date of approval of the Financial Statements, the decision of the Electricity Authority's plenum as to the duration of engineering life has not yet been received.

Production activities in all generation units remaining in the Company will be reported through a separate profit center (subject to the audit of the auditor of the Company) in a manner which will enable transparency and the attribution of costs. As of the Financial Statements for 2021, after reaching consents with the relevant regulatory entities, the Company has begun implementation of the reporting requirements that were agreed upon. For further details see Note 35 – Segmental Reporting.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

1. Production segment (continued)

a) Sale of sites (continued)

The Company has undertaken to the State not to act to obtain new generation licenses or to construct new electricity generation stations and replace existing stations, and not to act to obtain permits for the operation of power stations for other parties in Israel. The aforesaid shall not prevent the Company or the Generation Subsidiary from engaging in operation and maintenance of their power stations and the planning required for such operations.

With regard to the generation units that are not sold pursuant to the Government Resolution regarding the Reform, the Company is entitled to engage in the operation and maintenance of those generation units, and, with the approval of the Authority and in accordance with the instructions of the Ministry of Energy, to engage in planning activities in accordance with the Planning and Building Law as well as the implementation thereof, and the engineering planning required for the Generation Units, except for the aforesaid planning and engineering planning activities, the purpose of which is to establish or replace the said generation units, and the Company is also permitted to deal with the construction of 'scrubbers' in the coal-fired generation units at the Rutenberg site, as well as planning activities in accordance with the Planning Law, the implementation thereof and the engineering planning required therefor, until the end of the engineering life of the aforesaid generation units, according to the determination of the Electricity Authority.

For details regarding the sale of the Alon Tavor, Ramat Hovav, East Hagit sites and the Eshkol site, as well details regarding the Reading site, see Section 9 below.

b) Construction of power stations operating with combined cycle gas turbines

1) For the establishment of a combined cycle power station in accordance with the Structural Change Outline, a Government Subsidiary, wholly owned by the Company, was established, whose objectives are: engineering design and planning operations for the two generating units operated using natural gas and diesel at the Orot Rabin site with combined cycle technology (CCGT) and their execution (hereinafter: the "Two CCGTs", "CCGT 70", "CCGT 80"); construction, operation and maintenance of the Two CCGTs; and generating electricity through the Two CCGTs and sale of the electricity generated as aforesaid, subject to the Electricity Authority's rules and criteria.

2) The Generation Subsidiary will purchase the planning, construction, operation and maintenance services of the two CCGT's from the Company, and the Company may provide these services, subject to the following:

   (a) Until the establishment of the Generation Subsidiary, the Company may, by itself, carry out engineering planning activities and planning activities pertaining to the two aforesaid generation units, even if this is not by way of providing services.

   (b) As of the date of establishment of the Generation Subsidiary, planning the two CCGT's shall only be carried out by the subsidiary through purchase of services from the Company. After establishment of the Generation Subsidiary, the Generation Subsidiary will purchase the construction, operation and maintenance services from the Company. The Generation Subsidiary will employ up to ten employees, all of whom will be employed on personal contracts.

3) The first combined cycle gas turbine will begin to operate by June 2022. Construction of the second combined cycle gas turbine will commence only after the sale of the Alon Tavor site and publication of a competitive process for the sale of the Ramat Hovav site. Both combined cycle gas turbines will be with a total installed capacity of approximately 1,200 MW (an upwards variance of 5% will not be considered a deviation from this capacity). Both combined cycle gas turbines will be of at least H technology level, in accordance with the products currently on the market.

   The Company or its Generation Subsidiary shall not establish, replace, operate, plan, maintain or engage in the development of power stations in Israel either by itself or as a contractor for a third party, nor shall it engage in the production of electricity, including as part of microgeneration or renewable energy in Israel.

For further details regarding the establishment of the Generation Subsidiary for commercial operation of CCGT 70 and 80 and the activity to construct the two CCGTs, see section 9 below.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

2. System Management

Following are the main points of the Government's Resolution regarding the system management operation:

By December 3, 2019, a separate government company will begin operations as a license holder to manage the system (hereinafter: "Noga").

a) The Minister, in consultation with the Electricity Authority and with the approval of the Minister of Finance, may require a system management license holder to submit for his approval, in a manner and at a date required, a development plan for the generation and delivery segments (transmission and transformation), in whole or in parts, for its activities under the terms of the license, and from the Company regarding the distribution segment.

b) The Company will be the designated emergency authority until a date set by the Minister (that will not exceed 12 months from the date on which Noga will operate as a license holder under the Electricity Sector Law).
A system management license holder will not be permitted to hold production licenses. Additionally, the unified license (namely, a license within which the Company performs the activities of transmission, distribution, supply, sale of electricity and trade therein), will be in effect until the latest date from among these, provided that if a new license is granted for one of these activities or part of it, the unified license will no longer apply with respect to that activity or part of it:

1) The date on which a system management license is given to Noga, which will not be later than December 3, 2019. The Ministers, upon consultation with the Electricity Authority and the Government Companies Authority, may, by order, postpone the date for granting a license for system management by two periods not exceeding six months each, and by additional periods as aforesaid, also with the approval of the Economic Affairs Committee.

2) The date on which Noga will begin to purchase and store fuel types used by the Electricity sector, for their allocation and sale to generation license holders or to a person producing electricity who is exempt from the requirement of a license under the Law.

3) The date on which the Company was provided with new licenses for transmission, distribution and supply, whichever is the latest.

For details regarding sale of the full system management activity to Noga, see section 9 below.

3. Transmission control

The Company shall execute transmission control for the operation of the transformation and transmission system. For this purpose, the Company shall establish and operate a new transmission control system pursuant to the terms that will be set in the licenses and the Law, and all pursuant to agreements with Noga, including with respect to the issue of switching.

For details regarding the establishment of a separate national transmission control system, see section 9 below.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

4. Transmission and distribution segments

The Company will continue to act as an essential service provider and execute the transmission operation in accordance with the transmission license to be provided to it and in accordance with the development plan for the transmission and transformation system as shall be approved from time to time. The Company will operate in the transmission and distribution segments through separate profit centers.

The transmission and distribution licenses will be granted for an extended period as customary in the field of public infrastructures, such as the natural gas and water sectors, and will include provisions with respect to the obligation to install meters and transfer the information received therefrom and the distribution license will also include an obligation to sell electricity to every consumer in the distribution area defined in the license, if the consumer requests it. It is clarified that a distribution license holder will not carry out distribution in an area specified in a license of another license holder.

A transmission license holder will be responsible for development of the transmission and transformation system in accordance with the development plan and in accordance with the planning of the transmission and transformation system by the system management license holder.

A transmission license will only be given to a government company and only one license will be in effect at any time for this activity.

For additional details regarding the unified license and its validity, see section 2 above.

For additional details regarding the transmission and distribution licenses see section 9 below.

The volume of distribution licenses that will be given to non-Government Companies will not exceed 10% of the annual volume of consumption in the sector, however, in this matter, the natural increase in the volume of consumption and the distribution region prescribed in the license in comparison to the aforesaid volume of consumption shall not be taken into account at the time the license is granted.
In this matter, "natural increase in the volume of consumption in the distribution area" – including due to an increase in the number of consumers in the local body or industrial area or due to an increase in the area of the local body or industrial area, provided that for an industrial area – the area added thereto is adjacent to the existing industrial area. This restriction of the volume of licenses of up to 10% does not apply to a company holding a distribution license prior to the date of application of the Amendment to the Electricity Sector Law.

A distribution license holder will present the Minister with a development plan of the distribution system, and will prepare a development plan in accordance with the instructions of the license holder of the system management with respect to the connection points and the reciprocal effects between the transmission system and the distribution system.

Insofar as it will be decided to install smart meters for consumers of the Company, the system will be installed by the Company, which will own the meters as part of the distribution segment and the meters will be of the Open Access type, in accordance with the smart meter installation rules pursuant to the Electricity Authority's Resolution no. 62404 of February 2022.

A Government company receiving a distribution license, a supply license and a transmission license will not be granted a production license and will not carry out production activity (including engineering design), planning under the Planning Law, construction, operation, maintenance or replacement actions, all with respect to generation units serving or expected to be serving the electricity sector, as well as consultation regarding the abovementioned actions, whether for itself or for another engaging party or interested party in engaging in activity, except as subject to the conditions determined in the Amendment of the Electricity Sector Law. However, the Company will be permitted to construct and operate storage facilities only within the physical infrastructure of the transmission grid, while the storage in the physical infrastructure will be determined in the development plan to be prepared by the system management license holder. In addition, the Company will be permitted to plan, construct and operate storage facilities within the physical infrastructure of the distribution grid, all in accordance with principles that the Electricity Authority will determine to integrate storage facilities in the distribution grid. A resolution of the Electricity Authority was published on January 18, 2023, detailing the principles under which the Company will be permitted to establish storage facilities at a scope not exceeding 15% of the market share of the private market, subject to receipt of a storage license. For further details regarding storage facilities see section 9 below.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

5. Supply section

a) The Company will be the default supplier for the supply segment which will operate as a separate profit center. The supply of electricity to high voltage and extra high voltage and ultra-high voltage consumers will be opened to full competition. The Company will not be entitled to operate as a competitive entity with these consumers. The Company will collect a rate as set by the Electricity Authority.

The subject will be re-examined after 5 years, inter alia in accordance with the market's terms of competition, by the Electricity Authority, the Ministry of Energy, the Ministry of Finance, and the Competition Authority.

b) In the low voltage supply segment, insofar as it will gradually be opened to competition, the Company will be permitted to compete (in a fair manner and subject to regulation that will be determined) only if the rate of its customers drops below 60% of the number of customers in the low voltage supply segment.

c) Until a new supply license is granted, the Ministers were instructed to give the Company approval in accordance with the provisions of the Electricity Sector Law, for carrying out cyber activity as detailed in the Government Resolution regarding the Reform, in consultation with the Electricity Authority. As of the date of approval of the Financial Statements, such approval has not yet been granted.

After expiry of the unified license, the Company will be permitted to supply value added services, only as detailed below:

1) Cyber services for all consumers in the ultra-high, extra-high and high voltage supply segments and for its low-voltage consumers.
2) As of the date on which the number of Company consumers in the low voltage supply segment will decrease below 75% of all consumers in this segment, the Company will be entitled to provide cyber services to all consumers and "smart home" services and energy efficiency for low voltage consumers only, and the subject will be defined in the supply license that will be given to the Company.

The "smart home" and energy efficiency services for this purpose are services providing information on the characteristics of consumer electricity consumption of each electrical device/appliance, providing consultation services on the ability to reduce power consumption and the efficiency of their use, as well as remote control services for home appliances, including by installation of appropriate equipment at the consumer's private facility for control services.

For additional details regarding competition in the supply segment, see section 9 below. For additional details regarding the unified license and its validity, see section 2 above and section 9 below.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

6. Financial Strength

a) Financial targets

1) In accordance with the understandings regarding the Structural Change Outline, the Company's Board of Directors approved, on May 10, 2018 a business plan which constitutes the basis for the business model that was presented to the Board of Directors, based on the principles of the Structural Change Outline that were formulated during the reform discussions.
2) The business model, including the financial strength targets that were determined by the Board of Directors and the underlying assumptions, were prepared by the Company and presented to State Authorities and were discussed as part of the reform discussions.
3) During the reform years a team consisting of state officials headed by the Director of the Government Companies Authority with the participation of the Budget Commissioner, the Accountant General and the Director General of the Ministry of Energy or anyone acting on their behalf, was established to monitor and audit while consulting with the Company and based on its reports to the team, the meeting of the financial strength targets and the existence of the assumptions underlying the business model regarding the form and the structural change (the "Monitoring Team").

The Monitoring Team will meet annually or shortly after the occurrence of a significant event directly related to the implementation of the reform that materially affects the Company's compliance with its financial strength objectives, whichever is earlier. To the extent that it is agreed that there is an expected material deviation from compliance with the financial strength objectives or from the assumptions underlying the business plan relating to the reform and structural change, the Monitoring Team will hold discussions with the Company regarding the possible courses of action. For details regarding the Team's meetings, see Section 9 below.

b) Restrictions and provisions included in the debt raising documents:

In accordance with the Board of Directors' decision, any sale or transfer of assets or liabilities by the Company, including to a subsidiary, or sale of generation sites, will be made subject to any Law and in accordance with the restrictions included in the Company's debt raising documents.

c) Distribution of dividends:

To the extent that the Company's Board of Directors decides not to distribute dividends, the Government will not require the Company to distribute dividends pursuant to Section 33(c) of the Government Companies Law until the end of 2025 or until the final financial strength targets as approved by the Board of Directors' resolution are met, whichever is earlier. For details regarding the Companies Authority's announcement regarding the non-distribution of a dividend for the years 2024-2025, see Note 24 below.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

7. Business development subsidiary

The Government Decision regarding the Reform stipulated that the Ministers will submit a draft resolution to the Government for approval of the Company's decision to establish an overseas business development subsidiary, and this, as necessary, after examining the need for approval under section 6(d) of the Electricity Sector Law. The establishment decision will determine that the Minister who will be responsible for the affairs of the Company under the Government Companies Law will be the Minister of Energy. As part of the decision, it will be determined, inter alia, that all employees of the Company will be employed under personal contracts and that their number shall not exceed twenty-five.

8. Organizational changes and efficiency program:

The Company will undergo a significant process of organizational change and an efficiency program in which the number of employees in the Company was reduced by 1,803 employees over 8 years between 2018 and 2025. Following retirement of employees as stated, full-time positions will be deleted from the Company's employee roster, according to the number of early retirements carried out in practice.
In addition, there is a decrease in the number of employees following the transfer of employees to Noga as part of the sale of the operation, and the sale of the generation units. Pursuant to the collective agreement, the employees of the Generation Units which will be sold will be loaned for a period of 5 years from the Company to the companies which will acquire the Generation Units and thereafter they will terminate their employment in the Company.
The total number of permanent employees will decrease by approximately 2,200 permanent employees (relative to the beginning of 2018). For details regarding special collective agreements for the retirement of 200 and 300 additional employees, see Note 11f below.
In accordance with the reform outline, and after the special collective agreements for the retirement of 200 and 300 workers as mentioned above, at the end of the reform period, the number of permanent employees in the Company will not exceed 6,215 permanent employees.

That stated in this section pertaining to permanent employees is subject to the removal of the system management activity and sale of the generation sites, as they are defined in the Collective Agreement, in a full manner and no later than by the end of the Reform Period. For this matter – the "Reform Period" is eight years from the date of the Government's Resolution regarding the Reform. In accordance with the Reform, from January 1, 2022, and during the remainder of the reform period, the number of temporary employees will be between 2,600 and 2,900.
Insofar as the tasks imposed on the Company require the employment of additional temporary employees beyond the said volume of temporary employees, their employment will be subject to the approval of the Director of the Government Companies Authority and the Director General of the Ministry of Energy.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

9. Actions to implement the Structural Change

Pursuant to the Company's undertakings which were adopted by the Company's Board of Directors on May 10, 2018, in case the Government's decisions and/or the legislation amendments and/or the administrative decisions and/or Electricity Authority regulations and/or the aforesaid State licenses are not consistent with the understandings (insofar as these are required in the State's opinion), or that the collective agreement between the Company and the employees' representatives will not be in force, then all the Company's undertakings pursuant to the Company's Letter of Undertakings and its appendices shall not be in effect and the Government shall not make any claims and/or contentions towards the Company in respect of said undertakings.

On June 3, 2018, the required Government Decision was received, on July 19, 2018, the Knesset approved the Amendment to the Law, and on May 17, 2018, the principles of the policy of the Minister and the Electricity Authority's Regulation as aforesaid were published. In addition, on November 4, 2018, the Collective Agreement came into effect after all the contingent conditions detailed therein were complied with.

The full implementation of the Structural Change will require additional regulatory approvals, additional decisions and regulations of the Electricity Authority and the granting of licenses which have not yet been received as at the date of approval of the financial statements, and there is no complete certainty as to the date of determination, acceptance and final terms thereof.

As of the Financial Statements approval date, the Company is unable to reliably estimate the exact implications of all the additional regulations and approvals that have not yet been formulated or received, on its financial position and results.

Below are details regarding the actions taken by the Company to implement the structural change:

Sale of sites

Alon Tavor

On July 29, 2019, the acquisition agreement was signed with the Tender Winner, MRC Alon Tavor Power Ltd. (hereinafter in this Section: the "buyer") and on December 3, 2019, possession of the Site was transferred to the buyer, upon the date stipulated in the Government Resolution regarding the Reform.

The receipt pursuant to the Winning Bid and the acquisition agreement consisted of an amount of NIS 1,876 million (after adjustments to the date of sale, according to the agreement), and was paid to the Company by the buyer on the date of the transfer of possession of the Site.

Ramat Hovav

On June 25, 2020, the sale agreement was signed with the buyer, Ramat Hovav Power Plant Limited Partnership Group.

On December 3, 2020, possession of the site was handed over to the buyer.

The receipt in accordance with the winning bid and the purchase agreement was in the amount of NIS 4,257 million (after adjustments at the date of sale, in accordance with the agreement), and it was paid to the Company by the buyer on the date of the transfer of possession of the site.

East Hagit

On December 27, 2021, a sales agreement was signed with the purchaser "East Hagit Power Plant Limited Partnership", and on June 1, 2022, possession of the site was handed over to the purchaser.

The receipt in accordance with the winning bid and the purchase agreement was in the amount of NIS 1,641 million (after adjustments at the date of sale, in accordance with the agreement), and it was paid to the Company by the purchaser on the date of the transfer of possession of the site.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

9. Actions to implement the Structural Change (continued)

Sale of sites (continued)

Eshkol

On June 3, 2024, the transaction was completed and possession of the Eshkol site was transferred, in exchange for NIS 9,173 million, in addition to approximately NIS 56 million for the additional fuels sold to the purchasers.

As a result of the aforementioned sale, in 2024, other income in the amount of approximately NIS 6,783 million was recorded by the Company (profit of NIS 7,235 million from the sale to the purchaser less NIS 452 million from part of the consideration that was transferred for covering Noga's past costs. For details regarding the recognition of proceeds from the sale of Eshkol site and updating the regulatory deferral accounts according to the Electricity Authority's decision, see Notes 3g and 14 below.

Upon the transfer of possession, the purchasers assumed and purchased the facilities in accordance with that stated in the sale agreement on an As-Is Basis transaction subject to the provisions of the sale agreement. From the possession transfer date, the purchasers bear full responsibility for the transferred facilities, including the operation and maintenance of the transferred facilities, compliance of the transferred facilities with all legal requirements, all agreements regarding the transferred facilities and all permits, licenses and approvals for the relevant agreements.

Reading

As aforesaid in Note 1e above, in accordance with the Government Resolution with respect to the Reform, the Company is obliged to sell the Reading generation site through a competitive procedure, and the deadline for the delivery of the site's ownership is June 3, 2021, while, pursuant to the provisions of Section 60a(b)(4) of the Electricity Sector Law, the Company's generation license shall remain in effect until the delivery of ownership deadline.

a. Generation license

The Law stipulates mechanisms for extending the license beyond the aforesaid date, adding two additional periods which shall not exceed six months each, and a third period as aforesaid, with the approval of the Knesset's Economic Committee, however, in special and exceptional circumstances, the Minister may postpone the specified date regarding one of the generation licenses specified in Section 60a(b)(2) to (6) of the Law (including Reading) by a fourth period which shall not exceed six months, and all with the approval of the Economic Committee.

b. The future of the station's operation

According to the letter of the Ministry of Energy and Infrastructures of January 30, 2024, the Minister of Energy and Infrastructure, adopted Noga's decision from December 2023 according to which there is no necessity to maintain permanent electricity generation facilities at the Reading power station until the completion of the "transmission alternative" (as defined in Decision No 211 of August 1, 2023 on the subject of the electricity supply to Gush Dan) and the Company is required to cease all activities to renovate the existing production units and formulate an outline plan for scrapping the existing units.

According to the letter, Noga Company must complete as quickly as possible the examination of the land use required in the Station area for the electricity sector. After receiving the results of the examination, a decision will be formulated for the land that will be reserved in the area of the station for the needs of the electricity sector. The areas not required by the electricity sector will be evacuated for civilian purposes, in accordance with an outline to be proposed by the relevant Government Ministries in coordination with the Company.

As of the Financial Statements approval date, Noga's recommendation has not yet been received and accordingly, the aforementioned outline has not yet been formulated.

All the units at the Reading sites are not operating as at the Financial Statements approval date.

As a result of the abovementioned uncertainties, and the fact that as of the Financial Statements date, the rate regulation has not yet been determined for potential purchasers of part of the station designated for the needs of the Electricity Sector, if at all, the Company has not classified the site as part of a disposal group classified as held for sale in these Financial Statements.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

9. Actions to implement the Structural Change (continued)

The generation subsidiary

On March 15, 2020, the generation subsidiary was incorporated under the name "Netiv HaOr – Orot Rabin Ltd." (hereinafter: "Netiv HaOr").

On July 29, 2024, the Audit Committee and Board of Directors of Netiv HaOr approved the agreements settling the relationship between the Company and Netiv HaOr (the framework agreement, the financing agreement, the EPC construction agreement, the lease agreement, as well as the operating and maintenance agreement of the generation units) (the "**parent-subsidiary agreements**"). This was after the approval of the Tenders Committee of Netiv HaOr was received on July 3, 2024, and the approval of the Company's Tenders Committee was subsequently received on July 29, 2024.

The agreements, that were signed on August 1, 2024, were forwarded to the Companies Authority and the Electricity Authority after they were approved by the Company's Board of Directors.

The operating and maintenance agreement that was signed is temporary and valid for a period of one year starting from the date of the commercial operation of the CCGT 70, during which period the parties will be allowed to conduct negotiations for the formulation of a final agreement, which will enter into force upon the approval of all competent organs of the parties. The parties extended the term of the temporary agreement until July 26, 2026.

In accordance with the parent-subsidiary agreements, Netiv Ha'Or paid in 2024 an advance to the Company amounting to NIS 750 million on account of the establishment services of CCGT 70 and the joint assets of CCGTs 70 and 80 against the provision of a loan from the Company and on that date the Company made an investment from the loan amount in Netiv Ha'Or's capital in the amount of NIS 650 million, the investment was made as a premium on existing share capital allocated to the Company on the establishment date of Netiv Ha'Or. In parallel, floating and fixed charges were recorded on Netiv Ha'Or's assets in favor of the Company to secure the financing agreement and the loans under such agreement.

On June 30, 2025, the Company invested an additional NIS 350 million in Netiv Ha'Or, in exchange for a premium on shares. The capital invested in Netiv Ha'Or constitutes the capital conditions required to obtain a license for Unit 80.

On January 26, 2025, Netiv Ha'Or received a license to operate Unit 70, signed by the Minister of Energy and Infrastructure and valid for twenty-four years and eleven months from the date of the Minister's signature, after receiving the decision of the Electricity Authority's on the matter on January 22, 2025.

After the Financial Statements date, on January 7, 2026, Netiv Ha'Or received a license to operate CCGT 80, signed by the Minister of Energy and Infrastructure that is valid until December 26, 2049, after receiving a decision of the Electricity Authority plenary on the subject on January 6, 2026.

In accordance with the Electricity Authority's decision, the activity of Units 70 and 80 with Noga – Noga Israel Independent System Operator Ltd. will be similar to the Company's other generation units. The return of the investment and operating costs will be through recognition of costs that will be determined by the Electricity Authority and after examination that the Electricity Authority will perform, and that the determination of the tariff derived from these costs will be made within the framework of tariff updates for all of the Company's generation units and in a manner that will be determined in the Company's tariff base.

As part of the generation license, provisions were set forth regarding the scope and conditions of the license, and it was determined, inter alia, that the provisions applicable to the Electric Company as an essential service provider license holder, as well as the provisions applicable to the Electric Company as a generation licensee under the Law, Regulations and Standards, as defined in the generation license, will apply to Netiv Ha'Or, as a licensee, unless the Authority determines otherwise regarding a specific matter.

Upon receipt of the aforementioned generation licenses, commercial operation of Units 70 and 80 began, as above.

In addition, the Company has undertaken to Netiv Ha'Or to support it in order to enable its operations and repayment of its obligations in the foreseeable future and in addition not to call for repayment of the balance of Netiv Ha'Or's debt to the Company until at least March 17, 2027.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

9. Actions to implement the Structural Change (continued)

Establishment of power stations with combined cycle technology (CCGT)

a) On April 16, 2019, long-term purchase and maintenance agreements were signed between the Company and GE Global Parts & Products GMBH ("GEGPP") and General Electric International Inc. ("GEII") (hereinafter jointly: the "Agreements").

b) On April 8, 2020, the Company received the emissions permit for both CCGTs.

c) The Company reached agreement with INGL for ordering a capacity of 4,500 MMBtu per hour for the CCGTs at Orot Rabin. Insofar as will be needed in future, the Company will be able to increase its order. In addition, it was agreed that the Company will bear the costs of connection fees with respect to the construction of a PRMS facility for the new CCGTs at Orot Rabin, which was constructed by INGL in February 2022. The gas flow was carried out for the first time in August 2023.
CCGT 70 was synchronized to the grid in August 2023. All tests with the System Manager - the "Noga" Company for CCGT 70 have been completed as of the Financial Statements date, including the frequency response test and have been approved by Noga. Netiv Ha'Or received the generation license on January 26, 2025 and commercial operation has begun by Netiv Ha'Or.

d) CCGT 80 - was synchronized to the grid on February 6, 2025.

On October 19, 2025, the acceptance testing and relevant procedures for Unit 80 were completed. On November 27, 2025, approval was received from the System Manager regarding the completion of the procedure tests and following this approval the unit was shut down in accordance with Noga's instructions and until the receipt date of the generation license after the Financial Statements date, on January 7, 2026, as stated above. On January 9, 2026, commercial activity of Unit 80 of Netiv Ha'Or has commenced.

On November 16, 2025, the Government approved an amendment to Section b5c of Government Decision No. 3859 of June 3, 2018 regarding "Reform in the Electricity Sector and Structural Change in the Electricity Company and Amendment to a Government Decision", so that instead of "(an upward deviation of 5% shall not be considered a deviation from this capacity)", will be "(an upward deviation of 10% shall not be considered a deviation from this capacity. The measurement of capacity will be on gross ISO terms)". This decision allows the operation of the 70-80 generation units in accordance with the actual unit capacities.

As of the Statement of Financial Position date, the Group has invested an amount of approximately NIS 4.8 billion (including capitalization of credit costs during the construction period) in the construction of the two CCGTs at the Orot Rabin site.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

9. Actions to implement the Structural Change (continued)

Sale of the System Management operation

Further to that described in section e2 above, concerning the date of the full sale of the system management activity to Noga's responsibility, on November 1, 2021, all the system management activity was sold to Noga, in accordance with the Government Resolution and decisions of the Electricity Authority on this subject. For further details with respect to agreements and employee transfer as part of the sale of operation to Noga, see Note 11f below.

Transmission control

As part of the preparation for the separation of the system management operation, the Company established a transmission control unit in July 2018. As of December 1, 2019, the transmission control unit began operating, separately from the System Management. In the initial stage, the transmission control unit began operating at a narrow scope of supervision over the transmission and transformation systems only. In August 2020, the second phase of the project (switching) was activated, thus completing the separation of the operational activity between controls in accordance with the model agreed, and in accordance with the guidelines of the System Manager license holder. The transmission control unit became the SPOC (single point of contact) between the Company and private customers connected to the transmission system, and the System Manager.

On November 1, 2021, the Company also completed the third stage, mainly an internal process in the Company. Upon the full sale of the system management activity to Noga, the System Manager works with the transmission control unit on matters related to the transmission system.

The transmission and distribution segment

On May 12, 2024, the Electricity Authority published a decision to grant a transmission and storage license to the Company, pursuant to the approval signed by the Minister of Energy and Infrastructures received on May 8, 2024. This license replaces the provisions governing the operation of the transmission segment in the Company's unified license from 1997. The license regulates the Company's activity in the field of storage at substations, in accordance with Electricity Authority Decision No. 64701 of January 18, 2023. The period of the transmission and storage license is for 20 years.

Competition in the supply segment

Commencing from 2021, regulations were published for suppliers who do not have generation means. Furthermore, on September 7, 2022, the Electricity Authority published a decision regarding a market model for supply which regulates the activity of the generation facilities connected with or integrated into the distribution grid, particularly their ability to sell electricity through bilateral transactions to private suppliers without generation means as of 2024. In accordance with this decision, the supply segment was opened to full competition in such a manner that the quotas will be removed. This decision is expected to lead to further reduction in the Company's market share of the supply segment. On April 18, 2024, a decision of the Electricity Authority was published on the incorporation of basic meters into the competition in supply aiming to ease the possibility of consumers with basic meters to transfer to private suppliers. For further details, see Note 3o.

Storage facilities

For details regarding the decisions of the Electricity Authority, see Note 3t below.
For details regarding the Company's investments in storage facilities, see Note 35.

NOTE 1:- GENERAL (continued)

e. Structural Change (continued)

9. Actions to implement the Structural Change (continued)

Subsidiary for Business Development

Following the Government's decision on the Reform, an internal process is underway alongside an external process with the relevant regulatory bodies intended to formulate the Company's updated entrepreneurship strategy, which will focus on maximizing assets, services (abroad and in Israel) and innovation. The Company is working with State Authorities to arrange a ministerial permit for "other activities" according to Section 6(d) of the Electricity Sector Law, which will allow business development activity in Israel and abroad in accordance with the limitations to be determined by them. For additional details regarding the Electricity Authority's hearing from February 2026 regarding the green track for engaging in other activities, see Note 3y below.

Financial strength

Further to Section 6 and in accordance with the provisions of Section B(16) of Government Decision No. 3859 of June 3, 2018 regarding the "Reform in the Electricity Market and Structural Change in the Electric Company", the team convened for monitoring compliance with the financial strength targets and the existence of the assumptions underlying the business plan approved by the Board of Directors on May 10, 2018 consisting of State officials headed by the Director of the Government Companies Authority and with the participation of the Commissioner of Budgets, the Accountant General and the Director General of the Ministry of Energy and Infrastructure or anyone acting on their behalf. (hereinafter: the "Team").

The last meeting of the team was held on December 25, 2024.

In this context, the Company's Management is of the opinion that, in light of the Company's ability to receive financing in the banking system in Israel and/or abroad, and to raise debt in the capital market and taking into account the balance of cash and short-term investments as of December 31, 2025 and the Company's cash flow forecasts, including the proceeds received by the Company from the sale of Eshkol (see section 9 below), the Company has sufficient sources of financing to finance its activities and to repay its obligations in the foreseeable future, and it performs and will continue to perform any action to maintain its financial strength.

Organizational change and efficiency plan

In accordance with the approvals received by the Company which are required for the purposes of developing the aforementioned investment plan as detailed in Note 3q until 2030, the total number of positions will increase beyond the numbers indicated in Section 8 above, so that it will reach 10,554 positions (excluding special employment and excluding the metro project).

10. Financial implications of the Structural Change

Two main events may have financial implications on the implementation of the structural change and resulting in material implications on Company's financial position and its results, in the short, medium and long term: (1) compensation for employees with respect to the implications of the structural change on their rights, (2) monetary and financial implications in the context of the future of Reading activity as specified in section 9b above.

NOTE 1:- GENERAL (continued)

f. Assets Arrangement

1. Contractual engagement regarding the Assets Arrangement

On January 3, 2018, the Company, the State, the Israel Land Authority and the Tel Aviv Municipality (the Municipality) entered into two agreements with respect to the outline of the Assets Arrangement,

As part of the said agreements, a number of assets in the municipal area of Tel Aviv-Jaffa, which are owned by the Municipality and leased to the Company, will be marketed in a joint tender by the Municipality and the Company will be entitled to part of the proceeds from the marketing of the Sold Assets according to the agreed outline for the Assets Arrangement between the Company and the Municipality.

The Company's rights in a number of assets will be handed over by the Company to the State.

The perpetual debentures that were recorded in the amount of approximately NIS 2.5 billion were repaid at their nominal value of approximately NIS 15.5 million, the liability to the State of Israel (for details see Note 33b2c) was redeployed and was replaced with linked NIS debt and at an updated interest rate. The Israel Land Authority will pay the Company a total of up to NIS 780 million for the costs of clearing and construction of some of the assets (of which approximately NIS 600 million will be used for the purpose of moving to an alternative site to be constructed at Gan Sorek). The Company's rights in the remaining assets remained in its hands according to the condition prior to signing the agreement.

Insofar as part of the Balance of the Assets will be vacated and returned to the Israel Land Authority and will be marketed by them, the Company will be entitled to receive part of the proceeds with respect to the marketing of these assets in accordance with the agreement.

2. The results of the Assets Arrangement that are included in the Financial Statements

a) Within its financial statements, the Company treated the description of the assets arrangements and their components under the perception that this is a comprehensive transaction which should be regarded as a single transaction carried out with the State in its capacity as the sovereign and not as the controlling shareholder of the Company and reflected accordingly the results of the arrangement in the financial statements for 2018.

b) The Company continued the implementation of the Assets Arrangements Outline in accordance with the timetables set in the agreements and with the adjustments required under the circumstances, which were carried out with consent and pursuant to the terms of the arrangement:

c) In November 2024, an addendum to the arrangement was signed between the Municipality and the Company regarding Giborei Israel complex - an outline for updating the asset arrangement. In accordance with the addendum, the Company transferred possession of the complex to the Municipality in exchange for receiving evacuation fees based on the average of appraisers' estimates on behalf of the Company and the Municipality. As a result, the Company recognized in its 2024 Financial Statements income from evacuation fees in the amount of approximately NIS 60 million, in accordance with the reliable amount it was able to estimate. The final consideration in accordance with the arrangement was transferred to the Company in November 2025 and amounted to approximately NIS 54 million.

d) In July 2025, an agreement for the sale of the Company's lease rights in the Technical Center complex in Tel Aviv was signed. The consideration for the Company, approximately NIS 143 million net of lease fees, was received by the Company. As a result, on the date the agreement was signed, the Company recognized other income, net, in the amount of NIS 255 million at the level of the consideration plus the cancellation of the lease obligation of the site and net of the purchase tax paid in accordance with the agreement.

e) As of the Statement of Financial Position date, the Company transferred to the relevant parties all assets it was required to transfer under the Asset Arrangement and in accordance with the schedules set in the agreements, including adjustments required according to circumstances, which were performed with consent and in accordance with the terms of the Arrangement.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws

The Company's activities are subject to different environmental protection laws and regulations on different issues, e.g., emission of pollutants into the air, soil and water pollution, noise abatement, non-ionizing radiation, storage and use of hazardous materials and fuels, asbestos and more. The Company believes that as on the date of signing the financial statements, the Company is in material compliance with the directives of the laws on environmental protection. The Company holds the environmental licenses required for its activity and acts to obtain any missing licenses. Non–compliance with the environmental provisions of the law and the conditions of the licenses granted to the Company by virtue of these provisions may, in certain circumstances, impose a criminal and administrative exposure on the Company and its officeholders, including fines and sanctions and shut down injunctions for installations, and exposure to expenses of cleaning and rehabilitating environmental damage.

1. Directives of the Minister of Energy – reduction of the use of coal and conversion of coal units to natural gas

a) Following the previous policy of the Minister of Energy regarding reduction of the use of coal, on January 3, 2018, the Minister's decision, adopted in cooperation with the Minister of Environmental Protection, under which the Company will immediately reduce the use of coal for electricity generation at a rate of 30%, compared to 2015 as the base year, was published on the website of the Ministry of Environmental Protection (hereinafter: the "Ministry").

Pursuant to the publication, the instruction immediately entered into force and will also apply after operation of the scrubbers to reduce emissions at the coal-fired power stations.

In 2025, electricity generation with coal reduced by approximately 73% compared to 2015.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

2. Conversion of units to gas:

On November 24, 2019, a decision by the Minister of Energy (hereinafter: the "Minister") from November 20, 2019 was published on the Ministry of Energy's website, according to which, in accordance with his authority pursuant to sections 21a and 57a of the Electricity Sector Law - 1996 (hereinafter: the "Law"), and after consulting with the Electricity Authority, and in accordance with the recommendation of the Electricity Authority, the Minister decided to implement policy guidelines for gradual conversion by 2025, and no later than 2026, of generation units 5-6 in the "Orot Rabin" power station, and generation units 1-4 in the "Rutenberg" power station (hereinafter: the "Converted Generation Units") for use of natural gas, for the purpose of stopping the regular use of coal as specified below:

a) The first conversion to use of natural gas will be performed by June 15, 2022, according to a decision to be made by the Electricity Authority.

b) Following the completion of this conversion, and before the conversion of the other units, the Electricity Authority will perform an evaluation of the conversion's results by June 1, 2023, including, among other things, an examination of the actual costs, all for the purpose of allowing conclusions to be drawn concerning the continuation of the conversion process in the other Converted Generation Units. The results of this examination will be submitted to the Minister of Energy for his review and decision concerning the continuation of the conversion process' implementation, including adjustments to the policy principles, as required.

c) Conversion will be performed according to the following conditions:

   1) The conversion process will be implemented on the condition that the costs of the performance of conversion and the operation of the converted stations will not be expected to exceed the operation and maintenance costs required for coal, including the cost of gas for the operation of the converted units.
   2) Authorized Government entities must determine that the implementation of the policy's principles will not damage the guaranteed available capacity in the natural gas transmission system according to needs, increased demand, and existing agreements.
   3) No extension will be available regarding the engineering lifespan of the generation units according to the decision of the Electricity Authority as specified in section 60a(b)(7) of the Law, with regards to the effective date of these principles.

For details regarding the rate recognition for the conversion project, see Note 3n.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

2. Conversion of units to gas: (continued)

On January 28, 2024, the Company received new emission permits for Orot Rabin and Rutenberg. The permits establish, among other things, timetables for the conversion of the coal-fired units to gas, so that their conversion will be done in a phased manner subject to conditions. The dates set for commercial operation of the converted coal units as part of the permits are:

- Unit 1 in Rutenberg by May 15, 2024,
- Unit 2 in Rutenberg by June 30, 2024 (according to the Company's understanding, the Ministry's intention was for September 30, 2024 and this is a clerical error. The date was corrected under Amendment number 1 to the emission permit of the site, as detailed below).
- Unit 3 in Rutenberg by September 30, 2025,
- Unit 4 in Rutenberg by March 30, 2025,
- Unit 5 at the Orot Rabin site by March 30, 2026,
- Unit 6 in Orot Rabin by September 30, 2026.
- It was additionally determined that the Company must submit a plan for the conversion of the Orot Rabin site units within three months from the date the permit goes into effect.

On April 18, 2024, the Electricity Authority published for public scrutiny a document on "Economic Evaluation of the Conversion in accordance with the Minister's policy principles of November 20, 2019". For more details see Note 3n below.

On May 22, 2024, the Company received a letter from the Minister of Energy regarding the update of the policy principle on the cessation of the use of coal in the generation segment of the electricity sector routinely until 2026. As part of the letter, the Minister emphasized the importance of converting coal-fired units to generation using gas to strengthen the energy security of the State of Israel and noted that he instructed the professional parties in his office and the Electricity Authority to advance the completion of the process of evaluating the results and conversion costs of Rutenberg Unit No. 1 after receiving the public's comments, in order to be able to advance, as necessary, the update of the policy principles from 2019.

On May 30, 2024, a discussion was held by the Company's Board of Directors, which included a comprehensive review conducted regarding the relevant factual chain over the years, the status of the project, including the reasons for the delays caused during its execution, the operational insights from operating Unit 1 and insights and analysis of similar projects in the world and after it was presented with the relevant indications to support the realization of the entire project, emphasizing the position of the Electricity Authority in the hearing of April 18, 2024, as well as the position of the Ministry of Environmental Protection in the framework of the emission permits for the "Orot Rabin" site in relation to Government Resolution 171 of July 25, 2021, and in light of the Minister of Energy's letter of May 22, 2024, the Board instructed the Management of the Company to work to advance the gas conversion project in all 6 coal-fired generation units at the "Rutenberg" (4 units) and "Orot Rabin" (2 units) generation sites, and at the same time work to continue the process of recognition of project costs in the tariff.

In addition, the Board of Directors decided to instruct the Company's Management to clarify in writing to the Electricity Authority and the Ministry of Energy that the completion date of the project, as well as meeting the goal set for the end of the era of coal use in 2026, depends on Noga approving the conversion of Units 5 and 6 in Orot Rabin in parallel. If this is not possible, the completion date will be postponed to March 2027 and accordingly it will be necessary to update the dates for the completion of the conversion in the emission permits received by the Company.

On June 26, 2024, Amendment No. 1 to Rutenberg's emissions permit was received, which includes, inter alia, an update of the dates for converting generation units to gas and ceasing the use of coal as primary fuel.

Unit 1 at Rutenberg received a temporary operation permit for commercial operation by gas from the Electricity Authority, on February 4, 2025, according to its powers by virtue of the current generation license of the unit. In addition, the Company applied to the Authority requesting to amend the generation license of Unit 1 due to completion of the conversion process to gas. In Unit 2 at Rutenberg the conversion to gas was completed, however due to delays related initially to the completion of the gas system by INGL and further to the fact that Noga did not allow the removal of the unit for acceptance tests using gas due to its consideration that this Unit has not yet been operated using gas in a commercial manner. The Company is in contact with the Ministry of Energy, the Electricity Authority, INGL, Noga and the Ministry of Environmental Protection in order to advance the matter.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

2. Conversion of units to gas: (continued)

In November 2024, Unit 4 at Rutenberg was shut down in order to start its conversion process to gas.

In November 2025, Unit 3 at Rutenberg was shut down in order to start its conversion process to gas.

On March 27, 2025, the Company applied to the Ministry of Environmental Protection requesting to update the emission permit for the Rutenberg site. In this regard, an update of the dates for the conversion of units 2-4 to gas was requested, due to delays that occurred in the project, inter alia, in light of the state of emergency that exists in the country starting in October 2023. In addition, the Company requested an update of the transition times between fuels in light of the examination of this process based on the manner in which Unit 1 is operated at the site. The Company submitted completions in relation to this request and, subsequently to the fire that broke out during contractor work as part of the renovation of the Unit 4 collector (for further details see Note 1h3), on August 10, 2025, the Company submitted a request to the Ministry in which it requested that due to the aforementioned fire, the implications of "Operation Rising Lion" in June 2025, and in accordance with the System Manager's requirement for the availability of units to meet demand during the summer period, an additional update will be made to the dates for converting Units 2-4 to gas on the site.

On August 4, 2025, the Company submitted a request to change the Orot Rabin emission permit. In this regard, the Company requested to update the shutdown dates for Units 1-4 in the site so that they would be placed in hot preservation for the next three years and until the end of 2028 in accordance with the recommendations of the Electricity Authority and a hearing published on the subject, to update the dates for the conversion to gas of Units 5 and 6 at the site, due to the events of "Operation Rising Lion" and the fire incident in Unit 4 in Rutenberg, as well as to update the type of coal, due to operational limitations regarding the type of coal suitable for long-term storage and taking into account geopolitical processes that affect the possibilities of trade and purchasing of coal.

On August 25, 2025, the Company received Noga’s response regarding the schedule for converting coal-fired units to gas that was sent to the Ministry of Energy.

In accordance with this response, Noga approves the work. However, if malfunctions are discovered in these or other units and delays are caused in the conversion or gas tests, Noga will be forced to postpone the continuation of the conversion plan to gas.

On August 31, 2025, the Company received the decision of the Minister of Energy regarding the continuation of the conversion of the generation units in accordance with the policy principles regarding the cessation of the routine use of coal in the generation segment of the electricity sector of November 20, 2019. In accordance with this decision, after receiving the results of the Electricity Authority's examination, the Minister decided to continue the implementation of the gradual conversion process of generation units 5-6 in Orot Rabin and 1-4 in Rutenberg to the use of natural gas, in order to cease the routine use of coal. In light of the basic assumptions underlying the Electricity Authority's examination, nonetheless the Minister clarified that to the extent that the timetable for converting the units will be delayed when compared to the one detailed in the Authority's recommendation, the Electricity Authority will return and hold a discussion regarding its recommendation to continue implementing the conversion process in relation to units whose conversion has not yet been completed. The Electricity Authority's recommendation will be forwarded to the Minister of Energy and Infrastructure for his review and determination regarding the continuation of the implementation of the conversion process, including regarding the implementation of adjustments to the policy principles as necessary.

On September 10, 2025, the Electricity Authority's decision was published on the subject of assessing the economics of the conversion policy in accordance with the Minister of Energy's policy principles of November 20, 2019, underlying the Minister's decision regarding the approval of the conversions to gas.

For further details, see Note 3n.

The Company is in contact with the Ministry of Energy regarding the progress of the projects.

Recently, the Ministry of Energy contacted the Company regarding the possibility of postponing the gas conversion dates of Units 5-6 in Orot Rabin due to a shortage of generation capacity in relation to Noga’s demand forecast. Subsequently, after the Statement of Financial Position date, on January 26, 2026, the Company submitted its comments to the Ministry of Energy, stating that postponing the gas conversion dates of Units 5-6 in Orot Rabin is expected to have implications on the Company, inter alia, significant operational and financial implications, including the inability to meet the schedule set in the Minister of Energy's policy from August 31, 2025 therefore such a postponement may result in the need to re-examine the basic assumptions underlying the Electricity Authority's recommendation.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

2. Conversion of units to gas: (continued)

In addition, the Company clarified that an update of the emission permit for the generation units will be required, and any postponement will have an impact on the renovations of the units, a delay in the implementation of dust binders in coal piles at the "Orot Rabin" power station and concern for lack of coverage of additional costs, including capacity payments to INGL that have long been spent on the project, unless the Minister updates the policy principle or the Authority does not find that there is any delay in one way or another to reexamine the basic assumptions underlying the recommendation to the minister on the policy principle. The Company is in contact with the Ministry of Energy and Noga on the subject.

Due to the Ministry of Energy's request as stated above and the expansion of the war to the Iranian and Lebanese theatres the dates for taking Units 5-6 at the "Orot Rabin" power station offline for conversion are being examined due to the need for these units to be available for use of coal during this period.

In accordance with the Company's discussions with the various regulators, the Company's assessment is that the postponement of the conversion dates in accordance with the Ministry of Energy's request and following the detailed constraints, will not have an impact on the Minister's decision and the Electricity Authority's recommendation to carry out the conversions in full, and therefore, the prospects of carrying out the conversion in full (i.e., for all 6 coal-fired units in the project) outweigh the prospects that the conversion will not be carried out in full, and the prospects of recognizing the full cost of the project outweigh the prospects that these will not be recognized.

For additional details regarding the effects of the events of the " Swords of Iron " War, "Rising Lion" and "The Lion's Roar Operation" on the conversion of units to gas, see Note 1h.

Regarding the Company's entry into connection and capacity agreements with INGL for the purpose of gas transmission, see Note 32b2d.

After the Statement of Financial Position date, on February 19, 2026, an amendment to the emission permit for the Orot Rabin site was received, in which, among other things, the definition of "coal" was amended and the dates for commercial operation of the unit on mineral gas were updated after converting the unit to gas and performing calibrations on gas, diesel and coal:

- Unit 5 until December 31, 2026
- Unit 6 until June 30, 2027

Regarding the amendments made to units 1-4 and additional amendments, see Sections 3 and 4 below.

After the Statement of Financial Position date, on February 22, 2026, an amendment to the emission permit for the Rutenberg site was received, in which, among other things, the definition of "coal" was amended and the dates for gas synchronization and commercial operation of the units were updated. The updated commercial operation dates are as follows:

- Unit 1 - within three months of the permit coming into effect or on another date approved by the Air Quality Coordinator
- Unit 2 - June 30, 2026
- Unit 3 - October 30, 2026
- Unit 4 - June 30, 2026

For additional amendments, see Section 4 below in this section.

The Company is studying the updated permit terms.

As of August 31, 2025, the Company extended the life of the stations, including the emission reduction facilities installed in them, in accordance with the current useful life reflecting their operation on gas and, in an emergency, on coal. For further details regarding the extension of life see Note 2x.

Regarding the implications of the fire at Rutenberg Collector on the schedules for the conversion of the coal-fired units, see Note 1h3.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

3. The future of units 1-4 at the Orot Rabin Power Station

On August 2, 2018, Government Resolution no. 4080, passed on July 29, 2018, was published (hereinafter: the "Government Resolution"), regarding discontinuation of operation of generation Units 1-4 at the "Orot Rabin" power station.

On February 8, 2021, the Minister of Energy's decision was published on the Ministry of Energy's website, according to which, pursuant to his aforementioned authority, and following consultation with the Electricity Authority, he determined policy principles with regards to the scope and manner of preservation of the generation Units 1-4 at Orot Rabin site according to which the Company will maintain the generation units in accordance with the preservation outline as specified in the Electricity Authority's position as part of the consultation, as of the date of compliance with the conditions as specified in Section a of Resolution 4080, and until December 31, 2025 (the "Preservation Period").

On June 6, 2023, an Amendment to the Clean Air Law (Amendment No. 3) dealing with the mechanism for abnormal operation of an electricity generation unit in a situation of risk was published. Pursuant to the Amendment, a System Administrator may require the operation of a limited production unit or a production unit in a faulty state, in order to prevent damage to the supply of electricity to consumers due to inability to produce or transmit electricity or impair the survivability of the system, subject to the mechanism prescribed in the amendment and additional approvals required by it. The amendment went into effect on September 1, 2023. The Company is acting in accordance with the Administrator's instructions provided by virtue of this Amendment.

On January 28, 2024, the Company received a new emission permit for the Orot Rabin site, which stipulates, inter alia, that until December 31, 2025, the owner of the emission source will not operate generation Units 1-4 at the site unless this is done within the framework of an exceptional operation in respect of which it received a demand from the System Administrator, as defined in Section 25A of the Law, as the case may be, and that as of January 1, 2026, no coal-fired energy generation activity will take place in these generation units, including not for the purpose of maintaining fitness or backup for the electricity system, unless emission reduction measures have been installed in these units that meet the requirements of the Best Available Technique.

On August 24, 2024, the Government approved Decision No. 2147 regarding the termination of the activity of electricity generation Units 1-4 at the "Orot Rabin" power station - amendment of Government decision. The decision amends Government Decisions No. 4080 and 3859, so that the shutdown of Units 1-4 will be done gradually and against the commercial operation of each of the new CCGTs.

On October 31, 2024, a letter from the Director General of the Ministry of Energy was forwarded to Noga regarding an outline for the operation of electricity generation at Units 1-4 at the Orot Rabin power station during the "interim period" until they enter conservation. In accordance with the letter, in order to enable the maintenance of electricity generation capacity for the economy and reliability of electricity supply, the Ministry of Energy directs that the generation units among Units 1-4 whose current operation will be stopped (in accordance with Government Decision 2147), will enter an "interim period", which is not part of the conservation plan that was determined, in order to maintain the availability of the Units for operation with 3 days' notice. The interim period length and the manner of operating the Units as part of this period are specified in the Ministry's letter.

Further to the commercial operation approval granted to CCGT 70, on February 9, 2025, the Company informed Noga that as of January 26, 2025, Units 3 and 4 at the Orot Rabin site were shut-down and entered into the interim outline, in which they can be operated with 3 days' notice until March 31, 2025 (if necessary, an extension of the interim period will be considered towards this date) and that as of April 1, 2025, the units will enter preservation according to the preservation outline detailed in the Electricity Authority's position and approved by the Minister of Energy and Infrastructure until December 31, 2025. For further details regarding the commercial operation approval, see Note 1e9.

On November 25, 2024, Amendment 1 to Orot Rabin emissions permit was received. As part of the Amendment some of the Company's comments were accepted, however, the Company's request to cancel the obligation to meet the sulfur percentage allowed in units 5-6 due to changes in Israel's ability to purchase coal in the global coal market in view of the implications of the Swords of Iron War, and the Company's request to obtain a coordinated inter-Ministerial decision regarding the future of Units 1-4 were not accepted.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

3. The future of units 1-4 at the Orot Rabin Power Station (continued)

In accordance with the requirements of the emission permit, the Company submitted on December 30, 2024, a plan for compliance with the best available technique for units 1-4 for the period beginning on January 1, 2026. In this framework, it was noted that some of the data is an initial assessment only, for the purpose of comparing the alternatives and that a more founded assessment will be presented with the selection of a relevant alternative and a concrete examination of the chosen alternative. In this framework, the Company noted that discussions regarding the systemic need for Units 1-4, including the need for their preservation, the duration of preservation, and the conditions for continued preservation are taking place, among others, by the Ministry of Energy, the Electricity Authority, Noga and until a decision is made, the plan cannot be advanced.

On May 5, 2025, a letter from Noga was received by the Ministry of Energy and the Company, in which Noga analyzed the implications and basic assumptions regarding the preservation of these Units. Within which, inter alia, Noga defined the availability of the Units and the circumstances of their operation after their placement in preservation and the need to perform competency tests in order to maintain their capabilities. Noga further stated that the continued operation of Units 1-4 from 2026 onwards, whether as part of the interim period or during the preservation period, will require the updating and extension of the Units' emissions permit.

In July 2025, the Electricity Authority published a hearing on the subject of examining alternatives for the future of Units 1-4 at the Orot Rabin site, in which the Authority recommends that the units be preserved in hot preservation for 3 years, and at the same time that the Ministry of Energy should promote additional solutions at a lower cost, financially and environmentally, for the purpose of ensuring the electricity sector, so that at the end of the period it will be possible to close Units 1-4 and, near the end of the preservation period, to examine whether special circumstances exist that would justify examining the establishment of new policy principles. The Company has forwarded its response.

To the best of the Company's knowledge, the Ministry of Environmental Protection submitted a response to the hearing, in which the Ministry of Environmental Protection expressed its opposition to the operation of the units starting in 2026, as stipulated in the emission permit. The Ministry proposed to consider, subject to the procedure under the Clean Air Law, an amendment to the emission permit that would allow for the next three years operation in readiness conditions (according to an annual plan that will be submitted for approval by the Commissioner) and in emergency situations that are not under the control of the State or the operator, which concern the lack of gas supply, and in accordance with the relevant directive. For further details, see Note 3v below.

On August 20, 2025, a letter was sent from the Director General of the Ministry of Energy to Noga regarding the extension of the interim period with respect to electricity generation units 1-4 at the Orot Rabin power station. In accordance with this letter, since at the date of its receipt a Special Situation still prevailed in the Home Front and in light of the need to respond to the needs arising from the emergency situation during the emergency period, the interim period will continue, as detailed in the Ministry's letter dated October 31, 2024. It was further noted that in any case, the interim period with respect to all 4 units will not extend beyond December 31, 2025, and to the extent necessary, an extension of the interim period will be considered again in the future.

On November 23, 2025, the Minister of Energy's decision was published regarding "Policy Principles - Examining the Scope and Manner of Extending the Preservation of Electricity Generating Units 1-4 at the 'Orot Rabin' Power Station". The decision, which entered into force on November 24, 2025, updates the Minister of Energy's decision from February 2021 and its main points are as follows:

- In light of the need to maintain the reliability, availability and continuity of electricity supply in an emergency situation in the coming years, the Company will preserve Units 1-4 at "Orot Rabin" in accordance with the "hot preservation" outline.
- Units 3-4 will enter into preservation from the date of the decision and Units 1-2 will enter into preservation from the date of commercial operation of CCGT 80. The preservation period will last until December 31, 2028.
- The operation of the generation units will be carried out only in accordance with the guidelines of the Supreme Designated Authority for Energy. In each of the years of the preservation period, the units will be limited to an average of 500 hours per unit.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

3. The future of units 1-4 at the Orot Rabin Power Station (continued)

- The Company will report quarterly to the Electricity Authority on the performance of the Units in preservation and how it complies with the preservation plan. To the extent that the performance of the Units in preservation is not in accordance with what is expected according to the preservation plan, the Electricity Authority will report to the Minister of Energy for the purpose of examining the manner and continuation of the preservation.
- At the end of the preservation period, the Units will be closed. However, near the end of the preservation period, the Electricity Authority will examine whether there are special reasons that justify establishing new policy principles regarding the preservation of the Units or their updating.

After the Statement of Financial Position date, on February 18, 2026, the Ministry of Energy sent a directive to the CEO of Noga regarding the manner of operating electricity generation Units 1-4 at the Orot Rabin power station during the hot preservation period, according to which, starting from the date they enter hot preservation in accordance with the policy principles of November 23, 2025, the manner of operating Units 1-4 during the hot preservation period will be in accordance with the policy principles.

After the Statement of Financial Position date, on February 19, 2026, an amendment to the Orot Rabin site's emission permit (Amendment 2) was received in respect of Units 1-4. The amendment to the permit determined, among other things, that Units 1-4 may be operated for the purpose of fitness test, in accordance with an annual plan that will be submitted for approval by the Commissioner and Air Quality Coordinator and for the information of the Environmental Unit, and in accordance with the conditions of the permit, until December 31, 2028. The scope of fitness hours in the aforementioned plan will not exceed 350 hours per unit per year.

In addition, the owner of the emission source may operate the Units if this is done within the framework of an exceptional operation, for which he has received a request from the System Administrator, in accordance with Section 25A of the Law, and in accordance with the policy principles of the Minister of Energy dated November 23, 2025 and the directive of the Head of the Supreme Designated Authority for Energy and Water regarding the operation of electricity generation Units 1-4 at the Orot Rabin Power Station dated February 18, 2026, and the conditions stated therein are met, as the case may be; the provisions of Section 25A of the Law shall apply to such operation and no change to the emission permit shall be required for the purpose of continuing the exceptional operation if an operating permit has been granted for this purpose under the provisions of Section 25A(h)(2), and subject to the conditions of the approval.

The owner of the emission source may operate the generation Units 1-4 in an emergency for a maximum of 48 hours. In order to extend the operation, the owner of the emission source must contact the Commissioner for his approval and act in accordance with the conditions of the approval; such approval may be valid for three months and the Commissioner may extend its validity for an additional three months only.

It was further determined that as of January 1, 2029, the owner of the emission source shall not use coal in generation Units 1-4, including in emergency situations, maintaining fitness or backup of the electricity system and that by January 1, 2028, the Company will submit to the Air Quality Coordinator and the Environmental Unit a detailed plan for scrapping Units 1-4. The plan shall address all environmental aspects (including removal and disposal of components containing asbestos) and economic aspects and shall examine land use alternatives. Confirmation of the submission of this plan must be presented to the Electricity Authority.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

4. Emission Permits for the coal-fired units

The Company works in accordance with emission permits for the sites of its power stations, granted by the Ministry of Environmental Protection by virtue of the provisions of the Clean Air Law. In accordance with the emission permits granted to the coal-fired units, units 5-6 at the Orot Rabin site and units 1-4 at Rutenberg are operating with emission reduction facilities while meeting the emission values set in the emission permit. For information about the rate recognition for the emissions reduction project, see Note 3j below.

On January 28, 2024, as aforementioned, the Company received new emission permits for Orot Rabin and Rutenberg, which set conditions relating to, inter alia, the conversion of the coal-fired units to gas, the cessation of generation in units 1-4 in Orot Rabin, the type of coal permitted for use in these units, and other requirements.

On February 19, 2026, a permit amendment was received for Orot Rabin and on February 22, 2026 for the Rutenberg site. Regarding the Emission permits in Rutenberg and Orot Rabin, see sections 2 and 3, respectively above.

On February 1, 2024, at the Company's request on the matter, approval was granted by the Ministry of Environmental Protection for the unloading of coal at the Orot Rabin power station without telescopic funnels, subject to conditions, pursuant to section 16(b) of the Orot Rabin site permit, which allows the unloading of coal without telescopic funnels during a special situation in the Home Front.

In view of the continuation of the Swords of Iron War and following the Company's request on the subject, on February 29, 2024, a correction was made to a typographical error in the Orot Rabin site's emission permit, stating that when declaring a state of emergency or a special situation on the Home Front for the purpose of the Swords of Iron War, restrictions on the sulfur content in coal will be removed and unloading will be approved as specified in the permit. In addition, it was determined that the Company must submit an update to the wetting procedure of the coal storage areas as well as submit regular reports regarding the unloading of coal at the site. It was also determined that the provisions of the amendment will be valid for up to two months from the end of a state of emergency or a special situation on the Home Front.

As part of the amendment to the Orot Rabin site's emission permit that was received on February 19, 2026, it was determined that the Company must complete the implementation of "dust binders" on the static coal piles at the coal site by July 1, 2026.

As part of the amendment to the Rutenberg site's emission permit that was received on February 22, 2026, it was determined that the Company must submit, within 6 months of the date the permit update comes into effect, a report to the Commissioner, the Air Quality Coordinator, and the Environmental Unit detailing start-up and shutdown times when operating the generation units using mineral gas, based on monitoring data of various operational parameters.

The Rutenberg permit amendment also determined that coal unloading in the coal reservoir will be carried out using an unloader only or by trucks, subject to Section 16 of the permit and various guidelines were also established regarding operational and long-term coal piles.

The conditions of the Orot Rabin site's emission permit include restrictions regarding the manner in which coal ash is stored on the site. The war situation has led to increased operation of the coal-fired units on the site and, at the same time, to a slowdown in the rate of ash removal. In light of this, the Company applied to the Ministry of Environmental Protection with a request to allow temporary storage of fly ash in piles in a designated area on the site during the state of emergency. This request was rejected by the Ministry due to concerns about non-focal emissions. Subsequently, after the Statement of Financial Position date, the Company applied to the Ministry of Energy on March 12, 2026 and requested to warn that when a position of the Ministry of Environmental Protection is given and as long as the current situation continues and the rate of ash formation exceeds the rate of its transfer to uses by the various customers, and given that the storage capacity in the ash silos and the indoor warehouse on the site has been completely exhausted, the Company will be forced to shut down some of the generation units on the site.

The Company is in contact with the Ministry of Energy and the Ministry of Environmental Protection on the matter, including requesting an update to the emission permit on this matter and is also examining various removal alternatives.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

5. Underground fuel pipelines – Reading

There are inactive land fuel pipelines in the area of the Reading power station, exiting and entering the station. As part of several samplings carried out in October 2020 as well as in January and February 2021, asbestos fibers were found on some of these pipelines.

The Company is nearing the end of the works for the removal of fuel pipeline segments in the area of Sde Dov (a segment comprising hundreds of meters).

As concerns the continuation of the eastward route of the pipelines (a route comprising several kilometers, in the direction of the Bnei Brak Train Station), following discussions conducted by the Company with the Ministry of Environmental Protection with regards to the manner of treatment required for these pipelines, the Company updated the relevant local authorities, while clarifying that no excavation approvals should be given along and around the route without prior coordination, and has placed signs along the route in coordination with the local authorities.

On March 31, 2022, the Company delivered the results of updated mapping of some of these pipelines to the Ministry of Environmental Protection. On July 31, 2022, the Company submitted for the Ministry's approval a basic plan for handling these pipelines, and the Ministry's response to the Company's plan was received on November 17, 2022. Following this, in December 2023, after conducting additional surveys on the pipelines, the Company presented an updated plan to the Ministry of Environmental Protection. The Company is working to execute required actions and is in direct contact with the Ministry regarding this issue.

On October 19, 2023, the Company received a request from the Tel Aviv Municipality, stating that the Company must remove the asbestos and remove these lines, claiming that they include thermal insulation made of brittle asbestos.

On November 12, 2023, the Company submitted its response to this inquiry, in which it noted that it is not brittle asbestos for the purpose of thermal insulation, therefore, the provisions of the Asbestos Hazard Prevention Law are irrelevant to the matter of these lines. The Company also noted that it had already submitted a plan to abandon the lines to the Ministry of Environmental Protection (hereinafter: the "Plan"), with a copy to the Environmental Protection Authority of the Tel Aviv Municipality and received the approval of the Ministry of Environmental Protection for the plan. As of the Financial Statements approval date, the Company continues to implement the plan.

As of the Financial Statements approval date, the Company cannot estimate all the possible implications for the Company regarding this issue, due to, inter alia, the possibility of asbestos existing in additional pipelines and in the area of the station, the pipeline's length, the complexity of its removal (since it passes under public and private areas, some of which are populated), and in light of the fact that no documentation exists regarding its exact location. Consequently, the provision included in the Financial Statements is in accordance with the updated plan which is being carried out by the Company.

NOTE 1:- GENERAL (continued)

h. Additional events

1. The crane collapse at Rutenberg

On March 13, 2023, following extreme weather, a crane at the coal pier at the "Rutenberg" power station collapsed into the sea and the coal pier was damaged. In this event the ability to unload coal at the pier was disabled.
As of April 10, 2023 through April 2025, and at the request of the System Manager – Noga, the Company transported coal by trucks from the Orot Rabin site and unloaded coal at the Port of Ashdod and transported it by trucks, in accordance with the operating needs of the Rutenberg site.

Following the event, the Company pulled the collapsed crane out of the water and built a temporary bridge in order to return to unloading coal at the pier. The repair of the remaining crane was completed on October 5, 2025 and its activity was renewed from this date onward.

On April 20, 2025, a settlement agreement was signed for a compromise arrangement in the amount of approximately NIS 385 million (after deductible) between the Company and the insurance company to cover the damages it has sustained. The receipt in accordance with the settlement agreement was recorded in the Other Income line item in the first quarter of 2025 and as a reduction in fixed assets and the entire amount was received by June 30, 2025.

2. Effects of the War of Rebirth ("Swords of Iron" War), "Rising Lion" Operation and the "Lion's Roar" Operation (the War) (**jointly and severally: "the War"**)

In light of the outbreak of the "Swords of Iron" War, which was renamed by the Israeli Government in October 2025 the "War of Rebirth", on October 7, 2023, the Minister of Defense declared a **"**Special Situation for the Home Front" in accordance with his authority under section 9C(b) of the Civil Defense Law - 1951 (hereinafter: the "Civil Defense Law")**,** which was expanded on October 8, 2023 by Government Decision No. 941 to the entire country. On the evening of October 7, 2023, against the background of the aforementioned events, and after the Minister of National Security realized that there is a high probability that a civil emergency will occur in Israel, and in accordance with his authority under section 90B(a) of the Police Ordinance [New Version] - 1971, the Minister declared a "civil emergency" in the entire country, except within a radius of 0-80 km from the Gaza Strip, for which a special situation on the Home Front had already been declared as aforementioned.

In addition, on October 8, 2023, the Ministerial Committee on National Security decided to take significant military action, in accordance with Article 40 of Basic Law: The Government.

The Special Situation on the Home Front applied to all State territories until March 4, 2025, subsequently it was reduced so it will apply only to areas adjacent to the Gaza Envelope as specified in the Government Decision.

Operation "Rising Lion" was conducted from June 13, 2025 to June 24, 2025. Upon the commencement of the operation on June 13, 2025, the Government declared a Special Situation in the entire territory of the State of Israel and extended this decision until June 30, 2025. Subsequently, the declaration was limited to areas adjacent to the Gaza Strip only, as specified in the Government Decision, until October 28, 2025.

During the "Rising Lion" Operation, damage was sustained at several of the Company's sites and to the electricity grid, as a result of which the Company was required to carry out rapid repairs to restore electricity production and supply. The operation had no material effects on the Company's current operations and its financial results, on the Company's cash flows, its ability to raise funds in the banking system in Israel and/or abroad, and on its financial strength.

After the Statement of Financial Position date, on February 28, 2026, the State of Israel and the United States launched a combined attack on Iran, striking Iran's missile systems and various targets of the Iranian regime (the "Lion's Roar" operation). In response, the Iranian regime began launching missiles and drones towards the State of Israel and towards other countries in the region. On March 1, 2026, the campaign was also expanded to Lebanon due to the Hezbollah Terror Organization firing at the State of Israel.

With the beginning of the "Lion's Roar" Operation on February 28, 2026, the Government declared a special situation in the Home Front throughout the territory of the State of Israel.

In addition, a declaration of emergency in the natural gas sector was made in accordance with the Natural Gas Sector Law - 2002; and the Minister of Energy and Infrastructure's directives were made according to Regulation 8 of the Natural Gas Sector Regulations (Management of the Natural Gas Sector during an Emergency) - 2017, to determine the order of preference for gas supply to the various sectors. The directives were extended from time to time and were in effect on the Financial Statements approval date.

NOTE 1 GENERAL (continued)

h. Additional events (continued)

2. Effects of the War of Rebirth ("Swords of Iron" War), “Rising Lion” Operation and the “Lion's Roar” Operation (the War) (jointly and severally: “the War”) (continued)

In addition, due to the security situation, on February 28, 2026, the Minister of Labor signed an order regarding the application of Chapter D of the Emergency Labor Service Law - 1967, in the area that was declared as "Special Situation in the Home Front". This order allows the Minister of Labor to issue Enlistment Orders to employees in an essential enterprise or in an enterprise for the provision of essential services (as defined in this Law) in the said territory, which requires them to report to work. In practice, and until the financial Statements approval date, mobilization orders were not issued to the Company's employees under this declaration.

a) The main effects of the war:

1) Equipping Emergency Inventories

At the beginning of the War of Rebirth and from time to time after the outbreak of the war, the Company was requested by Noga Company which operates as the Power Authority in the Electricity Sector with regard to emergency economic planning and operation (hereinafter: "the Power Authority") by virtue of the license granted to it for System Management and the Director General of the Ministry of Energy (in his duty as the Supreme Designated Power Authority) to purchase fuels and emergency inventory, as a result, in 2023 and until the Financial Statements Approval date, the Company purchased fuels in a scope of hundreds of millions of Shekels for the economy.

At the time of the Annual Update for 2025, which took effect from January 1, 2025, the Electricity Authority recognized an amount of approximately NIS 76 million for the Company for its emergency equipment and site protection. The Authority also determined as part of the decision that, to the extent that the economy requires the use of the emergency diesel fuel inventory, the tariff will immediately increase by approximately NIS 1.4 billion and will cover fuel costs for the entire economy - the Company, private producers and the System Administrator.

Furthermore, following the aforementioned decision of the Authority, in which a tariff mechanism was also determined when opening the domestic diesel inventory used for emergencies as defined in the Political – Security Cabinet Resolution 116b ("Domestic Diesel Inventory"), if it will be opened, on August 1, 2024, the Company's Board of Directors decided, inter alia, to authorize the Company to act to purchase diesel to replenish the domestic diesel inventory in the War of Rebirth only against any income that will actually be attributed to it from the aforementioned automatic tariff increase that will be collected by it, and in any case up to a ceiling of NIS 1.4 billion only. Any additional amount beyond the above, which will be required for the purchase of diesel for domestic emergencies, will be made by the Company against and in the amount of cash payment that the Company will actually receive from private electricity producers for the withdrawal of emergency diesel from inventory of sectoral fuel to the power stations they own.

As of the Financial Statements approval date, the level and method of recognition for the purpose of reimbursement of purchase and storage cost for theemergency diesel oil in the economy in excess of NIS 1.4 billion were not yet determined in a final manner. On September 9, 2025 and October 19, 2025, the Company received requests from the Power Authority to extend the contracts with Energy Infrastructures and EAPC for the maintenance and storage of emergency domestic diesel fuel stocks.

For additional details regarding the agreements signed for limited periods for the purchase of domestic diesel fuel for sectoral emergency, see Note 8b and Note 33b2g.

It is clarified that in light of the fact that the Company may be required to increase and/or replenish (restock) the sectoral fuel inventory in accordance with the Power Authority's guidelines, as detailed in Note 8b, there may be an adverse impact on the Company's cash flows and financial position. The Company is conducting discussions with the authorized State Authorities regarding the Company's obligation to continue to increase or replenish sectoral fuel inventory and regarding the scope of this obligation under the circumstances of the case.

Given the fact that in Government Resolution No. 3859 of June 3, 2018, regarding the "Reform in the Electricity Sector and Structural Change in the Electric Company", responsibility for the purchase of domestic diesel fuel and its storage should have been transferred to Noga in its capacity as the System Administrator.

NOTE 1 GENERAL (continued)

h. Additional events (continued)

2. Effects of the War of Rebirth ("Swords of Iron" War), "Rising Lion" Operation and the "Lion's Roar" Operation (the War) (jointly and severally: "the War") (continued)

a) The main effects of the war: (continued)

1) Equipping Emergency Inventories (continued)

After the Statement of Financial Position date, on February 24, 2026, a directive from the Power Authority was received regarding the creation of an agreement with the EAPC to lease an additional diesel tank and purchase an additional quantity of domestic diesel fuel. The directive states that the duration of the agreement is for a period of one year. Following the directive, a Government Resolution was received regarding the recognition of this purchase as emergency stock intended to serve as a strategic emergency stock for the electricity sector for the purpose of the excise exemption order. The Company purchased the diesel fuel from Bazan in accordance with the aforementioned directive and also advanced an agreement to lease an additional temporary diesel tank.

Also, with the outbreak of the "Lion's Roar" Operation, the Ministry of Energy ordered the cessation of activity at the "Leviathan" and "Karish" gas reservoirs, so the Company was instructed by Noga to operate the Company's coal units. In light of this, coal consumption increased beyond its forecast use. Following the operation of the coal-fired units, the Company ordered additional loads of coal through the Coal Company in order to meet demand and to reinforce the inventory, i.e. to replenish it.

Following the current war situation and in light of the uncertainty that exists at this stage regarding its duration and implications, the Company cannot estimate whether, when and to what extent the Company's results of operations, financial condition, cash flows and financial strength will be affected by the war event, as this is an event that is beyond the Company's control.

2) Credit Rating

The credit rating of the Electricity Company is affected by the rating of the State which may continue to be exposed to negative pressures in view of the security uncertainty, including the risk of renewed fighting or other geopolitical developments.

For details, see Note 19e below.

3) Credit rating of the State of Israel

Below is the rating of the State of Israel by international rating companies at the beginning of the War of Rebirth compared to its rating as of the report date:

The international rating company S&P Global Ratings - at the beginning of the war rated the country AA- with a stable outlook, the rating was downgraded to A with a stable outlook as of the Financial Statements approval date.
The international rating company Moody's - at the beginning of the war rated the country A1 with a stable outlook, the rating was downgraded to Baa1 with a stable outlook as of the Financial Statements approval date.
The international rating company Fitch - at the beginning of the war rated the country A+ with a stable outlook, the rating was lowered to A with a negative outlook as of the Financial Statements approval date.

4) Deterioration in collection from customers

With the outbreak of the War of Rebirth, further to the criteria and guidelines distributed to the public by the Electricity Authority, the Company suspended collection processes for all debtor customers (residential and commercial) throughout the country, so that usual collection procedures are not being carried out against them, and the Company also suspended the process of issuing invoices for residents of 83 localities who were evacuated from their homes due to the war. On March 4, 2025, the emergency situation was cancelled in most areas of the country, and accordingly, the Company began collection enforcement actions to cover customer debts.

Due to the accumulation of debts as mentioned above in the sum of hundreds of millions of NIS, the Company increased the provision for doubtful debts starting from the Financial Statements for 2023 and updated it in accordance with the development of the debt. For details regarding the increase in the provision for doubtful debts in the years ended December 31, 2025 and 2024, respectively, see Note 6 below.

NOTE 1 GENERAL (continued)

h. Additional events (continued)

2. Effects of the War of Rebirth ("Swords of Iron" War), "Rising Lion" Operation and the "Lion's Roar" Operation (the War) (jointly and severally: "the War") (continued)

a) The main effects of the war: (continued)

4) Deterioration in collection from customers (continued)

It is indicated that with the cancellation of the Special Situation in the Home Front, the Company resumed collection measures and managed to stabilize and reduce the debt accumulation.

Starting with the beginning of the "Lion's Roar" Operation and until the Financial Statements approval date, the Company ceased to carry out disconnections as part of the collection procedures in accordance with the criteria.

5) Delay/halt of projects

The security situation prevailing in the country since the outbreak of the War of Rebirth affects the ability to advance projects, inter alia, due to a real shortage of available and professional manpower among contractors, the absence of foreign experts and directives of the System Manager which prevented power outages for network development. It should be noted that the factors affecting the ability to advance projects change from time to time, throughout the continuation of the state of war which has a cumulative effect on delays in schedules. In the Company's assessment, the continuation and/or worsening of the security situation could affect the ability to advance the projects.

Due to the outbreak of the War of Rebirth and due to the security situation, GE Company announced the evacuation of some of GE's employees and subcontractors from Israel. The absence of foreign experts affected the advancement of CCGT 70 and 80 projects at the Orot Rabin site.

The Company is working with GE on this issue, the presence of experts in CCGT 70 and 80 projects was critical to the construction phases, the entry into use and acceptance testing, and their availability, as well as the system manager's instructions, had a significant impact on the ability and pace of advancement of the CCGT 70 and 80 projects.

Unit 70 received a generation license on January 26, 2025, and Unit 80 received a generation license on January 7, 2026. On the aforementioned dates, the commercial operation of the two aforementioned generation units began, respectively. For details of the effect of the War on commercial operating dates of Units 70-80, with respect to the planned operation dates, see Section e9 and Section e1 above.

The events of the War of Rebirth, "Rising Lion" and now the "Lion's Roar" Operation had and are having an effect also on converting the units to gas and advancing their acceptance tests in Rutenberg due to the halt of work at the site and the supplier's experts not arriving in Israel and due to the instructions of the Home Front Command and the System Manager due to system survivability consideration. The postponement of the conversion completion date of Unit 3 at Rutenberg (the last unit on the site undergoing conversion to gas) may have implications on the timetables for the continued execution of the conversion projects and the commencement date of conversion of Units 5 and 6 at the Orot Rabin site given that, according to Noga's instructions, conversions cannot be performed in multiple units at the same time. For an examination of these effects on the Company, see Note 1g above.

In addition, there may be delays in renovation work at the power stations, due to security incidents, lack of approvals for shutting down of the units from the System Manager, disruptions in the supply of equipment, experts leaving the country, and following a force majeure notice received by the Company in March 2026 from some of the equipment suppliers and service providers.

In addition, the security circumstances have an effect on the timetables for the advancement of various projects in the distribution segment (transmission and transformation) including delays that may be caused from lack of approvals for outages required for network development from Noga, inability to work in several sites in the north alongside disruptions of equipment supply. This has implications for meeting the goals of the development plan. Delays were recorded in the project for implementing an advanced system for the management of the distribution network - ADMS extended delays were recorded due to security incidents that began in October 2023 and continued into the "Lion's Roar" war.

As a result, system supplier GE declared a force majeure event, which prevented the supplier from operating in Israel during the critical integration and SAT phases – site acceptance tests. As a result, the completion date is expected to be delayed compared to the original schedules.

NOTE 1:- GENERAL (continued)

h. Additional events (continued)

2. Effects of the War of Rebirth ("Swords of Iron" War), "Rising Lion" Operation and the "Lion's Roar" Operation (the War) (jointly and severally: "the War") (continued)

a) The main effects of the war: (continued)

In the Company's assessment, with the outbreak of the Swords of Iron war the continuation of the "Rising Lion" events and now also with the "Lion's Roar" events, the continued War could, under certain circumstances, adversely affect its results of operations, its financial position and cash flows (inter alia as a result of the gap between the date of actual execution of expenses by the Company and the date of their recognition in the tariff), an increase in the volume of financial debt and the increase in financing expenses to the extent the war event continues it may be feasible that there may be an adverse impact on the Company's ability to meet the financial strength targets that were determined in the reform documents and in some of the targets that were determined in the Board of Directors' decisions.

These effects may derive, inter alia, due to:

- the possibility of an increase in the Company's operating and development expenses deriving, inter alia, from a change in the mix and volume of fuels that the Company will use following a possible shutdown of gas production activity from the reservoirs along the coast of Israel, increase in global energy prices after the Statement of Financial Position date, in light of the macroeconomic developments expected from the war including the weakening of the Shekel against foreign currencies, which may lead to an increase in the prices of raw materials and fuels purchased by the Company;
- the possibility of a shortage of available energy sources for production activities, including a shortage of gas in the event of damage to the gas rigs and/or a shortage of fuels in view of difficulties in importing fuels;
- a decline in the volume of collection from the Company's customers and an increase in consumer debt deriving, inter alia, as a result of an increase in credit days and a negative impact on the ability to collect;
- impairment of financial assets, including pension fund assets;
- delay in the execution and completion of projects in the network and generation segments; decline in the Company's revenues from sale of electricity resulting from a possible effect on the performance of the electricity system, including environmental aspects, due to possible damage to the electric grid and power stations;
- impairment of the value of assets in the event of an increase in the discounting rate as a result of a possible increase, inter alia, in the risk premium of the State of Israel, without a corresponding increase in the cost of capital in the tariff;

It should also be clarified that the War may affect the state of the equity and debt markets in Israel and the Company's access to additional sources of financing.

b) In response to the potential risks listed above, the Company has taken action to improve the liquidity situation, obtain sources of financing and receive support from State entities in the following manner:

1) Designation of surplus proceeds from the sale of the Eshkol power plant to cover war expenses

On July 30, 2024, the Authority's decision regarding the "designation of surplus proceeds" from the sale of the "Eshkol" power plant was published which also includes an advance for the war costs. For additional details regarding the decision see Note 3g below. Additionally, on July 24, 2025, the Electricity Authority published a decision determining that the value of the land at the Eshkol site to be recognized for the Company will be NIS 1,740 million. For additional details regarding the decision, see Note 3x below.

2) Pursuant to the request of the Power Authority and the Director General of the Ministry of Energy, on November 15, 2023, the Electricity Authority published draft resolutions for a hearing on the subject: "Recognizing the Cost of Maintaining a Temporary Diesel Inventory". The draft resolution is intended to regulate the method of recognizing the cost of maintaining temporary diesel fuel stock by various companies in the sector and by private electricity producers. According to the proposal, for the maintenance of temporary diesel fuel stock by a holder who is not a private producer, payment will be made by the Electric Company, while for the maintenance of temporary diesel fuel stock by a private producer, payment will be made by the system manager. The payments to which holders of stock are entitled include financing cost component, storage cost component and price difference component

NOTE 1:- GENERAL (continued)

h. Material events during the reporting period (continued)

2. Effects of the War of Rebirth ("Swords of Iron" War), "Rising Lion" Operation and the "Lion's Roar" Operation (the War) (jointly and severally: "the War") (continued)

between purchase and sale.

The Company forwarded its comments for the hearing on November 26, 2023. Until this date, a final decision has not yet been published in the matter.

As part of the Electricity Authority's decisions regarding annual tariff updates, the Authority recognized the full amounts that were known at the time of the update for the payments made by the Company to the various companies for maintaining temporary diesel fuel stock.

For further details regarding engagements for the maintenance of temporary diesel stock with related companies in the economy, see Note 33b2g below.

3) On May 26, 2024, the Electricity Authority published a decision regarding the price of transferring diesel fuel from the emergency domestic stock held by the Company to private electricity producers. For details, see Note 3p below.

4) Receipt of the Accountant General's letter

In his letter of October 27, 2023, as aforementioned, the Accountant General noted that, in general, it appears that the Company has well prepared well in advance financially and has cash flow for emergency events in the economy, and that its needs are supposed to be met within the framework of the electricity tariff and the decisions of the Electricity Authority, and that he is confident that in light of the Company's financial starting point, it will continue to prepare for war and emergency scenarios as necessary and with the help of all the operational and financial means at its disposal, all in accordance with the provisions of the Law. The Accountant General further noted in his letter that within this framework, the Company bore costs that were not expected prior to the war, as it is both an essential service provider under the Electricity Sector Law - 1996 and its responsibility to maintain functional continuity throughout the war and afterwards, and for various actions that the Company was required to take during the war by the competent authorities of the State. The Accountant General also sought to clarify in his letter that the Company is a corporation under full Government control, which is regarded as a Government Related Entity that constitutes an essential service provider in the economy. Accordingly, all the competent State bodies, headed by the Accountant General at the Ministry of Finance, are committed to ensuring the continuity of energy supply in the economy, to the financial strength of the Israel Electric Corporation, and to its ability to serve its obligations in routine and emergency times.

5) Issuance of Debentures

On November 5, 2023, the Company raised a total of approximately NIS 3 billion and on September 15, 2024, the Company raised a total of approximately NIS 3.4 billion. For details regarding fundraising in 2025 and after the Statement of Financial Position date, see Note 19c.

It should be clarified that as of the Financial Statements approval date, the expansion of the war into additional arenas, particularly the Iranian and Lebanese arena, the Company is unable to assess whether, when and to what extent the results of operations, its financial position, cash flows and financial strength will be affected by the event of the war, since this is an event beyond the Company's control, and factors, such as: the scope and duration of the war, the possibility of an increasing intensity of the war and the worsening of its consequences, regulatory decisions that will be made with respect to the actions required of the Company and tariff compensation may affect the condition of the Company.

However, in light of the steps taken and taking into account the position of State entities as detailed above, and in view of the Company's ability to receive financing in the banking system in Israel and/or abroad, and to raise debt in the capital market and taking into account the cash and short-term investments balance as of December 31, 2025 and the Company's cash flow forecasts, in the assessment of the Management and the Board of Directors, the Company has sufficient sources of financing to finance its activities and repay its obligations in the foreseeable future and is carrying out and will continue to take all actions required to maintain its financial strength.

NOTE 1:- GENERAL (continued)

h. Material events during the reporting period (continued)

3. Fire in the Rutenberg collector

On April 17, 2025, a fire broke out in the collector of Unit 4 at the Rutenberg power station, while contractor work was being carried out as part of its renovation, the Unit was shut down at that time for conversion to gas. The fire was extinguished within a period of several hours with the assistance of external firefighting forces. The total estimated extent of the damage is approximately NIS 300 million.

Furthermore, on September 5, 2025, the conversion of Unit 4 to gas was completed and it was connected to the chimney of Unit 3. The Company is waiting to receive approvals from Noga for commercial operation of the unit.

As a result of the fire, in the reporting period the Company recorded expenses in the Profit and Loss Statement for disposal of the destroyed fixed assets and its clearance in the amount of approximately NIS 82 million.

Up until the Statement of Financial Position date, advances from insurance in the amount of approximately NIS 26 million were received, which are included in payables and, after the Statement of Financial Position date, an additional NIS 5.5 million was received.

The Company is working to exercise its full rights under the property insurance policy against the insurance company. As of the Financial Statements date, no income from indemnity receivable was recorded, since as of this date there is no certainty regarding the indemnity amount which includes the possibility that the Company may be required to return the advances that were received.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES

a. 1. Declaration of Compliance with International Financial Reporting Standards:

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards, hereinafter: "IFRS Standards") and their interpretations which were published by the International Accounting Standards Board (IASB). The main points of the accounting policies detailed below, except that stated in section x below, were consistently implemented with respect to all the reporting periods presented in these Consolidated Financial Statements.

2. Implementation of the Securities Regulations:

The Financial Statements are prepared in accordance with the Securities Regulations (Annual Financial Statements), 2010 (hereinafter: the "Financial Statements Regulations").

3. Operating cycle period

The Group's regular operating cycle period is 12 months.

4. The Consolidated Financial Statements were approved for publication by the Group's Board of Directors on March 19, 2026.

b. Basis of Measurement

The Statements were prepared on the basis of historical cost except for the following assets and liabilities:

- Financial instruments, derivatives investments and other instruments which are measured at fair value through profit and loss.
- Assets and liabilities with respect to employee benefits.
- Inventory measured as the lower of cost or net realization value.
- Investments in associate companies
- Provisions.
- Deferred tax assets and liabilities.
- Debit and credit balances of regulatory deferral accounts.

For additional information regarding the manner of measurement of these assets and liabilities see below.

c. Functional Currency and Presentation Currency

1. Functional Currency

The Financial Statements of the Group are prepared in New Israeli Shekel which is the currency of the primary economic environment in which it operates.

2. Method of Recording Exchange Rate Differences

Exchange rate differences stemming from translation into the functional currency are recognized in the item of financing expenses, in operations in the period in which these arise, except for the cases detailed below:

- Exchange differences of derivatives used in cash flow hedging, with respect to the effective hedging part (regarding the accounting policy of the Group on hedging transactions, see section l below).
- Exchange differences which relate to assets under construction for future use in production are included in costs of those assets, when they are regarded as an adjustment to interest costs on foreign currency borrowings (regarding the accounting policy of the Group on capitalization of borrowing costs, see section h below).
- Exchange differences with respect to regulatory deferral liabilities regarding a settlement agreement with the Egyptian Gas Companies are charged to the Profit and Loss to the movement in regulatory deferral accounts balances line item, parallel to exchange rate differences with respect to the settlement agreement's receivables. See Notes 10 and 14o below.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

d. Amendments to Standards not yet adopted

International Financial Reporting Standard IFRS 18, Presentation and Disclosure in Financial Statements

This Standard replaces the International Accounting Standard IAS 1 - Presentation of Financial Statements. The purpose of the Standard is to provide an improved structure and content for financial statements, in particular in the statement of profit and loss. The Standard does not change the instructions for recognizing and measuring items in the Financial Statements. However, the Standard includes new disclosure and presentation requirements as well as requirements brought over from the IAS 1 Standard for Presentation of Financial Statements with minor wording changes. As part of the new disclosure requirements, companies will be required to present two sub-totals in the statement of profit and loss, operating profit and profit before financing and tax. The results in the statement of profit and loss will be classified into three categories: operating activity, investment activity and financing activity. The Standard also includes a requirement for separate disclosure in the financial statements regarding the use of management-defined performance measures (non-GAAP metrics). Guidelines are added for aggregation and disaggregation of items in financial statements and in the notes. The date of initial application of the Standard is for annual periods beginning on January 1, 2027.

The Company is examining the implications of the Standard on the Financial Statements and at this stage there is no intention of early adoption.

e. Consolidated Financial Statements

The Consolidated Financial Statements of the Company incorporate the financial statements of the Company and the subsidiaries (the National Coal Supply Corporation, hereinafter: the “Coal Company”, and the generation subsidiary, Netiv Ha’Or - Orot Rabin Ltd.). Financial statements of the subsidiaries are prepared in accordance with the accounting policies of the Company (see Note 10 below).

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

f. Non-Inclusion of Separate Financial Statements in the Periodic Financial Statements

The Company did not include separate financial information according to Regulation 9(c) of the Securities Regulations, since it does not contain any material information required by the reasonable investor to comprehend the financial position, operating results and cash flow of the Company, which may affect economic decisions related to the Company, that are not included already in the Consolidated Financial Statements of the Company. In accordance with the criteria implemented by the Company to determine the negligibility of the additional information are both the quantitative and qualitative aspects.
The Company fully owns the Coal Company and the Generation Subsidiary (see Note 10 below).
The Coal Company purchases coal for the power stations of the Company and acts in practice as the extension of the Company for purchasing coal for its power stations. Except for a very minor quantity, the Coal Company sells all of the coal to the Company.

The objectives of the Generation Subsidiary are engineering planning and planning actions with respect to the two generation units located at the Orot Rabin site (hereinafter: the "CCGTs"), the construction, operation and maintenance of the two CCGTs, the generation of electricity using the two CCGTs and the sale of the generated electricity.

At this stage, in light of the agreements between the Generation Subsidiary and the Company as stated in Note 1e9 above, according to which the majority of the economic benefits expected to arise from the assets of the Generating Subsidiary remain with the Company directly to cover the loan provided by the Company to finance the establishment, operation and leasing activities of the Generation Subsidiary, for the activity of the Generation Subsidiary there is no additional information, both quantitative and qualitative, required for the reasonable investor and debt holders of the Company to understand the Company's financial position, results of operations and cash flow, which might affect economic decision-making with respect to the Company's reports, not already included as part of the Company's Consolidated Financial Statements. The Company is the full owner of the generation subsidiary and all fixed assets of the subsidiary are included in the Company's Consolidated Financial Statements.

g. Investments in Associates

The Company has long-term loans to IBC Corporation and CyberGym, the disposal of which is not planned and unlikely to take place in the foreseeable future, which are treated as long-term rights which, in essence, form part of the investment. These rights are first treated in accordance with the instructions of IFRS 9, after which the equity method is applied in accordance with the instructions of IAS 28.

The fair value of the Company's investment in IBC, which was purchased on the date of its establishment for the right of use, is recognized as deferred income within other liabilities, and recognized as income over a period of service provision under the agreement, by the straight-line method.

For further details on associate companies see Note 10 below.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

h. Fixed Assets

1. Fixed assets not under construction

The Group presents its fixed asset items in accordance with the cost model, net of accumulated depreciation and accumulated losses from impairment. The cost of the fixed assets includes asset acquisition costs (less receipts from development works orders), and any additional cost that can be attributed directly to bringing the asset to the location and condition required to operate it as intended by the Management.

Spare parts, auxiliary equipment, and backup equipment are classified as fixed assets, when they comply with the definition of fixed assets under IAS 16, otherwise they are classified as warehouse inventory. (See section k below).

2. Fixed assets under construction

The cost of assets that the Company has built itself include: material costs, labor and subcontractor salary costs, as well as salary costs and other indirect inputs that are necessary inputs in the construction process of these assets. Indirect costs are charged according to allocation keys and price lists that are frequently reviewed in relation to annual planning, actual investments and the approved budget.
The cost of fixed assets under construction that are capitalizable assets as defined in IAS 23 also includes non-specific credit costs eligible for capitalization.
Non-specific credit costs are capitalized in the same manner to the same investment in qualifying assets or that part thereof, which is not financed by specific credit, using a weighted average rate of cost for those sources of credit whose cost has not been specifically capitalized. Exchange rate differentials arising from credit in foreign currency are capitalized if they are considered as an adjustment to the interest costs.
The Group suspends capitalization of credit costs during extended periods in which it suspends the active development of a qualifying asset.

3. Depreciation of fixed assets

- Depreciation of depreciable fixed assets is calculated systematically using the straight-line method over the expected useful life of the component from the date on which the asset is ready for its intended use.
- Right-of-use assets leased under lease agreements that are covered by IFRS 16 are depreciated over their expected useful life on the same basis as owned assets, or over the leasing period if the leasing period is shorter than the useful life of the asset.
- The useful lives and depreciation rates used in the calculation of depreciation are as follows:

	Useful life (years)
Power stations (*)	30 - 50 (mainly 50 years)
Emission reduction installations (*)	22-29
Combined Cycle Gas Turbine (CCGT) Power stations	30
Jet gas turbines	15
Transmission system	35
Transformation system	20-45 (mainly 45 years)
Distribution system	30-35 (mainly 35 years)
Meters and smart metering	15
Inventories (including office equipment)	10
Telecommunications	10
Computers and auxiliary equipment	3-5
Motor vehicles	3-7
Mobile mechanical equipment	2-10
Buildings	30

The depreciation method and useful life of the asset are reviewed by the Management of the Group every fiscal year.

For details of the depreciation rates and the life of leased assets, see section p below.

(*) For details regarding the change in the estimated lifespan of coal-fired units and emission reduction facilities, see section x below.

Gains or losses incurred by withdrawal from use of a fixed asset are charged to the Statement of Operations, under the expense item to which depreciation is charged for use of the item.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

h. Fixed Assets (continued)

4. Subsequent Costs

The replacement cost of a material part of a fixed asset item, is recognized as an increase of the cost in the books on the materialization date, if it is expected that the future economic benefits attributed to the item will go to the Group, and amortized according to the straight-line method of the lower of the useful lifespan of the principal cost item or the part that was replaced.

5. Liability with respect to disassembly, preservation and removal costs of an item and restoration of the site on which the item was placed

The cost of an item of fixed assets includes, inter alia, costs of disassembly and/or restoration of the site on which it was placed, for which the entity incurs a liability when the item is purchased or as a result of using the item for a certain period.
The liability is measured at present value in accordance with the expected date of removal for disposal of the liability based on a capitalization rate reflecting current market assessments of the time value of money and the risks specific to such liability.
After the first recognition date:
Changes in the aforementioned liability up to the end of the item's depreciation period, will be added to or deducted from the asset during the current period and depreciated throughout the useful life of the asset, if the asset is fully depreciated then the changes are charged directly to profit and loss.

6. Cash flow with respect to interest capitalized to assets

See section u below.

i. Intangible Assets

1. Intangible assets
The intangible assets of the Group include purchase costs including capitalization of independent software development. The assets are amortized using the straight-line basis over their estimated useful life, subject to evaluation of impairment of value.

2. The useful lives and depreciation rates used in the calculation of amortization of these intangible assets are as follows:

	Useful life (years)	Amortization rates (%)
Software	5-19	5.26-20

j. Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group examines the book value of its fixed assets and intangible assets in accordance with IAS 36, to detect any signs that indicate the impairment of these assets. When such indications exist, the recoverable amount of the asset is estimated for the purpose of determining the loss created by the impairment, if any.

The examination is carried out with respect to all of the Company's assets, including emergency diesel fuel stocks and regulatory deferral accounts relating to fixed assets and intangible assets that constitute a single cash-generating unit, since the Company is obligated by Law to act as an essential service provider in all sectors of activity, and in its assessment, there is no active market in which it is allowed to participate for those of the various sectors there is a dependency between the positive and negative cash flows generated in the various segments (hereinafter: the "cash generating unit"). A recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. When assessing the value in use, estimated future cash flows are discounted to their present value by using a discount rate before tax that reflects the current market estimates regarding the time value of the money and the specific risks of the asset for which no estimated future cash flows were adjusted.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

k. Inventory

1. Fuels Inventory

Fuels inventory is an inventory of materials consumed in the electricity generation process.

Inventory costs include all of the purchase costs, direct labor costs, fixed and variable overhead expenses and also other costs incurred to bring the inventory to its current location and condition. The cost of inventory is measured in accordance with the weighted average method. The inventory is stated at the lower of cost and net realizable value. The impairment of the fuels inventory that is held for use in the electricity generation process is carried out only in the event that the cost of use of this inventory plus the rest of the generation, transmission and distribution costs will exceed the price of electricity for the consumer.

The policy of the Group of maintaining fuels inventory is also for backup and availability needs of the electricity system in case of mishap in the supply of gas, and for times of emergency. Inventory that the Group anticipates will be used during a period exceeding a year is presented within the section of Fuels Inventory - Non-Current Assets. Impairment of emergency diesel inventory is assessed according to the rules for examining the impairment of fixed assets. For details of diesel fuel for times of emergency see Note 8b below.

2. Warehouse Inventory

Warehouse inventory (general equipment inventory and spare parts inventory whose consumption rate does not exceed one year and is held in the Company's warehouses) is estimated according to the cost determined according to the weighted moving average method.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

l. Financial Instruments

1. Non-derivative financial assets

The Group initially recognizes customers and debt instruments that were issued on the date of their creation. The rest of the financial assets are initially recognized on the date that the Group becomes a party to the contractual terms of the instrument.
A financial asset is initially measured at fair value plus transaction costs that can be directly attributable to the acquisition or issue of the financial asset. A customer that does not include a significant financing component is initially measured according to its transaction price.

The Group holds two main groups of financial assets:

Financial assets measured at amortized cost:

These assets mainly include: cash and cash equivalents, customer balances, and short- and long-term receivables. The cash flows from these financial assets are principal and interest only, and are held in a business model whose purpose is to hold in order to collect the cash flows. Accordingly, these assets are measured at amortized cost, using the effective interest method.
The Group recognizes the provision for projected credit losses in respect of financial assets measured at amortized cost. The Group elected to measure the provision for projected credit losses in respect of customers, in an amount equal to the projected credit losses due to a failure event over a 12-month period.
With regard to the debt of the Egyptian gas companies (see Note 34b7 below), the Company measures the provision for projected credit losses in an amount equal to the projected credit losses over the life of the instrument. The provision for credit losses is based on the Company's historical collection experience, adjusted to current conditions and an assessment of forecasted trends.

Financial assets measured at fair value through profit and loss:

These financial assets mainly include investment in Exchange-traded Funds ("ETFs") and investments in companies in which the Company has no material influence. These financial assets are held in a business model aimed at selling the financial assets. Therefore, these assets are measured at fair value through profit and loss.
On the date of the initial recognition, financial assets are classified into one of the following measurement categories: amortized cost or fair value through profit and loss.
Financial assets included in the fair value through profit and loss category include mainly investment in ETFs, swap transactions and forward transactions.

2. Derivative Financial Instruments including Hedge Accounting

The Group enters into a variety of derivative financial instruments. The Management of the Group exercises judgment in selecting appropriate valuation techniques for financial instruments that do not have a quoted market price in an active market. The estimation techniques used by the Management of the Group are like those applied by market participants, in order to manage its exposure to interest rate and foreign currency rate changes, including foreign currency swaps and combined interest swaps and foreign currency swap transactions, and foreign exchange forward contracts. For further details on the derivative financial instruments used by the Group, see Note 25 below.

Some of the electricity purchase agreements under which the Group purchases electricity from private electricity producers include mechanisms of linking price to currencies, various indices and rates, which are set by way of a rate approval by the Electricity Authority.

As the major part of the aforesaid electricity purchase agreements (including the various linkage mechanisms) are set by virtue of law and regulatory requirements, they do not constitute contractual rights and obligations, and therefore no identification and separation of embedded derivatives is required with respect to these linkage mechanisms.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

2. Derivative Financial Instruments including Hedge Accounting (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments, in order to hedge the changes in the cash flows relating to the issued debentures and loans taken and which derive from changes in foreign currency exchange rates and exchanging foreign currency fixed and variable interest to fixed NIS interest.

On the date of creation of the hedging relationship, the Group records the purpose of its risk management and strategy for the execution of the hedge. The Group also records the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

When a derivative instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of the changes in the fair value of the derivative is attributed to other comprehensive income, directly to a hedge reserve. The effective part of the changes in the fair value of a derivative, which is attributed to other comprehensive income, is limited to the cumulative change in the fair value of the hedged item (based on present value) from the date of creation of the hedge. With respect to the ineffective portion, the change in the fair value is attributed immediately to profit and loss.

The Group designates as a hedging instrument in cash flow hedging relations only the change in fair value with respect to the immediate price element of forward contracts (the spot component). The change in the fair value attributable to the future price element of forward contracts (the forward component) is not included as part of the hedging relationship and is accounted for as the cost of the hedge, while attributing the change to the hedging cost reserve.

If the hedge no longer meets the criteria for hedge accounting, or the hedging instrument is sold, expires, canceled or exercised, the hedge accounting treatment is discontinued prospectively. When hedge accounting is discontinued, the amounts previously accumulated in the hedge reserve and in the hedge cost reserve remain in the reserve until the date on which they are reclassified to profit and loss in the period, or periods, in which the hedged expected future cash flows affect the profit and loss.

Economic hedging

In cases where derivative instruments do not meet the rules of hedge accounting, the changes in the fair value of these derivatives are attributed to profit and loss as income or financing expenses.

3. Non-derivative financial liabilities

Non-derivative financial liabilities include: bank overdrafts, loans and credit from bank corporations and other credit providers, debentures issued, liabilities with respect to leases, suppliers, and other creditors.

The debt instruments of the Group issued are initially recognized when they are originated. All other financial liabilities are initially recognized on the trade date in which the Group becomes a party to the instruments' contractual provisions. The loans and debentures are measured at amortized cost.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

m. Impairment of financial assets

Financial assets, contract assets and lease receivables

The Group recognizes provisions for expected credit losses with respect to:
- Financial assets measured at amortized cost;
- Contract assets (as defined in IFRS 15);
- Lease receivables.

The Group elected to measure the provision for expected credit losses with respect to customers in the amount equal to the contractual credit losses in respect of an event of failure for a period of 12 months.

Regarding other debt assets, the Group measures the provision for expected credit losses in an amount equal to the expected credit losses throughout the life of the instrument, except for the following provisions, which are measured in an amount equal to the expected credit losses with respect to a failure event in a 12-month period:
- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt instruments and deposits for which the credit risk did not increase significantly from the date of initial recognition.

When assessing whether the credit risk of a financial asset increases significantly from the date of initial recognition and the assessment of expected credit losses, the Group reviews quantitative and qualitative information, as well as an analysis, based on the Group's past experience and on the reported credit estimate, also including forward-looking information. The Group assumes that the credit risk of a financial asset increased significantly from the date of initial recognition, where contractual payments are in arrears of more than 60 days.
The Group considers financial assets to be at failure when:
- It is unlikely that the borrower will meet all of its obligations to pay towards the Group; or
- The contractual payments with respect to the financial asset are more than 180 days in arrears.

Measurement of expected credit losses

Expected credit losses constitute a probability-weighted estimate of credit losses. Credit losses are measured according to the present value of the difference between the cash flows to which the Group is entitled under the contract and the cash flows that the Group expects to receive.
The expected credit losses are discounted at the effective interest rate of the financial asset.

Financial assets impaired due to credit risk

At each reporting date, the Group estimates whether financial assets measured at amortized cost have become impaired due to credit risk. A financial asset is impaired due to credit risk when one or more of the events that have a negative effect on the future cash flows estimated in respect of this financial asset occurs.

Evidence that a financial asset is credit-impaired includes the following events:
- Significant financial difficulty of the issuer or the borrower;
- Breach of contract, such as a default or past-due event;
- Reorganization of a loan or payment due to the Group under conditions that the Group would not have considered in other cases;
- The borrower is expected to enter bankruptcy or other financial restructuring;
- The disappearance of an active market for a financial asset due to financial difficulties;

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

n. Revenue

1. The Group's revenues are mainly composed of the following factors:

a) From the sale of electricity to customers including the whole chain of electricity supply: production, transmission, distribution, and supply. Revenues from sale of electricity are recognized upon consumption of electricity by the customers, in accordance with meter readings. Revenues for the quantity consumed during the period between the last meter reading and the Statement of Financial Position date are included according to estimates**,** see section w below. In accordance with the payment model set by the Electricity Authority, the Group is entitled to separate rates for accounting purposes for the various services provided to Noga company.

b) Customers who purchase electricity through other suppliers receive infrastructure services (transmission and distribution) from the Company and are charged through Noga, which has a license to manage the electricity system.

c) Income from performance contracts with customers that include work on the electric grid at the request of a customer (work at the expense of others).

d) Business initiation projects.

As part of contracts with customers for the sale of electricity, since a significant service is provided, which integrates various goods and services in a contract into one integrated product, the Group identified one performance obligation in accordance with the provisions of Standard IFRS 15.

Revenue from performance contracts is recognized when the Company fulfills the performance obligation after completion of the work in accordance with the customer's request.
Revenues from business development projects whose execution duration exceeds one year are recognized over time when the Company's performance creates or improves an asset that is controlled by the customer while creating or improving it.

2. Variable interest

The Company includes amounts of variable consideration only when it expects at a high level that a significant cancellation in respect of recognized income will not be canceled when the uncertainty related to the variability of the consideration becomes apparent thereafter. The recognition of income from the Company's electricity sales to the East Jerusalem Electric Corporation (EJEC) and the Palestinian Authority does not include variable consideration amounts that the Company cannot determine because it expects at a high level that it will be able to collect. At the end of each reporting period, the Company updates the variable consideration amount. An increase in the estimate of the consideration to which the Company is entitled in respect of a certain contract with the EJEC and the Palestinian Authority, i.e. in the amount that the Company expects to be able to charge the EJEC and the PA for electricity services previously provided, is recognized as income during the period in which the required change in the expected collection applies. For more details see Note 6 below.

3. Accounts receivable

The Group estimates, under statistical models, the revenue from electricity sales during the report period with respect to the relative part of the revenue included in invoices issued after the Statement of Financial Position date, which include charges with respect to the report period. The statistical models are based on electricity consumption in invoices billed after the Statement of Financial Position date and estimate the part relating to the Financial Statement period in accordance with weather and electricity demand data. For further details, see Note 6a below.

4. Interest revenues

Interest revenue with respect to electricity customers is recognized at the time of collecting the debt with respect to which it was accrued.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

n. Revenue (continued)

5. Measurement of progress towards satisfying performance obligations in development projects

The Group recognizes revenue from performance contracts over time by measuring progress towards full satisfaction of the performance obligation in a manner that reflects the Group's performance in transferring the control over the goods or services that were promised to the customer.

The Group applies a method based on inputs for measuring progress relative to the rate of the project's completion. The completion rate is generally measured according to the ratio between the costs created as of the date of the Statement of Financial Position with respect to the work under construction, and the total expected costs for the contract's performance, except for costs that do not represent the completion stage, and this is when its results can be reliably assessed. The Group is of the opinion that using the inputs method best represents the pattern of transferring control to the customer.
When the Group uses an approach based on inputs, it does not include the effects of any inputs that do not reflect the Group performance in transferring control over the goods or services to the customer.
When the Company uses an approach based on inputs in measuring progress, a cost incurred that is not proportional to the progress towards satisfying the performance obligation, is not taken into account when measuring the stage of completion.

o. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and that the Company will comply with the relevant conditions entitling the receipt thereof.

Government grants relating to assets:
Grants received from the Government of Israel for the construction of a building (fixed assets) are presented in the Statement of Financial Position, net of the grant, and recognition thereof in the Statement of Profit or Loss over the lifecycle of the asset by the charging of reduced depreciation.

Non-monetary government grants:
Non-monetary grants received from the Government of Israel are recorded in the Financial Statements in a nominal amount.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

p. Leasing

On the inception date of the lease, the Group assesses whether the arrangement is a lease or contains a lease
The Group leases ships, diesel tanks, vehicles, mobile mechanical equipment, distillate line, land, performance centers and data centers.
Certain lease contracts include components other than lease components, such as services or maintenance, related to a lease component. The Group has elected to treat the contract as a single lease component without separating the components.

1. Leased assets and lease liabilities

Upon initial recognition, the Group recognizes a liability in the amount of the present value of the future lease payments (these payments do not include certain variable lease payments), and simultaneously the Group recognizes the right-of-use asset in the amount of the lease liability, adjusted for prepaid or accrued lease payments, plus direct costs incurred in the lease.

Since the interest rate implicit in the leases of the Group is not readily determined, the Group uses the incremental borrowing rate of the lessee.

The interest rate curve is built on the basis of the Company's tradable bond yields and a fair margin interest curve in accordance with the Company's credit rating.

Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model and is depreciated over the lease term or the useful life of the asset, whichever is earlier.

The Group elected to apply the practical relief, according to which short-term leases of up to one year and/or in which the base asset has low value, are accounted for such that the lease payments are attributed to profit and loss according to the straight-line method, over the lease term, without recognition of the asset and/or liability in the Statement of Financial Position.

2. Lease term

The lease term is determined as the period during which the lease is non-cancellable, together with periods covered by an option to extend or cancel the lease if it is reasonably certain that the Group will exercise or not exercise the option, respectively.

3. Remeasurement of a lease liability

When a significant event or significant change in circumstances within the Group's control occurs and that affects the determination of whether it is reasonably certain that the Group will exercise an option that was not previously included in determining the lease term, or will not exercise an option that was previously included in determining the lease term, the Group remeasures the lease liability in accordance with the updated lease payments using an updated discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset, or recognized in profit or loss if the carrying amount of the right-of-use asset has been fully written down.

4. Depreciation of the right-of-use asset

Subsequent to the inception date of the lease, the right-of-use asset is measured using the cost method, net of accumulated depreciation and net of accumulated impairment losses and adjusted in respect of reassessment of the lease liability. Depreciation is computed on a straight-line basis over the useful life or the contractual lease term, whichever is earlier, as follows:

- Bulk ships – 2.25-7.5 years.
- Emergency diesel tanks – 14-17 years.
- Diesel tanks – 3 years.
- Vehicles – 3-4 years.
- Mobile mechanical equipment – 2 years.
- Performance center building – 7 years.
- Server farms – 14 years.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

q. Provisions

The Company's provisions include mainly provisions for claims and financial demands and for vacation reserves, as well as provisions for dismantling and rehabilitation and asbestos removal in accordance with various laws and regulations. Provisions are recognized when the Company has a legal obligation or constructive obligation as a result of a past event, where the utilization of economic resources is probable in order to liquidate the obligation and they can be reliably estimated.

The amount recognized as a provision reflects the best estimate of the management of the consideration required to settle the present obligation as of the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation.

When all or part of the present amount to settle an obligation is expected to be recovered from a third party, the Group recognizes an asset with respect to the recovery, to the extent of the provision that was recognized, only if it is virtually certain that the indemnification will be received and it can be reliably estimated.

With regard to claims whose discharge, as required, will be carried out within the framework of the electricity rate, the recognition and measurement with respect to them is in accordance with the rules applying to regulatory deferral accounts - see section v below. Regarding provisions with respect to legal claims and other financial claims – see Note 18 below and Note 34b below. For details on provisions for evacuation and rehabilitation of sites, see section h5 above.

r. Income Taxes

General

Income taxes include current and deferred taxes. Current and deferred taxes are charged to the Statement of Profit and Loss (for income tax items and movements in regulatory deferral accounts net of tax) or charged directly to equity or other comprehensive income if they derive from items which are directly recognized in equity or other comprehensive income. (For details see Note 20 below).

1. Current Taxes

The current tax is the expected tax amount payable (or receivable) on the taxable income for the year, calculated according to the tax rates applicable pursuant to the laws enacted or enacted in practice as of the date of the report.

2. Deferred Taxes

The Group creates deferred taxes for temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. Balances of deferred taxes (asset or liability) are computed according to tax rates and tax laws enacted or substantially enacted by the Statement of Financial Position date.
In the calculation of the deferred taxes, the deferred taxes with respect to temporary differences due to earnings in held companies are not taken into account since the dividends from these companies are not taxable.
Deferred tax assets or deferred tax liabilities regarding the recognition of balances of regulatory deferral accounts are presented with the regulatory deferral accounts and movement in such balances.

3. Uncertain tax positions

Provisions for uncertain tax positions, including additional tax and interest expenses, are recognized when it is more likely than not that the Group will require its economic resources to settle the obligation.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

s. Benefits to Employees

1. Post-Employment Benefits

Post-employment benefits of the Group include pension and grants. These Group benefits are partly defined contribution plans and partly defined benefits plans.
Expenses for the liability of the Group to deposit funds in a defined contribution plan (cumulative pension fund see Note 11e below) are charged to profit or loss, or capitalized to the cost of assets, at the time that the labor services, in respect of which the Group is obligated to make the deposit, are supplied. The difference between the deposit amount payable and the total deposits paid is presented in the Statement of Financial Position in the payables item.

Expenses for a Defined Benefit Plan (the Group's pension fund see Note 11d below) are charged to profit or loss, or capitalized to the cost of the asset according to the Projected Unit Credit Method, while utilizing actuarial valuations carried out at the end of every reporting period. The current value of the liability of the Group with respect to a plan for a benefit defined for the date of the Financial Statements is determined by capitalization of the expected future cash flow with respect to the plan. According to International Accounting Standard 19 (IAS 19), the rate used for capitalization of liabilities with respect to post-employment benefits will be determined by using the market yields at the end of the reporting period for the high quality corporate debentures whose currency is NIS and whose repayment date is similar to the Group's liability terms.
Interest costs with respect to defined benefit liabilities, interest income with respect to the plan's assets, and interest with respect to the impact of the ceiling of the assets attributed to profit and loss, are stated under the salary expenses items or capitalized to fixed asset on establishment.
The Group recognizes profit or loss from disposal of a Defined Benefit Plan upon the disposal. Profits or losses as aforesaid are a difference between the disposed part of the present value of the defined benefit liability on the date of disposal, and the disposal price, including transferred plan assets.

According to International Accounting Standard IAS 19 "Employee Benefits", employee deposits relating to the employee's service will be treated as a decrease of the service cost.

The plan assets are measured at fair value. Interest income on the plan assets and the funds in trust are set on the basis of the rate of capitalization of the liability for the beginning of the year and are recorded to the Statement of Operations or capitalized to the cost of assets. The difference between the interest income for the plan assets and funds in trust and the comprehensive yield of the plan assets and funds in trust is recorded to remeasurements of the liability (the asset), net, with respect to a defined benefit (hereinafter "remeasurements") in other comprehensive income and fixed assets and will not be reclassified to profit or loss at a later date.

When the total deposits paid exceed the deposit required with respect to the service that was provided up to the date of the statements of financial position, and this surplus will lead to a decrease in future deposits, or a monetary repayment, the Group recognizes the asset.

Actuarial gains and losses derive primarily from the difference between the actuarial assumptions, that are long-term assumptions, and the behavior of those variables during the reporting year (such as the expected rate of increase in salaries, the capitalization interest rate, the rates of early retirement and mortality and from the difference between the actual return on the funded amounts during the reporting year, and the expected return as of the beginning of the year) and from the changes in the actuarial assumptions themselves. Actuarial gains and losses are recorded to other comprehensive income on the date of their creation or capitalized to the asset cost.

Past service cost is recognized immediately in the Statement of Operations during the period in which the plan was changed. The liability of the Group for a defined benefit plan, recognized in the Statement of Financial Position, represents the present value of the defined benefit obligation less fair value of the assets of the plan. A net asset, created by this calculation, is limited to the amount of the future economic benefits available in the form of refunds from the plan or in the form of a reduction in future deposits in the plan ("cap amount"). Pension liability is assigned to service periods of the employees according to the rights accumulation rate in the pension plan.

NOTE 2:- REPORTING RULES AND ACCOUNTING POLICIES (continued)

s. Benefits to Employees (continued)

2. Other Long Term Benefits to Employees in the Other Liabilities section

Other employee benefits of the Company include liabilities for a 20-year grant.

The change in these benefits (including actuarial gains and losses) is recorded to the statement of profit or loss or capitalized to the cost of the assets, applying actuarial estimates calculated on every Statement of Financial Position date, in accordance with the Projected Unit Credit Method.

The present value of the Group's liability for the grant is determined by capitalizing anticipated future cash flow for the plan at market yields of high quality Corporate Debentures (see section 1 above).

Actuarial gains and losses are charged to the Statement of Profit and Loss upon their creation. Past service cost is recognized immediately in the Statement of Profit and Loss in the period in which the plan was changed.

3. Funds in Trust

Funds held in trust are recorded in their fair value.

4. Benefits within Special Collective Agreements – reform, organizational restructuring and the Special Collective Agreements (early retirement, tenure quota, one time grant to IPP and SMC employees, and additional matters) the agreements are as follows:

a) The benefits that will be granted to the retiring employees (1,803 employees from the reform agreement 200 and 300 from the additional early retirement agreements) as part of the agreement are post-employment benefits and therefore the entire agreements were treated as a change in the terms of the plan condition pursuant to the provisions of IAS 19.

b) Retirement grants, severance pay and bringing forward the pension for retirees in section a above were attributed according to the relative seniority as of the date of entry into effect of the agreement to the cost of past service, while accrual of the balance of the benefits is spread by the "forecasted eligibility unit" method over the remaining period until the retirement date.

c) The addition of a reform pension to retirees under special retirement was fully charged to the cost of past service since it is not conditional on the provision of future service.

d) The reform pension addition to retirees (not part of the retirees under said agreements) during and after the reform period was spread as from the date of entry into force of the agreement in accordance with the portion method according to the relative portion in accrual of each milestone entitling to this increment.

e) The Company acquired rights to a reform annuity with an external insurer. Policies in which on the date of the employee's retirement the Company deposits to the insurer the full obligation in accordance with the terms of the policy, constitute the disposal of the Company's obligation towards the employees. Gains or losses from such disposal are credited to the profit and loss statement.

f) The liability for additional annuities towards the Company's employees who are expected to retire after June 30, 2028 outside the framework of the Special Retirement Plan will be disposed of on June 30, 2028 upon completion of deposits in the insurer, and deposits made up to that date constitute plan assets and are presented as a deduction from the actuarial obligation to the reform addition annuity. To the extent that, at the end of the deposits, the plan assets exceed the amount of liability, the excess will not be returned to the Company, and therefore the Company truncates the plan asset in accordance with the amount of the liability. The truncation is deducted from the asset charging to Other Comprehensive Income.

g) Retirement grants, severance pay and bringing forward the pension for permanent employees who will be loaned for 5 years of employment in companies that will purchase the generation units to be sold were spread from the date of entry into force of the agreement, with the straight-line method up to the end of 5 years from the date of sale of the power stations in accordance with the agreements.

h) A one-time grant for IPP and Noga employees has been made in installments as of the effective date of the agreement, according to the straight-line method, with regards to IPP employees until the conclusion of 5 years following the sale date of the stations, in accordance with the agreements, and with regards to Noga employees, until the expected date of transfer to Noga.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

t. Allocation of the purchase price of an operating liability in the amendment to the Tamar Agreement

The purchase of the amount of the operating liability at a price lower than the TOP price in accordance with the amendment to the agreement is treated as a material right as defined in IFRS 15, and accordingly the Company allocates part of the payment for the amount of the TOP to payment for the operating liability and recognizes the gas procurement expenses accordingly, for details see Note 34 below.

u. Classification of Interest Paid in the Cash Flow Statement

The Group classifies cash flow with respect to interest paid, including with respect to interest capitalized for the cost of the fixed assets, as cash flow from financing operations. Cash flow with respect to taxes on income are in general classified as cash flow that served current operations, except for those that can be easily identified with cash flow that were used for investment or financing activities.

v. Regulatory Deferral Accounts

On January 2014, International Financial Reporting Standard number 14 (hereinafter: "IFRS 14") was published. IFRS 14 was published as an intermediate Standard to be implemented as of 2016, and its purpose was to permit, as a possible alternative, continued implementation of the previous accepted accounting principles and the accounting policy for recognition, measurement, impairment, and removal of regulatory deferral accounts in the financial statements of regulated companies during the initial transition to implementation of the IFRS standards.

The Standard enables a company which conducts operations that are subject to rate regulation, to implement the practices existing on the subject of recognition of regulatory deferral accounts, in the reports prepared according to the IFRS standards, in the same way as the Company had implemented in its Financial Statements pursuant to the previous accepted accounting principles.

Pursuant to the financial reporting principles of the Group, the Group implements the practice that was used in its financial statements in accordance with the previous accepted accounting principles which is based on the Standards of the American Financial Accounting Standards Board (FASB) specified in Chapter RE6, which deal with the implications of certain types of regulation on the accounting policy (hereinafter: the "Standard"). The goal of the Standard's publication is to determine and define how to implement accepted accounting principles in companies under regulation, and how to reflect the decisions of the regulatory body in the financial statements of those companies. When certain terms are met, the Standard enables an accounting treatment different from the accepted practice regarding the timing of charging the expenses and income to profit and loss, in order to reflect and create an adequate matching between the expenses and the income which will be created for the Company according to the dates of their recognition in the electricity rate.

The Standard applies when all the three conditions detailed below are fulfilled:

1. Rate regulation – rates with respect to services or products under regulation are determined by a regulator who is an independent third party, or by a committee which received mandate, or subject to their approval, pursuant to the law or a contract which determines rates for debiting the consumers.
2. Specific coverage of costs – the regulated rates are constructed so as to cover the specific costs (including required return on equity) in connection with the supply of the regulated service or product.
3. Competition and potential collection from customers – in light of the demand for a regulated product or service and the level of direct and indirect competition, it is likely that the rates determined so as to cover the costs can be charged to the customers and collected from them.

If a conclusion is reached that the Group no longer meets the aforesaid terms for implementing the Standard, then the regulatory assets/liabilities have to be removed, based on provisions defined in that Standard.

As of the date of approval of the Financial Statements, the Group is complying with the aforesaid conditions.

The Electricity Authority's decisions regarding the rate provide a reasonable base of certainty for the existence of a regulatory asset.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

v. Regulatory Deferral Accounts (continued)

The Group recognizes a regulatory asset at the sum of the costs incurred, or part of them, which otherwise would have been charged to profit and loss, if it meets the two following terms:

1. It is expected (with a probability exceeding 70%) that future income will be at least in the amount of the expenses incurred, i.e. the expenses incurred will be taken into account when determining the rate.
2. Based on existing evidence, the future income will be determined in order to cover past costs that were incurred and not in order to cover similar expected future costs. If the income is given through an automatic rate adjustment, this criterion requires that the regulator's intent is clearly coverage of past expenses.

Regulatory decisions may cause the provision of a regulatory liability in a regulated company. These liabilities are usually against the Group's customers.

The terms for recording regulatory liabilities by the Group (if the refund is expected with a probability exceeding 70%):

1. The regulator's requirement of refunds to customers through the rate, according to certain criteria; or
2. The regulator's determination of current rates which are designed to return costs which are expected to be collected in future, but of these costs will not be incurred, future rates will be reduced at similar rates; or
3. The regulator's requirement that the profit or reduction of costs will be refunded to customers in future periods.

The total regulatory deferral accounts in debit and the total regulatory deferral accounts in credit are presented as separate items in the Statement of Financial Position and are separated as a distinct category. The change in regulatory deferral accounts, including tax effect, as of the transition date and onward is presented in the financial statements in a separate section in the Statement of Profit and Loss. (See Note 14 below).

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

w. Use of Estimates and Discretion

In application of the accounting policies of the Group described in sections a-x above, the Management of the Group is required, in certain cases, to exercise extensive accounting judgment with regard to assessments and assumptions concerning the book value of assets and liabilities that are not necessarily available from other sources. The assessments and related assumptions are based on past experience and other factors that are deemed relevant. It is clarified that the results in practice may be different from these assessments.
The assessments and the assumptions on which they are based are continuously examined by the management. Changes of the accounting assessments are only recognized for the period in which an assessment change was executed if the change only affects that period or recognized for that period and future periods if the change affects the present period and the future periods.

Information concerning assumptions assumed by the Group regarding the future and other major factors of uncertainty regarding assessments, with the existence of a significant risk that their result will be material adjustment of values in books of assets and liabilities during the next financial year, is as follows and is included in the following Notes:

Estimate	Key Assumptions	Possible consequences	Reference
1. Employee benefits after termination of employment	A large number of actuarial assumptions, the main ones being: the capitalization rate, the real salary growth rate in respect of general salary agreements, and mortality assumptions. These and other key assumptions are determined based on the prevailing market conditions and on the basis of past experience accumulated in the Company. The Group estimates the capitalization rate once a quarter. Following the implementation of the organizational change process and the streamlining plan, estimates were added, including regarding employee retirement and transfers, the identity of employees and the timing of retirement dates, and a forecast of meeting the milestones for eligibility with the addition of a reform allowance.	Increase or decrease in liability for defined benefit plans after termination of employment.	For information on the effects of the change in actuarial assumptions, see Note 11 below, on Employee Benefits.
2. Assessing the chances of contingent liabilities	The Group faces legal claims, including class actions, together with claims for various fees and levies. In order to examine the legal issues of these claims, as well as to determine the likelihood that they will be adversely realized, as well as to determine the manner of disposal (whether within the framework of the Electricity Tariff), the Company's Management relies on legal and professional consultants to determine the chances that financial resources will be spent in respect of legal claims and other claims filed against the Company and its held companies.	Cancellation or creation of provision for contingent liabilities.	For information on the Company's exposure to claims, see Note 34 below, on Contingent Liabilities.
3. Uncertain tax positions	The degree of uncertainty regarding the acceptance of the Group's tax positions and the risk that it will incur additional tax and interest expenses. This is based on an analysis of several factors, including interpretations of tax laws, legal opinions and the Group's past experience.	Recognition of tax expenses on additional income and impact on classification between current or deferred tax liabilities.	For information regarding uncertain tax positions and tax assessments in dispute, including assessment agreements, see Note 20 on Taxes on Income.

NOTE 2:- REPORTING RULES AND MATERIAL ACCOUNTING POLICIES (continued)

w. Use of Estimates and Discretion (continued)

Estimate	Key Assumptions	Possible consequences	Reference
4. Variable consideration measurement	The income recognition does not include variable consideration amounts that the Company cannot determine anticipating a high level that it will be able to collect. At the end of each reporting period, the Company updates its assessment of whether the above amounts are still subject to limitation, taking into account all relevant facts and reasons.	An increase or decrease in the amounts of revenue recognized in each reporting period.	See Notes 6 and 26 below, regarding revenue from contracts with customers.
5. Income receivable	The Company estimates, according to statistical models, the income from the sale of electricity in the reporting period in respect of the proportion of income included in invoices issued after the Statement of Financial Position date that include charges for the reporting period. The statistical models rely on electricity consumption in invoices generated after the Statement of Financial Position date and estimate the part relating to the Financial Statement period according to weather data and electricity demand.	An increase or decrease in the amounts of revenue that will be recognized in the reporting period.	See Notes 6 and 26 below, regarding revenues from contracts with customers.
6. Evaluation of projected credit losses	As part of the impairment examination of financial assets, the Group assesses whether the credit risk attributable to the financial asset has increased significantly since the first recognition, and also uses forecasts to measure projected credit losses.	An increase or decrease in the amount of the provision for impairment of financial assets.	See Note 25 below on Financial Instruments.
7. Regulatory Deferral Accounts	**1. Assessing the reasonableness of coverage of regulatory assets and liabilities** As stated in Section x above, the Company applies IFRS 14 International Financial Reporting Standard for Regulatory Deferral Accounts, which requires a regulated entity to reassess the reasonableness of coverage of regulatory assets and liabilities at each financial statements publication date. The assumptions and estimates require significant consideration in determining the regulatory assets and liabilities for which a valid decision has not yet been received from the Authority, including an examination of reasonableness regarding the threshold for recognizing regulatory deferral accounts balances (exceeding a threshold of about 70%), assumptions regarding similar decisions made in the past, proposals for hearings, and discussions with the Electricity Authority.	Increase or decrease in the amount of regulatory assets and liabilities, based on valid decisions of the Electricity Authority and accounts based on the Company's assessments	See Note 14 below regarding Balances of Regulatory Deferral Accounts.

NOTE 2:- REPORTING RULES AND ACCOUNTING POLICIES (continued)

w. **Use of Estimates and Discretion (continued)**

Estimate	Key Assumptions	Possible consequences	Reference
	2. Covering the full costs of the reform within the tariff The Group recognizes a regulatory asset for the full cost coverage of the reform relating to the May 2018 collective agreement within the framework of the tariff, based, inter alia, on the Government decision and policy principles published by the Minister of Energy (see Note 1e above and Note 3k below) and the Electricity Authority's decision for Annual Updates (see Notes 3 and 14j below). Regarding the format of covering costs and how they will be spread over the coming years, the Electricity Authority has determined the methodology for reimbursement of the costs of the reform through the tariff, and it is implemented upon every Annual Update of the tariff until the reimbursement of the costs of the reform is completed.	Limiting the creation of the regulatory asset to the amount of coverage in accordance with the tariff mechanism.	
8. Lifespan estimate of fixed assets and intangible assets	Each reporting year, Group Management reviews the useful life expectancy estimate of fixed asset items and intangible assets. When conducting the review, regulatory restrictions regarding the use of assets, technological changes and other parameters that may affect the life span of assets are taken into account.	Changes in the estimate of life expectancy will cause a change in the book value of fixed assets and intangible assets.	See Notes 12-13 below regarding Fixed Assets and Intangible Assets. For details on estimating the life span of the fixed assets and intangible assets sections, see section h and i above. For details regarding the change in estimate in the Financial Statements period see section x below.
9. Impairment of tangible and intangible assets.	The Group periodically examines whether there are signs requiring an examination of the need for an impairment provision in accordance with the provisions of International Accounting Standard IAS 36. The examination is carried out in relation to the main assumptions and estimates used to conduct the most recent impairment examination.	Creating an impairment provision for the Group's assets.	See section i above.
10. Fair Value of Financial Instruments	The Group's Management exercises discretion in choosing adequate valuation techniques for financial instruments which do not have a quoted market price in an active market. The evaluation techniques used by the Group's Management are those implemented by market participants.	Increase or decrease in the balance of financial instruments.	See Note 25 below on Financial Instruments

NOTE 2:- REPORTING RULES AND ACCOUNTING POLICIES (continued)

x. Changes to estimates

During the third quarter of 2025, the Minister of Energy made a decision following the policy principles from 2019, regarding the continuation of the conversion of the generation units to gas, according to which the implementation of the gradual conversion process of generation units 5-6 at the Orot Rabin power station and the generation units 2-4 at the Rutenberg power station to the use of natural gas should be continued in order to cease the routine use of coal. For further details, see Note 1g above.

The policy principles from 2019 determined that the initial conversion to the use of natural gas would be carried out first in generation unit 1 at the Rutenberg power station as a pilot, and only then would the Minister make a decision regarding the conversion of the other 5 generation units. The conversion of generation unit 1 at Rutenberg (the pilot unit) was successfully completed during the second quarter of 2025, and the estimated useful life of this unit was extended at the same date.

In light of the above, the Company, with the assistance of technical and engineering experts, examined the current useful life of the coal-fired units and the emission reduction facilities installed in them and extended them to 50 years from the operation date of each unit on the date of the Minister's decision.

Below is a comparison table of the useful lives of the coal-fired units and emission reduction facilities as of August 31, 2025, before and after the estimate change:

	End of estimated useful life	
	Before estimate change	**After estimate change**
Unit 1 Rutenberg	2028	2040
Unit 2 Rutenberg	2029	2041
Unit 3 Rutenberg	2031	2051
Unit 4 Rutenberg	2030	2050
Unit 5 Orot Rabin.....	2027	2045
Unit 6 Orot Rabin	2027	2046

The effect of these changes in the current period and subsequent periods on depreciation expenses and movement in regulatory deferral accounts (before tax effect) is as follows:

	Year ended December 31,					
	2025	**2026**	**2027**	**2028**	**2029**	**Afterwards**
	NIS in millions					
Decrease in depreciation expense (increase in profit from operating the electricity system)	469	1,182	985	568	350	(3,554)
Decrease in movement in regulatory deferral accounts debit balances	422	1,081	900	531	330	(3,264)
Impact on profit before the effect of tax	**47**	**101**	**85**	**37**	**20**	**(290)**

NOTE 3:- THE ELECTRICITY RATE AND REGULATION

a. The Manner of Determining the Rate

The revenues of the Corporation are based on the electricity rate that the Company charges consumers, in accordance with the Electricity Sector Law (see Note 1c2 above). The electricity rates and their manners of update are determined by the Electricity Authority. Under the Electricity Sector Law, the electricity rates are determined in accordance with the following rules (hereinafter: the "Authority"):

- The rates shall be determined based on the principle of cost, considering, inter alia, the type and standard of services. Each price shall reflect the cost of the particular service, without any price decreasing at the expense of increasing another. If a subsidy is determined in the State Budget for the purpose of decreasing a service price, the subsidy amount will be decreased from the cost of that service and all as specified in section 31(a) of the Electricity Sector Law.
- In implementation of the principle of cost for determining the rates, the Authority will recognize the costs arising from all of the following:
    1. The policy principles determined by the Minister as stated in section 21a and in section 57(A) of the Electricity Sector Law.
    2. The Minister's directives regarding operation of the Electricity Sector at time of emergency delivered under section 58(B) of the Electricity Sector Law.
    3. The Minister's directives regarding operation of the Gas Sector at time of emergency determined under section 91(B) of the Natural Gas Sector Law, 2002.
    4. The Minister's directives pertaining to a response for needs stemming from an emergency situation, that are required for execution in times of emergency, that were provided in writing to an essential service provider license holder in a time of emergency, under any law or under the terms of its license as specified in section 31(b)(4) of the Electricity Sector Law.
- With respect to the cost, an adequate rate of return on capital shall be taken into account, considering the rights and duties of an essential service supplier license holder. The law does not define what an adequate rate of return on capital is.

In accordance with these principles, the electricity charge rate is supposed to cover all of the costs required by the Company for fulfilling its duties as an essential service supplier, subject to cost control. These costs consist, inter alia, of costs of fuels, costs of operations and maintenance and costs of capital (depreciation, financing and return on capital). It is noted that some of the components of the electricity rates are set on the basis of normative cost by various methods, for example on the basis of the costs of electricity companies abroad and service suppliers in Israel, while comparing them both to the costs components as were recorded in the Company's books and to the forecasted costs.

The electricity rates for the various consumers are determined according to the type of consumption and the supply voltage. The major rate types are: a uniform rate or a TOU rate (a rate that changes in accordance with the seasons and hours of the day and night).

A "rate base" is determined every few years by the Authority, reflecting the methodology for determining and updating the rates. When determining a "rate base", the Authority determines the manner of its update. The Authority has set two separate "rate bases": the generation rate base and the rate base for the network segments. In addition, the Authority establishes a rate base for systemic costs that has no effect on the Company's total revenues, but only on the allocation of costs among consumers.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

b. Rate Update Mechanism

In accordance with the Electricity Sector Law, the electricity charge rates are to be updated according to an update formula to be prescribed by the Authority. The electricity rate is derived from the rate basis which is updated during the criterion period through an annual update and an ongoing update.

1. Annual Update – Every year, the Authority is supposed to implement an annual update of different components of the costs recognized in the rate of the Company, according to changes in different components of the input basket of the Company, and subject to the methodology determined in the rate base. The components the Authority is required to update are: capital costs of recognized assets in generation and in the grid, rates of return on foreign capital and equity, composition of the financing basket, fuels mix and costs, electricity purchases, incentives, consumption distribution, etc.
2. Current rate update -updates of fuel prices and various price indices. The current update is executed twice a month. The current price update does not necessarily cause the actual update of the rates.

Since the consumer rate, as stated, is not updated as a result of every change in the input basket, the mechanism "Compensation with respect to delay in update" accumulates the gap between the recognized input basket and the income which is calculated according to the rate in effect.

In accordance with the Electricity Authority's decision regarding the update of the electricity rate structure as detailed in Section C, starting in 2026 and onwards, and for a period of 3 years, rate updates will be carried out automatically every six months, i.e., every January 1 and July 1 of each year and will be based on relevant linkages. During 2026, the Authority will examine the possibility of moving to a quarterly rate update.

c. Rate Structure

On December 11, 2025, the Electricity Authority published its decision on the issue of updating the electricity rate structure for the consumers of the Electricity Company, which came into effect as of January 1, 2026 and for a period of 3 years, so that the rates will be fixed based on the rate as determined within the framework of the Annual Update of the rate for 2025 and will change in accordance with indexes and coefficients detailed in the decision. The rate update will apply every six months automatically and without the need for approval by the Authority's plenary session. In addition, a mechanism was established that is intended to enable the rate to be updated when differences arise between the costs reflected in the rate and the actual costs which accumulate above a certain amount according to the following details ("the band mechanism"): differences that accumulate to over NIS 750 million for the Electric Company, over NIS 350 million for Noga, over NIS 600 million for a single operating segment without distinction between the Electric Company and Noga (i.e., the generation segment, the system segment, the grid segments and the supply segment) or differences that total over NIS 750 million in aggregate, without distinction between the Electric Company and Noga and the operating segment. The decision splits the generation component into a fixed component and a variable component. In addition, in the grid segments, demand hour groups (DHGs) were unified and the TAOZ rates (a rate that varies according to the seasons and hours of the day throughout the day) were eliminated into a uniform rate.

In addition, the weights between the capacity component and the energy component in the grid for low-voltage consumers were changed, so that the rate would more accurately reflect the costs and create the right incentives.

This decision also established, alongside the linkage mechanism for all rate components, an automatic update coefficient for the grid components (K) based on the growth forecast in known costs (the increase in investments according to development plans) offset by the growth forecast in demand. Against the backdrop of the trend of the Company's consumers moving to private suppliers and in order to adjust the cost of the supply service to the decrease in the number of the Company's consumers, it was determined that the real rate for consumer-supply services for low-voltage consumers will be updated annually by 8%.

In addition, the Authority left the automatic update mechanism for the rate when emergency diesel is consumed. At this stage, the energy market price proposed by Noga (MCP) and the pricing of external emissions costs, as proposed as part of the public appeal that the Authority published prior to its decision, have not yet been implemented.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

d. Date of the electricity rate update

In accordance with the Electricity Authority's decision regarding the dates of updating the electricity rate, as specified in section b above, it was determined in the Authority's decision on updating the electricity rate structure, as detailed in section c above, that from January 2026, the rates for the consumer will be updated automatically in accordance with indexes set forth in the decision every six months at the beginning of January and July until the end of 2028. In addition, the Authority will annually review the Company's revenues in accordance with the automatic rate updates compared to the Company's actual costs, and to the extent that a gap arises above the band defined by the Authority, the Authority will review the rate update beyond the automatic rate updates. Rates for connections and work on behalf of others will be updated, in accordance with the Authority's decision of June 12, 2017, annually at the beginning of July.

e. Base of the Generation Segment Rate

On January 9, 2023, the Electricity Authority published a decision regarding a rate base for the generation segment for the years 2022-2027.

The generation rate base will commence from February 1, 2022 and will apply until the end of 2027. At this stage the Authority determines the first part of the rate base for the generation segment which includes reference to recognition of the operating component, cost of capital, recognized assets, working capital, availability of the generation units, and accounting with respect to differences between forecasted values and values in practice. The second part, which will include the methodology of the fuels cost recognition, the service level and additional chapters, will be updated and published in a separate decision. The second part of the rate base, when published, will apply from the same date as the first part. As of the date of approval of the Financial Statements, the second part has not yet been published.

The material changes included in the decision compared to the previous rate base are:

- A change in the method of recognizing costs of capital from the equal principal method to the Spitzer method in a manner that decreases the income return cash flow in the first years (which will be returned in the coming years) as well as extending the life of the generation units. The return period of the coal-powered units will be 50 years instead of 30 years, and the life of the emission reduction facilities will be according to the later between the life of the generation unit and the recognized life set for these facilities in the decision of June 2020.
- Reducing the rate of return for the recognized capital in the generation segment, similar to the recognized rate in the grid segments.
- The leverage rate determined will be at a ratio of 1:3 (25% equity and 75% foreign capital), similar to the leverage rate in the grid segments.
- Operating costs were determined separately for all the generation units for the first time. In accordance with the decision, determination as aforesaid prepares the rate infrastructure for the Company’s gradual transfer to participation in the competitive market, insofar as the Authority decides on it in the future.
- Normative availability values were set for all the generation units, which the units have to meet. The Company’s compliance with the normative availability values has a direct impact on its income from operation and capital services, in a format of award/fine for deviating from the availability values, in accordance with the decision.
- The mechanism of calculating the Company’s compensation with respect to a delay in updating was updated in light of the manner of the Company’s accounting with the Noga company in accordance with the model of charging tariffs in effect from the Company’s consumers.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

f. Base of the Network Segments Rate

On January 8, 2018, a decision regarding a rate base for the transmission, distribution, and supply segments (hereinafter: the "Network Segments") for 2018-2022 entered into effect.

According to the decision, as of 2018:

- The rate recognition of the new investments in the transmission and distribution segments is based in part on a normative rate and in part in accordance with the cost control.
- Regarding the operating costs – the Authority set a normative rate.
- In addition, a supplement was set for the normative operation cost meant to finance the costs of the reform.
- The normative financial leverage for the decision period will be at a ratio of 1:3 (25% equity and 75% foreign capital). The rate of return on equity was determined according to a risk-free rate of return plus a fixed margin of 6.8%.
- Financing costs with respect to holding a safety cushion for the network segments were also recognized for the Company.

In addition, after the publication of this Rate Base, the following updates were published:

On May 3, 2020, the Authority decision in which all activities of the distribution segment and some of the activities of the transmission segment have been priced which had not previously been priced.

On June 17, 2020, the Company received the Authority's decision concerning a normative price update with regards to transformer addition activities in open and closed sub-stations.

On January 30, 2024, a decision was published by the Electricity Authority regarding determination of a normative cost for the construction of 400 kW lines and supplementing a uniform annual cost for change and improvement projects in transformation.

As of the date of approval of the Financial Statements, a new rate base for the grid segment for the coming years has not yet been published, and therefore the existing rate base will continue to apply.

g. 2025 Annual Update and designation of excess proceeds from the sale of the Eshkol power station

On January 29, 2024, the Electricity Authority issued a decision on the designation of excess proceeds from the sale of the Eshkol power station to cover war expenses. In addition, on July 30, 2024, the Electricity Authority issued a decision regarding the recognition of proceeds from the sale of the Eshkol site and the establishment of an automatic mechanism for updating the Company's consumer tariffs upon notification of the opening of the strategic emergency stock. For details regarding the designation of excess proceeds from the sale of the Eshkol site, see Note 14. This decision details the tariff recognition of costs and the designation of proceeds from the sale of the site.

According to the decision, most of the proceeds from the sale are designated to cover the cost of the station (non-depreciated property, inventories, costs associated with the sale and land value) and to cover past debts of the Company in the amount of approximately NIS 3.5 billion and of Noga in the amount of approximately NIS 452 million.

Later, on December 29, 2024, the Electricity Authority published a decision on an Annual Update to the electricity tariff for 2025 for the Company's consumers. The updated tariffs came into effect on January 1, 2025. In accordance with the decision, the tariff for a representative domestic consumer increased by approximately 3.5% compared to the tariff that came into effect on February 1, 2024.

The following are the main points of the decision:

- At that time, the decision determined the partial recognition of the land cost of the Eshkol site, which was sold to the private market in the amount of NIS 508 million, which means a reduction of NIS 969 million in the 2025 tariff due to the balance of the surplus proceeds from the sale of the Eshkol site. A final decision regarding land recognition was made at a later stage, after the professional procedures in this regard were exhausted. For additional details regarding the value of the land see section x. Recognition of capital costs for investments that, as of the annual update date, have not yet been activated and are not used by consumers, were not included in the recognized fixed assets for the generation segment for 2025.
- The Authority has initiated a cost control procedure regarding the Company's delays in switching to generation from coal to gas.
- An advance was recognized for the construction costs of Unit 70 at the Orot Rabin site. The final amount will be determined after cost control.
- An advance was recognized for the construction costs of converting Unit 1 to natural gas at the Rutenberg site.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

g. 2025 Annual Update and designation of excess proceeds from the sale of the Eshkol power station (continued)

- An amount of NIS 75 million was deducted from the cost recognized for the Company for failure to meet the availability targets determined by the Authority.
- According to the amendment to the gas agreement signed between the Company and Tamar Partners, it was determined that on December 31, 2024, it will be possible to update the gas price in the original agreement by up to 10%, up or down, to the price appropriate for the anchor customer in accordance with the negotiations between the parties. Even though no change occurred in the contractual price of gas at the date of the decision regarding the annual update for 2025, it was assumed that during 2025, the opening of the contractual price of Tamar Gas will take effect, in accordance with the established mechanism, which will result in its reduction by 10%. For further details, see Note 34a below.
- An amount of NIS 23 million was deducted from the recognized costs, which constitutes the amount awarded for the Company as part of the settlement agreement in the class action lawsuit regarding the Siemens bribery case.
- As part of the recognized cost for the generation segment, the Authority amortized revenues the Company collected from its customers for deviation from the capacity factor for 2022-2024. The Company filed its comments on the matter.
- The total net impact, following the aforementioned decision, the decision on the designation of surplus proceeds from the sale of Eshkol site in this resolution and the clarification of additional issues with the Electricity Authority, is approximately NIS 620 million that were included in the Financial Statements for 2024.

h. Manner of calculating the income recognized in the rate

Fuel costs:

- Until the date for determining a new methodology and for formulating a methodology for the manner of determining the recognized costs at the basis of the new generation rate, the fuels basket will be calculated in accordance with the quantities of fuel that are consumed in practice.
- The fuels basket recognized in the rate for a certain year is calculated twice – firstly, the fuels basket is calculated on the date of the annual update for the current year on the basis of forecasts, and secondly, on the following annual update date it is recalculated retroactively in accordance with quantities that materialized in practice.
- Starting in 2026, the rates will be calculated based on the 2025 rate. Therefore, the projected fuel basket will not be calculated twice each year by the Electricity Authority and the rate will not be updated periodically in accordance with the fuel basket.
- The fuels prices that are recognized in the rate are calculated at a monthly level according to the Authority's methodology which is detailed in the generation rate base which applies until February 1, 2022.
- A new methodology has not yet been set for the calculation of the fuels basket within the rate base for the generation segment for 2022-2027.

Operating and maintenance costs

The sum recognized in the rate is determined on the basis of the reporting in the Company's books, with the execution of adjustments.

- In the generation segment - according to the rate base for 2022-2027, the recognized operating costs were set based on the Company's costs for 2016-2018, while separating by generation units. In addition, the Authority separated between fixed and variable costs,
  a) the fixed costs include fixed costs per kilowatt, site costs and administrative and general costs,
  b) the variable costs include variable costs per kWh (hours in which the units generate energy that is fed into the electricity grid regardless of the unit's load) and renovation costs per equivalent hour.
  Furthermore, the Authority set a mechanism for reduction of site costs and administrative and general costs following the sale of power stations as part of the reform, under which, after the sale of the station, administrative and general costs attributed to it decreased by 5.2%, and an additional decrease of 25.8% will apply with the reform's completion, the rest of the costs will be diverted to the grid's segments. All the operating costs, including wages, are linked to the CPI.
- In the transmission and distribution segments – in accordance with the rate base for the network sector for 2018-2022, which is still in effect since an updated rate base has not yet been determined, a normative cost ("appropriate cost") was determined based on a comparison between similar companies around the world providing similar services (benchmark). In addition, a supplement was set with respect to the appropriate cost, which will remain fixed until the completion of the reform, and which is intended to finance the costs of the reform.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

h. Manner of calculating the income recognized in the rate (continued)

Capital costs:

The capital costs recognized in the rate are determined on the basis of the recognized active assets.

The capital cost components are:

- Depreciation
- Return on equity
- Return on foreign capital

Availability of units:

In the 2022-2027 rate base for the generation segment, the Authority sets a mechanism for availability payments for the CCGT and open gas turbine units, that operate with gas as the main fuel, that takes into account the gap between the actual availability rates of each unit compared to the availability recognized by the Authority. At this stage, unavailability rates have not been set for the coal-powered units that will be converted to gas, because the Rutenberg unit 1, which serves as a "pilot", has not yet been activated. After the unit's activation, it will be possible to learn about the availability of the converted units and their operating regimes as well as to monitor the performance for at least a year after the conversion of the first unit is completed. Therefore, the Authority will examine the application of unavailability indices to these units at a later stage.

In accordance with the decision, non-compliance with the recognized cost will lead to expenses of 100% of the gap between the payments according to the recognized cost and the actual availability. In contrast, if the Company's performance is better than the recognized availability, the Company will receive an award at a rate lower than the fine (approximately 20% of the gap between payment according to actual availability rates and the recognized availability rate).

There are issues that are still being discussed with the Authority regarding the determination of the mechanism for meeting normative availability. As of the Financial Statements approval date, a final decision on the subject has not yet been made.

- In the transmission and distribution segment - the base rate for the network segments applicable from 2018, recognizes for the Company all the costs of the active assets up to December 31, 2017. New investments that will end from 2018 onwards are recognized in the rate according to normative pricing or cost control.
- In the generation segment, according to the rate base applying as of February 1, 2022, the cost will be reduced according to the Spitzer table method (PMT method) at the level of the generation unit, including linkage to the CPI. Additionally, the Authority extended the life of the generation unit: the life of a CCGT type generation unit was extended from 25 to 30 years. Regarding the recognition of investments for the existing generation units, according to the decision, the investments will only be recognized if at least one of the following conditions is met: increasing output, improving availability, environmental benefits, regulatory provisions and extending economic life. The Company will be required to present an economic feasibility test of the investment and the cost that will be recognized will be determined after cost control and will not exceed the cost taken for the purpose of examining the feasibility. For the purpose of calculating interest costs during construction, normative construction dates will be taken into account. Capital costs are recognized based on a calendar year (i.e., annual cost from January to December and not from the date of commercial operation).
- Emission reduction project – the costs of the project have been normatively recognized. For details concerning recognition according to the Authority's decision in this topic, see section j below.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

i. Return on equity and return on foreign capital:

The return on equity and the interest on foreign capital were determined normatively. Within this framework, a normative financial leverage was determined, and it will apply on all the segments, so that 1/4 of the assets are financed by equity and 3/4 by foreign capital.

The Authority has not yet determined the GWACC rate for 2025. The Company's calculations were performed in accordance with formulas for determining the interest rates and yields recognized in the rate, and the weighted rate of return for all segments for 2025 is 4.5%. For further details, see section c above.

The GWACC weighted rate of return for 2024 for all segments is 4.43%.
The components of the financing basket will be as follows:

- A financing basket for non-tradeable raising in Israel at a rate of 1/3.
- A financing basket for tradeable raising in Israel at a rate of 1/3.
- A financing basket for raising foreign currency abroad at a rate of 1/3.

j. Project to Reduce Emissions at the Coal-Powered Power Stations

On June 4, 2020, the Authority published a decision concerning recognition of the cost of the emission reduction installations in the Company’s coal-fired units, according to which:

Recognition of the construction costs (investments and interest during construction) in an amount of approximately NIS 8.3 billion, regular operating costs in an amount of approximately NIS 86 million per year (for all facilities and without linkage) and the facilities’ recognized life, which according to the decision, will be 25 years of the operation date of each facility. This decision reflects under-recognition of investments and interest during the construction period (including future investments and interest for completion of the project), compared to the Company’s assessment in previous Financial Statements, of approximately NIS 560 million. As aforesaid, pursuant to the Authority’s decision regarding a new rate base for 2022-2027, the life of the emission reduction facilities was extended as described in section e above.

On March 25, 2021, the Authority’s response to the comments submitted by the Company with respect to the aforesaid Authority’s decision regarding this issue were received. As aforesaid, this response stated that there is no justification for the decision’s amendment, and in addition that the Authority has exhausted the procedure with the Company with respect to this decision. On May 6, 2021, the Company’s Board of Directors approved the submission of an appeal to the High Court of Justice ("HCJ") against the Electricity Authority’s decision regarding this issue. On June 8, 2021, an appeal was filed with the HCJ regarding the non-recognition of the costs of the emission reduction project in an amount of over NIS 500 million. After several postponements, the Electricity Authority’s preliminary response was submitted on November 24, 2022.

On April 23, 2023, a hearing was held regarding the Company's petition about the lack of recognition of the full construction costs of an emission reduction project. The Court accepted the Company's claims regarding the coal sulfur component percentage and the Company will be given another opportunity to bring its claims in this matter before the Electricity Authority. In this regard, the Court decided that the Authority must transfer to the Company the materials on the basis of which the decision was made, the Company will submit a statement of objections, and the Authority will deliver its decision and will consider allowing the Company a right to an oral hearing.

The Electricity Authority’s response was received on June 7, 2023, it included material that the Authority was required to deliver to the Company pursuant to the judgment. Due to a delay in the Authority’s response, the date of submitting the Company’s objections was extended and on August 27, 2023, a response was sent by the Company, in which the Company objected to the Authority's determination regarding the effect of the sulfur component in fuels on the total recognized costs and asked the Authority to amend the decision to recognize the Company's costs at least for any reduction in respect of the sulfur component. On June 4, 2025, a discussion was held with the professional team at the Electricity Authority in preparation for the Authority's response according to the decision of the High Court.

As of the Financial Statements approval date, the Authority's decision on the matter had not yet been delivered

At this stage, prior to the Authority's decision and the binding High Court decision, there is no level of certainty exceeding 70% for Company's claims to be accepted and therefore the Company has not created a regulatory asset accordingly.

Nevertheless, the Company estimates that acceptance of the Company's claims on this issue will result in an addition to the rate recognition of the project and as a result retroactive increase in revenues from depreciation, return and financing.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

k. Reform in the electricity sector

1. Policy recommendation

The letter of the Chairman of the Electricity Authority to the Minister of Energy of May 17, 2018, presents the position of the Authority regarding Structural Change in the electricity sector and the Company. Within this letter as aforesaid, the advantages and benefits for the sector deriving from the implementation of the proposed reform outline are presented: separation of the management unit from the Company, promotion of competition in the generation and supply segments, expansion of the Company's areas of activity and more. It also noted that the total benefits from implementing the proposed reform outline are significantly higher than the total costs for its implementation, and that the Company is expected to recoup the entire cost of the reform over a period of 8-9 years. After this period, the financing of the reform will be completed, and the efficiency of the Company will be transferred in full to the electricity consumers by reducing the electricity rate. During the stated period, the electricity rate may vary according to changes that will occur in the fuel components, capital, renewable energy costs, etc. The only component that will remain fixed in the rate throughout the reform period will be the salary component for employees.

2. Attribution of the costs of reform in the electricity sector

As part of the Authority's decision regarding the 2025 Annual Update, the Authority updated the revenues used by the Company to finance the reform, which are included in the recognized cost as follows:

- The amounts of the operating income that will be used by the Company to finance the reform are NIS 353, 452, 566 and 645 and 727 million for the years 2021 to 2025 respectively.
- The amounts from the construction costs that will be used by the Company to finance the reform are NIS 232, 276, 320 and 356 and 384 million, for the years 2021 to 2025 respectively.

During this period, it was determined that wage cost components will remain fixed in the rate and that no change will occur. Upon completion of the accrual of debt with respect to the reform, estimated at approximately NIS 6.5 billion with a capitalized value for 2017, the wage cost level of the Company will fall, in accordance with the efficiency prescribed in the framework of the reform.

Additional costs required to implement the reform that are not with respect to wages, estimated at approximately NIS 700 million at present value will be recognized separately by the Authority based on cost control.

3. Sale of Sites

For details regarding the Authority’s decision of May 15, 2018, regarding the sale of generation stations by the Company within the framework of the reform – see Note 1e above.

On May 28, 2018, an update was received for the aforesaid decision. According to the updated decision, the consideration for the Company with respect to the sale of the sites will be at the fair value of the asset and in any case will not be less than the sale value as aforesaid, plus the land value, as will be determined by the Authority. In this context “sale value” – the rate value of the site, plus all additional expense that will be recognized by the Electricity Authority and will be directly incurred by the sales process, including for clearing and reconstructing Company infrastructures that will be cleared from the site as aforementioned, all subject to cost controls by the Electricity Authority. The proceeds that will be paid to the Company for the sale of the site will be paid in cash on the date of transfer of possession.

Furthermore, the Authority also states that this decision does not represent a position regarding the use that the Authority will determine for the additional proceeds exceeding the rate value that will be received from the sale of the sites, if any, including by way of using the consideration with respect to the land for covering the reform costs.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

l. The new licenses for the Electric Company in the transmission and distribution segments

The decision of the Authority regarding the granting of a distribution license to the Company was received on November 17, 2022, following Government Resolution no. 3859 on "Reform in the Electricity Sector and Structural Change in the Electric Company" of June 3, 2018, and following Amendment 16 of the Electricity Sector Law. The license will be in effect for 20 years and details the various Company roles and fields of responsibility in the distribution segment. On January 16, 2023, the distribution license was approved by the Minister of Energy.

On May 12, 2024, the Electricity Authority published a decision on granting a transmission and storage license to the Company for the period of 20 years, pursuant to the approval given by the Minister of Energy and Infrastructures.

The license replaced the parts relating to transmission activities in the existing unified license for the Company. The licensee, as the owner of the delivery system, will be responsible for the construction, maintenance, and supervision of the delivery system it owns, as well as for detailed engineering planning of the delivery system in accordance with the operations specified in the license. The licensee will act to perform its duties efficiently and safely and while maintaining the principle of minimizing costs for the electricity sector. For further details, see Note 1e4.

m. Project for the establishment of CCGTs 70 and 80 at Orot Rabin

According to the Authority's decision regarding the rate base for the generation segment for 2022-2027, recognition of the construction cost of the two CCGTs at the Orot Rabin site (Government Resolution 3859 was reached on June 3, 2018, for their construction, dealing with the reform in the Electricity Sector and a structural change in the Electric Company) will be carried out after cost control that will be performed by the Authority.

For additional details regarding operation dates and generation licenses, see Note 1e9 above.

According to the Authority's decision regarding the 2025 Annual Update, an advance was recognized for the construction costs of Unit 70 from the beginning of 2025.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

n. Project of conversion of coal-fired units to gas

On November 20, 2019, a document of principles of the Minister of Energy's policy was published, entitled "Cessation of the use of coal in the generation segment in the electricity sector in routine times by 2026", according to which after completing the initial conversion to the use of natural gas in one generation unit, the Authority will evaluate the results of the conversion.

On August 31, 2025, the Minister of Energy's decision was made regarding the update of the 2019 policy principles regarding the continued conversion of generation units to gas. For additional details, see Note 1g1.

On September 10, 2025, the Electricity Authority's decision was published regarding the economic assessment of the conversion policy in accordance with the Minister of Energy's policy principles of November 20, 2019, underlying the Minister's decision regarding the approval of the conversions to gas.

The main points of the decision are as follows:

- The Authority found that the alternative of converting the units is economical in relation to conservation, and therefore, it recommends continuing with the policy established for converting the coal-fired units to dual-fuel use also with gas, under the assumption that the use of coal will be discontinued in 2026.
- From 2030 and in accordance with meeting the economic development goals, those 6 units will be partially and minimally loaded due to the low fuel efficiency of these units.
- As specified in the decision, in light of the increase in the conversion costs to gas of the 6 units by the Company, in relation to the estimated cost presented by the Company in the past, and which was the basis for determining the 2019 policy principles, and in view of the significant delay in the timetables, which derives, inter alia, from the Corona pandemic and Israel's wars - the Authority is examining the possibility of recognizing the rate of return on foreign capital only in the project, in accordance with the level of risk that the Company does not necessarily bear. The Company objects to this determination. It was also noted that cost control will be carried out as usual.

For details regarding the extension of the life of coal-fired units, see Note 2x.

The Company's management estimates that the prospects of the conversion being carried out in full (i.e., for all 6 coal-fired units in the project) outweigh the prospects that the conversion will not be carried out in full.

The Company is working with the Authority to recognize the full costs of the project, which was carried out for the benefit of the electricity sector and its survival, including in respect of the agreement with the INGL and the Company estimates that it can explain the increase in project costs and the delays that occurred.
According to the Authority's decision regarding the Annual Update for 2025, the recognition of the conversion project of Unit 1 in Rutenberg is from the beginning of 2025. The amount recognized is only an advance.

o. Integrating basic meters into competition in supply

In order to remove barriers and promote competition in the supply segment, on April 18, 2024, the Electricity Authority published a decision on the integration of basic meters as part of competition in the supply segment. As part of the decision, it was determined that residential consumers will be able to connect to private suppliers regardless of the installation of a smart meter. The decision regulates the suppliers' accounting process with the System Manager and the System Manager's accounting with the Company, when a residential consumer without a smart meter joins the competitive supply segment. The decision details the guiding principles in formulating the regulation, the gaps between the current situation and the desired optimal situation, as well as the amendments stipulated in the regulation. The amendments detailed above entered into force on July 1, 2024, except for the amendments that allow for the connection of consumers with basic meters with suppliers with means of generation, which entered into force on November 1, 2024, in accordance with the wording published in the Official Gazette.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

p. Emergency diesel fuel inventory

On May 26, 2024, the Electricity Authority published a decision on the price of transferring diesel fuel from the economic emergency inventory held by the Company to private electricity producers. In accordance with the decision, the private producer will purchase from the Company, from the economic emergency inventory it holds, the quantity of diesel fuel required by the order of a System Management License Holder in its capacity as the Power Authority.. In respect of the inventory sold, the Company will be paid the normative price set in Authority Decision No. 18203 (January 2007), which was updated in Decision No. 49705 (September 2016), without the cost of spillage insurance and marketing. The excise duty component to be collected is in accordance with the excise duty price published by the Tax Authority regarding the renewal of inventory during the War. Payment to the Company will be made within 30 days from the end of the month in which the diesel fuel was received by the producer and in accordance with the quantity indicated on the certificates of issuance or alternatively, in accordance with the determination of an external appraiser on behalf of the Company. Following the possibility of increased consumption of diesel fuel during the " Swords of Iron " war and in order to avoid a sharp increase in electricity rates, confirmation of the diesel fuel inventory will be carried out at a reduced excise duty rate. Accordingly, the excise duty that will be recognized in the price of diesel fuel that the producer will purchase from the Company will also be at a reduced rate. It is the responsibility of the private producer to enter into an agreement with the Company for the purpose of coordinating the terms and payments, as well as its responsibility to transport the diesel fuel to the generation facility it owns.

q. The development plan for the distribution system for the years 2024-2030

On October 15, 2024, the Electricity Authority published a decision regarding a development plan for the distribution system for the years 2024-2030 in the amount of approximately NIS 21.6 billion. In the decision, the Authority recommended that the Ministers approve principles and goals for the development of the distribution system for the years 2024-2030 based on the plan submitted by the Company. Upon the signature of the Ministry of Energy and Infrastructures on November 27, 2024, the plan entered into force. The decision includes the following chapters: (a) Content of the development plan: response to natural growth in demand, improvement of supply reliability and electricity quality, integration of smart systems, absorption of renewable energy production facilities and storage, national infrastructure projects and charging terminals for public transportation, private electric vehicles and server farms; (b) Adapting the network to security threats in the Western Negev border and the Northern border; (c) Estimated cost of the plan and (d) Annual reporting and making the information available to the public.

It was clarified in the decision that the plan's estimate does not include the possible cost of an increase of up to 20% in annual targets, in order to support the changing needs of the economy. It was also clarified in the decision that the tariff recognition for the actual execution of the plan will be in accordance with the rate base that will be in effect at the time of the tariff recognition in investments subject to cost control.

In addition, it was stated in the decision that the aforementioned plan's estimate does not include the cost of adjusting the network to security threats on the Western Negev border and the Northern border, which is estimated at NIS 500 million. The Company is negotiating with the Authority regarding the manner and timing of the financing of these additional costs, for the purpose of carrying them out. The decision also stipulates that the Company will submit to the Authority annually, by June 1, an annual report detailing the actual performance in the past calendar year in relation to each of the plan's components and that the report will also be published on the Company's website.

The implementation of the development plan will oblige the Company to prepare and allocate resources (such as allocation of personnel, contractors, equipment, etc.) in significant volumes. Its execution will require, among other things, the full cost coverage for the investments, at the required time in accordance with the tariff rules in a way that will enable the financing of the plan.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

q. The development plan for the distribution system for the years 2024-2030 (continued)

On June 4, 2025, it was announced that the Minister of Finance approved the distribution network development plan recommended to him by the Authority based on the plan that was submitted by the Company in accordance with the following changes and conditions:

1. Given the date of submission and approval of the plan, 2025 will be the first year of the plan (and not 2024 as published on October 15, 2024 in Authority Decision No. 69605 on the subject: "Decision regarding ministerial consultation with the Electricity Authority on the development plan for the distribution system for 2024-2030").

2. The option mentioned in the Electricity Authority's recommendation to carry out works to develop the distribution network and the burial of the lines that are not part of the development plan, to the extent of up to 20% of the total investments made by the Company for the purposes of the actions listed in the Electricity Authority's recommendation document in a previous calendar year, will only be for work to be carried out during 2025-2026 and subject to the fact that this work will be carried out according to measurable criteria to be determined by the Authority. At the end of the two years, the Authority will examine the electricity network that has been developed and buried and will examine whether to recommend to the Minister of Energy and the Minister of Finance to consent to extend the option for additional years and will also examine whether to update the criteria it has determined.

3. The total cost of adapting the distribution network to the security threats on the western Negev border and the northern border will not exceed NIS 500 million for all years of the plan.

On July 28, 2025, approval of the Minister of Energy and Infrastructure of the plan was received by the Company in accordance with the conditions.

r. Decision of the Electricity Authority on the subject of supporting the implementation of the distribution system development plan for the years 2025-2030

Following previous decisions on the subject and a decision proposal for a hearing on September 8, 2025, on November 27, 2025, the Electricity Authority published a decision intended to support the implementation of the distribution system development plan for the years 2025-2030 and stipulates, among other things, the following main changes:

1. Amendment to Decision 63518 on the subject of continuing incentives for distribution network development - improving supply reliability, the amendment will enter into force on January 1, 2025. Among the main amendments:

    - Changing the measurement method of the minutes of non-supply index to measurement based on disconnected customers instead of on a disconnected supply basis.
    - Increasing the maximum annual positive incentive (reward) so it amounts to NIS 60 million per year and the maximum annual negative incentive (fine) will be unchanged in the amount of to NIS 30 million.
    - The incentive will be reviewed annually.

2. Determining that the validity of Authority Decision 61308 of August 11, 2021, on incentives for the development of a distribution network for connecting consumers and producers will end on December 31, 2024.

3. Amending Decision 64104 of November 2, 2022, on incentives for burying existing high voltage lines in built-up areas, the amendment will come into force as of January 1, 2025. Therefore, in Section 2, Section (e) will be added: "The incentive will be given only for overhead lines that were buried in accordance with the provisions of the development plan and within the framework of a national transportation infrastructure project as defined in Standard 35AK."

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

s. Generation license for the subsidiary

Following the Government's decision regarding the reform and structural change in the electricity sector, on January 22, 2025, the Electricity Authority published a decision on granting a license to generate electricity for Unit 70 at Orot Rabin. The unit will operate using conventional combined cycle technology (CCGT) using gas with an installed capacity of 653.5 megawatts and backup with diesel. The licensee will be subject to the provisions applicable to the Electricity Company both in its capacity as a producer and in its capacity as an essential service provider (ESP), so that the CGGT's activities will be similar to the activities of the Company's other units, including the manner of dealing with the System Manager. In accordance with the Company's report regarding a malfunction in the diesel storage tank at the site, until September 15, 2025, a backup fuel inventory will be maintained at the site that will be sufficient for 76 hours of continuous operation at full generation load, while after this date, the backup inventory will be 100 hours under the same conditions.

On January 26, 2025, Netiv Ha'Or received a license to operate the CCGT 70, signed by the Minister of Energy and Infrastructure which is valid for twenty-four years and eleven months from the date of the Minister's signature, after the Electricity Authority's decision on the matter was received on January 22, 2025.

After the Statement of Financial Position date, on January 8, 2026, the Electricity Authority published a decision regarding the granting of an electricity generation license to CCGT 80, owned by Netiv Ha'Or – Orot Rabin Ltd., with a capacity of 653.8 megawatts. It was further determined that Netiv Ha'Or will maintain a backup fuel stock (diesel) on site for 100 hours of continuous operation at full generation load. In addition, the return on investment and operating costs will be through recognition of costs that will be determined in accordance with the Authority's cost control. The license enters into force after receiving the approval of the Minister of Energy and Infrastructure and depositing a guarantee as required. The license will be valid until December 26, 2049.

In light of the fact that Netiv Ha'Or is fully owned by the Company, the Authority allows the maintenance of backup inventory in the Company's tank, adjacent to the CCGT owned by Netiv Ha'Or. Recognition of investment and operating costs of the CCGTs will be in accordance with cost control by the Authority.

t. Storage Facilities

On January 30, 2025, the Authority published a decision determining the deployment plan for the construction of ten additional storage facilities in the Company's sub-stations with an installed capacity of 100 MW.

u. Determining a recognized cost for storage facilities to be constructed by the Company

On May 21, 2025, the Authority issued a decision in which it determines the mechanism for recognizing the cost of the first five energy storage facilities constructed by the Company. According to the proposed mechanism:

1. An investment cost of NIS 51.5 million will be recognized for each facility, with recognition of 85% of the investment calculated based on meeting the following annual availability targets: 92% in the first year and 95% starting in the second year, according to the Company's reports to the System Manager.
2. Since the main cost was determined based on the cost of the equipment, which depends largely on the volatile global lithium price, the Authority determines in the decision the recognized cost only for the 5 storage facilities that have already been constructed.
3. The investment will be recognized over 20 years and will be depreciated using the straight-line method starting with the year of operation.
4. The recognized operating cost will be 1.2% per year of the total recognized cost for that year and will be finally determined after cost control.
5. The linkage mechanism will be in accordance with the existing mechanism in the network rate base, with the effective index being in accordance with the index calculated for the 2025 tariff update.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

v. Preservation Project for Units 1-4 at the "Orot Rabin" Power Plant

In the policy principles dated February 8, 2021, the then Minister of Energy determined that, in light of the need to maintain the reliability, availability and continuity of electricity supply during emergencies in the coming years, the Company will preserve electricity generation Units 1-4 at the "Orot Rabin" Power Plant until December 31, 2025, and near the end of the preservation period, the need to establish new policy principles in this regard will be examined.

On November 24, 2025, the Minister of Energy's decision was received on the ”Policy principles – Examination of scope and extension of preserving generation units 1-4 at Orot Rabin power station”. This decision updates the Minister's decision on the subject from February 2021.

On November 27, 2025, the Authority published a decision on the subject of "Examining the alternatives regarding the manner and scope of preserving Units 1-4 at the "Orot Rabin" site”. This decision constitutes the Authority's position as part of the consultation with the Minister of Energy for the purpose of making a decision regarding the preservation of units 1-4 at Orot Rabin beyond December 31, 2025.

Below are the Authority's main recommendations for updating the Minister's decision:

- The Units should be preserved for only 3 years until December 31, 2028, at the end of the period the units will be closed. However, near the end of the preservation period the need for continued preservation will be reviewed. The Authority recommends a hot preservation outline.
- Units 3-4 will enter into preservation from the date of the Minister of Energy's signing of the policy principles document (November 14, 2025) and Units 1-2 will enter into preservation from the date of commercial operation of CCGT 80 (January 9, 2026).
- During the preservation period, the Ministry of Energy will continue to monitor the sector's preparedness for emergency situations and implement measures to increase the reliability of electricity supply capacity including: adding emergency diesel tanks beyond what exists today and establishing 2 CCGTs beyond what is specified in the development plan for the generation segment for 2030.
- Operating generation units will be done only according to the guideline of the supreme designated authority for energy and in accordance with abnormal operation procedure in risky situations.
- In each year during the preservation period the number of working hours will be limited to 500 on average per unit.
- The Electric Company will perform periodic inspections and report to the Electricity Authority on the performance of these units and their compliance with the preservation plan once a quarter.

w. Debt collection procedures and enforcement tools - consumers on non-domestic load and time tariffs

Further to the publication of a draft resolution for hearing on July 20, 2025, after the Statement of Financial Position date, on January 4, 2026, the Authority published a decision on debt collection procedures and enforcement tools – consumers on non-domestic load and time tariff. In light of an ongoing and significant increase in consumption debts of various consumers, the Authority reviewed additional enforcement tools for collecting payments from all consumers and particularly from consumers charged with non-domestic load and time tariff. In this Authority's resolution, the Authority details the relevant changes to be made in criteria and tariff table. In addition, the Authority determines that a default supplier may be allowed to demand from TAOZ consumers charged with non-domestic tariff to deposit collateral for securing the repayment of their debts as part of electricity supply renewal procedure.

A collateral obligation or substitute for collateral obligation will apply to a non-domestic TAOZ consumer whose electricity supply has been disconnected due to an unpaid debt. The notice of the possibility of providing collateral or a substitute for collateral (payment of biweekly bill and provision of a standing order payment method) to the extent that the consumer is entitled to these alternatives, will be provided as part of the debt notice before disconnection of the consumer.

The amendments will enter into force one year from the date of their publication in the Official Gazette, in the final version as published in the Official Gazette.

In addition, further to draft resolution for a hearing from January 4, 2026, on March 11, 2026, the Electricity Authority published a resolution on the subject of adding a collection tool for a default supplier for debt collection. The Authority determines additional tools that can be used by the default supplier in debt collection procedures for its consumers: (1) Moving to a monthly billing for consumers with a smart meter who have a debt; (2) Offsetting consumer debt from credit balance available to him, in the same contract and in several contracts under his name; (3) Canceling the suspension of supply disconnection due to debt during an emergency period from consumers who are not on non-domestic tariff; (4) Sending additional reminders on debt by digital means. The amendments will enter into force eight months from the date of their publication in Official Gazette in the final version as published by the Official Gazette.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

x. Land Value at the Eshkol Site

On July 24, 2025, the Electricity Authority published a resolution according to which it was determined that the value of the land at Eshkol Site to be recognized for the Company will be NIS 1,740 million. As part of the Annual Update for 2025, an initial amount of NIS 508 million was recognized to the Company, such that the remaining amount of approximately NIS 1,232 million will be recognized as part of the electricity tariff spread over 3 years. The recognition will include interest and linkage to CPI. In addition, the Authority leaves with the Company the amount it has appropriated from Eshkol Power Energy's performance guarantee, which amounts to approximately NIS 100 million in light of the update of its bid in the tender, due to all the unique circumstances relating to the tender, including the risks taken by the Company. As a result of the above, in 2025, the Company recorded revenues from movement in supervised assets in the amount of NIS 1,377 million including interest and linkage.

y. Green Track Regarding Engagement in Other Activities

In accordance with the obligation to consult with the Electricity Authority as set forth in Section 6(d) of the Electricity Sector Law, after the Statement of Financial Position date, on February 26, 2026, the Authority published a hearing on the subject of determining a "Green Track" for the Electricity Authority to advise Ministers regarding engagement in "other activities". Performing "other activity" in accordance with this section requires obtaining approval from the Minister of Energy and Infrastructure and the Minister of Finance after consultation with the Electricity Authority.

The hearing is intended to recommend to the Ministers to determine a "Green Track" for prior approval for the Electricity Company to perform "other activities," pursuant to Section 6(d) of the Law, as detailed and subject to the rules set forth in the decisions attached to the hearing. Also, to determine the Authority's position within the framework of consulting on the requests by the Electricity Company for approval to perform "other activities," which will be submitted to it by the Minister of Energy and Infrastructure and the Minister of Finance in accordance with the rules set forth in these decisions.

The Company submitted its response to the hearing, after the Statement of Financial Position date, on March 18, 2026. After the end of the submission deadline (which was set for March 19, 2026), the Authority will issue its recommendation in a decision to the two Ministers within the framework of the duty to consult and the Ministers will be required to address the issue.

NOTE 4:- CASH AND CASH EQUIVALENTS

The composition:

	As of December 31,	
	2025	2024
	NIS in millions	
Cash and balances in banks	123	199
Short-term deposits*	2,260	1,958
Total cash and cash equivalents	**2,383**	**2,157**

***** Interest rates as of December 31, 2025:
NIS deposits - the average interest rate ranges between 4.5% - 3.97%.

* Interest rates as on December 31, 2024:
NIS deposits with an average interest rate ranging between 4.22%-4.62%.
Dollar deposits – the average interest ranges between 4.2% - 5.45%.

NOTE 5:- SHORT TERM INVESTMENTS

	As of December 31,	
	2025	2024
	NIS in millions	
Investments in funds and ETFs	419	3,539
Total short-term investments	**419**	**3,539**

NOTE 6: TRADE RECEIVABLES FOR SALES OF ELECTRICITY

a. Composition

	As of December 31,	
	2025	2024
	NIS in millions	
Open debts	3,718	4,666
Provision for doubtful debts	(705)	(826)
Unrecognized income (1)	-	(473)
	3,013	3,367
Income receivable (2)	1,856	1,790
Total customer receivables with respect to electricity sales	**4,869**	**5,157**

(1) The above mentioned relates to income from the East Jerusalem Electricity Company (hereinafter: "EJEC") as detailed in section c below. Regarding the examination of the recognition policy of income see Note 2n above.

(2) Income with respect to the relative part of the electricity invoices issued after the date of the Statement of Financial Position, that, according to an estimate, relate to the reporting period.

Following the Supreme Court ruling that ordered the Electricity Authority to amend the criteria for disconnecting electricity supply, the Electricity Authority published a decision on November 8, 2022, regarding updates, changes, and additions to consumer criteria. This decision limited the Company's ability to disconnect indebted domestic customers in accordance with the criteria detailed in the ruling and in the Electricity Authority's decision and led to an increase in the Company's debt. In addition, following the "Swords of Iron" war and the Electricity Authority's decisions on relief for electricity consumers due to the war situation led to a further increase in the debts to the Company. In addition, the Company included a provision as part of the provision for doubtful debts that reflects, in its assessment, the expected credit losses for these debts. Effective March 12, 2025, the Company worked to reduce the debt and returned to full enforcement activity, including disconnections throughout the country. After the Statement of Financial Position date, on February 28, 2026, following the Lion's Roar Operation a state of emergency was declared throughout the country and the Company stopped disconnecting indebted customers. For additional details regarding the impact of the "Swords of Iron" war on collections from the Company's customers and the provision for doubtful debts, see Note 1h.

b. 1. Aging of all customer receivables, including revenues not recognized, before provision for doubtful debts on the report date:

	As of December 31,	
	2025	2024
	NIS in millions	
Not outstanding and outstanding up to one month	4,033	3,927
From 2 months to 3 months	430	554
From 3 months to 6 months	243	377
From 6 months to one year	188	294
From one year to two years	252	519
Over two years	428	785
Total	**5,574**	**6,456**

NOTE 6: TRADE RECEIVABLES FOR SALES OF ELECTRICITY

b. 2. Aging of all customer receivables which were provided for doubtful debts, except for the debts of the East Jerusalem Electricity Company and the Palestinian Authority (see section c below):

	As of December 31 2025 (in NIS millions)			As of December 31 2024 (in NIS millions)		
	Balance before provision for doubtful debts	Provision for doubtful debts	Balance after doubtful debts	Balance before provision for doubtful debts	Provision for doubtful debts	Balance after doubtful debts
Not outstanding and outstanding up to one month	3,644	40	3,604	3,525	33	3,492
From 2 months to 3 months	421	39	382	417	29	388
From 3 months to 6 months	234	47	187	361	71	290
From 6 months to one year	188	56	132	294	89	205
From one year to two years	252	139	113	399	214	185
Over two years	465	384	81	460	390	70
Total	**5,204**	**705**	**4,499**	**5,456**	**826**	**4,630**

NOTE 6: TRADE RECEIVABLES FOR SALES OF ELECTRICITY (continued)

c. 1. The Palestinian Authority and the East Jerusalem Electricity Company

Below are details of the balances of the Palestinian Authority and the East Jerusalem Electricity Company after provision for doubtful debts and income that was not recognized from the customers' balance:

	As of December 31	
	2025	2024
	NIS in millions	
Open invoices	125	774
Receivables	245	226
Total debt	370	1,000
Less:		
Provision for doubtful debts as of January 1	-	(104)
Decrease in provision for doubtful debts during the year	-	104
Income not recognized as of January 1	(473)	(1,075)
Income recognized for previous periods	473	602
Income not recognized this year, net	-	-
Total debt with respect to sale of electricity	**370**	**527**

2. The payments of the Palestinian Authority and the East Jerusalem Electricity Company are executed both through transferring direct payments and through transfers that the Company receives from the Ministry of Finance, out of the sums held by the Ministry of Finance that are payable to the Palestinian Authority.

On September 13, 2016, an agreement of principles was signed, to resolve the Palestinian electricity debts and to regulate the Palestinian electricity sector and on July 8, 2020, an agreement was signed between the Company and EJEC (hereinafter: the "EJEC Agreement"), intended to settle EJEC's debt to the Company and conclude all legal procedures between them.

In view of the violation of the terms of the agreement and accumulation of consumption debts in respect of this agreement as well as current debts of EJEC and PA which were not covered by the current payments by them, the Company wrote to the relevant State authorities in the country, requesting to increase the amount of the transfers from the Ministry of Finance to cover the debts of the Palestinian Authority and apply them also to the EJEC debts in the territory of the Palestinian Authority since as at that time, the setoff sums are only applied to the Gaza debts and partially to the debts of the Palestinian Authority's distribution companies, and it is requested that they be applied to the EJEC debts in the territories of the Palestinian Authority as well. Additionally, the Company applied to the Chairman of the Electricity Authority requesting intervention with all the relevant State authorities and to take any measure that will ensure the settlement of the debts and prevent the debt's growth.

The Company has been in contact with the Ministry of Finance, the Coordinator of Government Activities in the Territories and other relevant entities, in order to increase the setoffs from tax revenues transferred from the State of Israel to the Palestinian Authority, both in order to stop the growth of accumulated debts due to the supply of electricity to the EJEC and to cover past debts.

On September 3, 2023, the Ministry of Finance announced that EJEC's current consumption debt to the Israel Electric Corporation (net of consumption debt in East Jerusalem) for the months of May 2023 onwards will be offset from September onwards and on a monthly basis and as of this date, the Ministry of Finance made tax offsets in respect of current EJEC debts (net of debts of EJEC consumption debts).

On October 19, 2023, the Chairman of the Electricity Authority wrote to the Minister of Finance in a letter, requesting that he order a significant one-time offset of at least hundreds of millions of NIS in respect of the past debt owed by EJEC and the Palestinian Authority, particularly due to the expected costs in the electricity sector in light of the "Swords of Iron" war. On December 31, 2023, the Company's CEO sent another letter to the Minister of Finance requesting an increase in the offsets in order to cover the past debt owed by the EJEC and the PA.

With the outbreak of the " Swords of Iron" War, on October 7, 2023, the Minister of Energy signed an order directing the Electric Company to cut off the electricity supply to the Palestinian Authority in the Gaza Strip, and on the same day, the electricity supply to the Strip was cut off. For further details on the effects of the War, see Note 1h2 above.

NOTE 6: TRADE RECEIVABLES FOR SALES OF ELECTRICITY (continued)

c. 2. (continued)

On February 26, 2024, an outline was reached with the Ministry of Finance, according to which an offset of NIS 200 million will be made to cover PA debts (NIS 40 million each month for five months) from the frozen settlement funds intended for the Gaza Strip, the offset started with the settlement funds for January 2024.

After discussions between the Company and the Electricity Authority regarding the credits for reimbursement of the cost of the social tariff to which the residents of East Jerusalem are entitled, the Company issued credits retroactively in accordance with the Authority's decisions from 2018 in the amount of approximately NIS 44 million including arrears interest. It was agreed with EJEC that the credit would be offset against debts accumulated for exclusive supply to East Jerusalem on six lines, in the period from October 2021 to March 2023. After the credit was made, EJEC's debt for these lines amounted to approximately NIS 55 million, which was paid in full thereafter.

On July 12, 2024, the Ministry of Finance transferred an amount of NIS 303 million by offsetting the settlement funds, for EJEC's debt from the 2020 agreement as detailed above, after the Palestinian Authority acknowledged that the debt was for EJEC's supply lines in its territory.

On November 12, 2024, the Ministry of Finance transferred an additional amount of NIS 339 million by offsetting the settlement funds, for past debts of EJEC after the signing of the 2020 agreement after the Palestinian Authority recognized that the debt was for EJEC's supply lines in its territory. In accordance with the above and the amounts offset as aforesaid from the settlement funds of the Palestinian Authority, unrecognized income was recognized for previous periods, and a provision for doubtful debts was canceled in a total amount of approximately NIS 706 million in the Financial Statements for 2024.

In January 2025, the Company reached an outline of agreements for settling all debts of EJEC and PA in a total amount of NIS 1,057 million including VAT. This amount constitutes full payment of the past principal debt and current debt (up to and including consumption for November 2024), as well as payment of most of the arrears interest from the total interest due to the Company in accordance with the rates determined by the Accountant General and accumulated up to December 29, 2024. The outline of the agreements was approved by the Company's Board of Directors and subsequently by the Ministerial Committee for National Security Affairs (Political and Security Cabinet) on January 12, 2025. The full payment in accordance with the outline includes the following amounts: revenue recognition (for electricity and interest) that were not recognized in previous periods in the amount of approximately NIS 473 million, amounts recognized as revenue in previous periods and collected this year in the amount of approximately NIS 191 million, interest revenues for previous periods recognized this year in the amount of approximately NIS 240 million.

Total receipts including VAT amounted to approximately NIS 1,057 million, which was transferred to the Company's account on January 22, 2025. The total impact of the aforementioned outline included in the first quarter of 2025 (recognition of previously unrecognized electricity revenue and revenue from arrears interest) is approximately NIS 713 million before tax.

After the Statement of Financial Position date, the Company received a transfer from the Ministry of Finance to cover all of the debts of the Palestinian Authority and EJEC accumulated as of the Financial Statements Date after such settlement agreement.

NOTE 7:- OTHER CURRENT ASSETS

Composition:

	As of December 31	
	2025	2024
	NIS in millions	
Receivables		
Current maturities of long-term receivables	156	116
Forward contracts and swap transactions	38	191
Institutions	41	38
Prepaid expenses	417	312
Income receivable	84	78
Excess of pension plan assets to be returned to the Company (1)	1,388	-
Other receivables	74	128
	2,198	**863**

For information with respect to receivables constituting related parties and interested parties see Note 33 below.

(1) See Note 11j1c below

NOTE 8:- INVENTORY – FUELS

a. Composition:

	As of December 31	
	2025	2024
	NIS in millions	
Fuel oil	48	60
Diesel oil	860	782
Emergency diesel oil (see section b below)	1,270	1,272
Natural gas	2	3
Coal	939	972
Coal in transit	87	254
Total	**3,206**	**3,343**
Presented in Current Assets	274	1,399
Presented in Non-Current Assets (also see section b below)	2,932	1,944
Total	**3,206**	**3,343**

b. Emergency diesel oil

Following the decision of the Ministerial Committee for Security Affairs of June 5, 2016, to increase the emergency diesel oil inventory of the electricity sector, and, in accordance with the instructions of the Ministry of Energy, the Company purchased diesel oil, in a number of installments, according to the specifications required by the turbine manufacturers, this inventory is to be maintained by the Company for a period of not less than 15 years.
Regarding the rate recognition, on November 14, 2016, the Electricity Authority published a decision regulating the acquisition, maintenance, leasing, updating and refreshment of this inventory. The rate recognized inventory cost according to the recognized rate of return for the assets recognized in the system management rates. According to the decision, the costs with respect to the emergency inventory will be recognized in the rate as system costs. Furthermore, the decision determines that when there is a sale out of the sectorial emergency stock, the difference of the purchase prices compared to the difference of the selling price will be accounted for, so that a profit or loss will not be created for the Company from the sale of this inventory.

Following the Swords of Iron war, the Company increased its stock of emergency diesel fuel for the electricity sector. The cost of purchasing emergency diesel fuel for the electricity sector and its storage in 2023 amounted to a cost of hundreds of millions of shekels.

In a Special Report by the State Comptroller on the subject of "Preparation and Readiness of the Electricity Sector for a Swords of Iron War and Actions Taken During the War", with respect to the procurement of diesel fuel for emergencies, the State Comptroller recommended that the Company continue its responsibility for the procurement of diesel fuel for emergencies until the transfer of responsibility as stated to Noga is completed, and that the Ministry of Energy, the Ministry of Finance, the Companies Authority, and Noga act to complete the necessary conditions for this as soon as possible. After the Statement of Financial Position date, the Board of Directors approved the purchase of an additional quantity of sectorial diesel fuel stock in an insignificant amount.

In addition, the Company signed agreements in January 2024 and October 2024 that were extended from time to time to maintain temporary diesel stock with additional related parties in the economy. Pursuant to the agreements, the Company has no control of the inventory and its ownership belongs to the same companies, and it is therefore not included in the Company's books. For more details, see Note 33b2g.

NOTE 9 :- LONG-TERM RECEIVABLES

Composition:

	As of December 31	
	2025	2024
	NIS in millions	
Receivables for the compromise settlement (for details see Note 35b7 below)	379	506
Natural Gas Lines – for gas transmission project (see Note 33b1 below)	-	33
Currency swap transactions	186	575
Deposits to secure swap transactions	758	214
Receivables from the Assets Arrangement (see Note 1f above)	-	60
Other receivables *	220	179
Total long-term receivables	1,543	1,567
Less – current maturities (see Note 7 above)	156	116
	1,387	**1,451**

* Also includes loans to employees. The majority of loans to employees were at a variable interest rate of approximately 3.80% as of December 31, 2025).

NOTE 10:- INVESTMENT IN HELD COMPANIES

a. Information on Held Companies:

Company Name	Primary Place of Company's Operation	Company Operation	Holding Rate of Capital Rights / Issued Share Capital as of December 31	
			2025	2024
Consolidated Companies				
National Coal Supply Corporation Ltd.	Israel	The company purchases coal for the coal power stations of the Company	100%	100%
Netiv HaOr – Orot Rabin Ltd.	Israel	The company is responsible for engineering planning and planning activities, construction, operation, maintenance, electricity generation and sale of electricity with respect to two CCGTs on site of the Orot Rabin power station.	100%	100%
Investee Company Name				
Israel Broadband Company (2013) Ltd.	Israel	The company provides fixed telecommunications services	30%	30%
CyberGym Control Ltd.	Israel	The company provides cyber training services.	38%	38%
Energy Resources Development PAMA Ltd.	Israel	Inactive	49.99%	49.99%
Migrashei Hakablanim Ltd. (*)(***)	Israel	Inactive	100%	100%
Jordan Properties Ltd. (**)(***)	Israel	Inactive	99.99%	99.99%

* In June 2017, Migrashei Hakablanim Ltd. exercised the option under the original lease agreement and extended the lease period to 2059. In April 2022, the Company joined an arbitration arrangement that was signed between Tel Aviv Municipality and other lessors and extended the lease period to 2108. The lease fees for all lease periods were paid in advance by the Company.

** Lands used by the Company or leased to or from third parties are registered to the name of Jordan Properties Company Ltd. in the lands register.
Jordan Properties Ltd. has two wholly-owned inactive affiliated subsidiaries - Ma'abarot Hayarden Ltd. and the Palestine Construction Company Ltd. (hereinafter the "**Sub-subsidiary Companies**"). In August 2021, resolutions were passed at the General Meetings of the Sub-subsidiary Companies regarding their dissolution. The dissolution of the Sub-subsidiary Companies is subject to regulatory procedures and approvals that have not yet been completed as of the date of the report, including Government approval which has not yet been granted.

*** After the Statement of Financial Position date, on March 11, 2026, the Company submitted an application for a merger in accordance with Section 103 of the Income Tax Ordinance of Migrashei Hakablanim Ltd. and Jordan Properties Ltd. and the sub-subsidiaries into the Company (the Acquiring Company). The application as stated above has no impact on the Consolidated Financial Statements.

b. Dividends, Management Fees and Interest received by the Company or is eligible to receive

In 2024 and 2023, dividends in the amount of NIS 5 million, paid to the Company as of the Financial Statements date each year.

In 2025, the Coal Company declared a dividend of approximately NIS 5 million that was not yet paid as of the Financial Statements Approval date.

NOTE 10:- INVESTMENT IN HELD COMPANIES (continued)

c. Netiv HaOr – Orot Rabin Ltd.

"Netiv HaOr – Orot Rabin Ltd." (hereinafter: "Netiv HaOr") is a Government subsidiary incorporated pursuant to Government decision and is subject to Government Companies Law – 1975 and the provisions made thereunder.
Regarding the establishment and operation of Netiv HaOr and regarding its tariff regulation and its generation licenses, see Note 1e1, Note 3m and 3s above.
For details regarding the agreements between the Company and Netiv HaOr and regarding the Company's investments in Netiv Haor in the amount of NIS 1,000 million see Note 1e9 above.

d. The Advanced Studies Fund of the Employees of the Israel Electric Corporation Ltd. ("Advanced Studies Fund")

The Company holds 50% of the Management shares (without the right to share the profits) of the Advanced Studies Fund of Company employees. The Management Shares give the Company a right to participate and to vote in the fund's general meetings, rights to appoint 5 internal directors, and to approve the appointment of the external directors at the general meeting.
The Company deposits funds in the Advanced Studies Fund with respect to entitled employees, according to employment agreements.

The amounts deposited during the periods are as follows:

	NIS in millions
For the year ended on December 31, 2025	56
For the year ended on December 31, 2024	59

The Advanced Studies Fund does not invest in the securities of the Company

e. Investment in IBC

IBC Israel Broadband Company (2013) Ltd. (hereinafter: "IBC") provides fixed line telecommunications services to telecommunications operators and large business customers approved by the Minister of Communications, through a communications infrastructure of optical fibers that was laid out, inter alia, on Company infrastructures.
Until October 31, 2025, IBC was held by the Company and IBC (Unlimited) Holdings, Limited Partnership (hereinafter: "the Partnership"). The Partnership is held by Cellcom Israel Ltd. (hereinafter: "Cellcom") and Israel Infrastructure Fund III Limited Partnership (hereinafter: "IIF") and Hot Telecommunication Systems Ltd. and/or its associated companies ("Hot"), in equal parts.
The Partnership holds 70% of the share capital of IBC and the Company holds 30% of the share capital of IBC.

On October 31, 2025, a transaction was completed for the sale the holdings of Cellcom, IIF and Hot to the "Fiber-Grid Limited Partnership" ("Fiber") partnership, which is held by a group of partners, principally Phoenix, Mor, Noy, and Udian Investments, after the conditions precedent to the transaction were met, including receipt of approvals from the Competition Authority and the Ministry of Communications.

As a result, Fiber indirectly holds 70% of the shares of IBC. It is clarified that the Company was not a party to the transaction there was no change in the Company's holdings in IBC following the completion of the aforementioned transaction.

The Company and IBC have an agreement to grant a right of use that allows for the deployment of a fixed fiber optic communication network over the Company's electricity grid.
The Company will be entitled to repayment of the balance of IBC's debts to the Company, which in accordance with the agreement with the shareholders and IBC were converted into shareholders' loan.
As of the Financial Statements date, the Company's share in IBC's deficit exceeds the fair value of the shareholders' loans that constitute part of the investment whose total carrying amount has been fully written down as of December 31, 2025 and 2024, respectively.

At the date of establishment of IBC, the Company recognized in its books an investment in the amount of NIS 100 million, this amount reflected the fair value of the Company's holdings in the share capital of IBC as of the establishment date.
The Company examined the transaction between the Company and the partnership regarding the transfer of the right of use of the Company's infrastructure and concluded that the arrangement constitutes a services agreement as defined in International Financial Reporting Standard 15 (hereinafter: IFRS 15"). Therefore, the Company recognized the value of the shares as deferred income within other liabilities, which will be recognized over the service provision period according to the agreement, using the straight-line method.

NOTE 10:- INVESTMENT IN HELD COMPANIES (continued)

f. Investment in CyberGym Control Company Ltd.

On May 2, 2013, the Company entered a commercial and corporate relationship with CyberGym Control Company Ltd. (hereinafter: "CyberGym"), which gave the Company a contractual right to receive 50% of CyberGym's net revenues and an option to receive 50% of its issued share capital, while all (100%) of CyberGym's shares are held by third parties. Additionally, under the terms of the aforesaid engagement, the Company has additional rights in CyberGym. The investment in CyberGym was carried out through loans totaling approximately NIS 7 million.

On June 6, 2019 the addition of an investor to CyberGym company was arranged.

The Government resolved, in its meeting of October 18, 2020, to approve the Company's exercising of the option to receive shares in CyberGym, pursuant to Section 11(a)(9) of the Government Companies Law, 1975, as such option has been granted to it pursuant to a cooperation agreement (as amended from time to time) with CyberGym and its founders, and in addition, inasmuch as CyberGym's shareholders decide to establish a company to be incorporated in one of the OECD member countries, and to hold CyberGym Israel's full issued and outstanding share capital or all its businesses and assets (hereinafter: the "Stock Exchange CyberGym") to approve the Company's conversion of its CyberGym share holdings, or the option to receive CyberGym shares, into Stock Exchange CyberGym shares. All the aforesaid, as subject to certain terms, as detailed in the above decision of the Government.

After the receipt of the required approvals and the procedural proceedings required were completed, on June 26, 2022, the Company sent a notice of exercising the options to receive shares of CyberGym, and as of that date the shares were registered in the Company's name, so that after the exercise, the Company owns 500,000 ordinary shares, which constitute approximately 43% of the issued share capital of CyberGym.

In February 2022, IEC approved the granting of an additional loan in the amount of NIS 8.5 million, which is in addition to the loans granted during the first two years since CyberGym's establishment, the total loans granted by the Company amount to NIS 15.2 million (principal), the loans bear interest.

On September 29, 2022, the Company approved the appointment of 2 directors who, as of the report date, and in accordance with the articles of association of Cyber Gym, constitute 50% of the members of Cyber Gym's Board of Directors. The shareholders agreement, which replaces the cooperation agreement of 2013 as described above, was signed between the parties.

During October 2022, the Company and CyberGym Control Ltd. signed an agreement under which the Company will receive from CyberGym expert services for the cyber worlds, standby teams and training services for a period of 5 years in the scope of approximately NIS 50 million.

Cyber Gym made a fundraising round at the beginning of 2023, according to a company value of USD 75 million. 4 investors joined in the fundraising round it with a total amount of USD 6.5 million. After completion of the first part of the fundraising, the Company holds 38.36% of Cyber Gym's issued and paid-up capital.

Following the Swords of Iron war, towards the end of 2023, CyberGym encountered business difficulties as a result of the cancellation of contracts abroad and a reduction in the scope of activity in Israel. In light of this, CyberGym has taken streamlining measures in order to improve its cash flow situation, including reducing wages and placing employees on unpaid leave. In light of these cash flow difficulties, CyberGym requested that the Company reassess the repayment dates of the loans granted to it by the Company in 2013-2014 and in 2022, whose maturity dates are December 31, 2025 and December 31, 2024, respectively. As of the Financial Statements date, the maturity date of the aforementioned loans has passed and, despite the aforementioned, they have not yet been repaid.

It should be noted that the transaction for the sale of CyberGym shares held by the Company as approved by the Company's Board of Directors meeting on January 30, 2025 was not executed. The Company is acting with respect to CyberGym and is reviewing alternatives, including locating an alternative buyer for purchasing most of its shares in CyberGym and the repayment of loans it took from the Company. The failure to complete the transaction is not expected to have a material impact on the Company's results of operations.

It should also be noted that in CyberGym's financial statements for 2023, which were signed in January 2026, CyberGym stated that the Company's financial position and the violation of the loan terms and the need to settle its obligations with the related party raise material doubts regarding the company's ability to continue its operations as a "going concern", and that the company's continued operations are conditional on completing the raising of external financing and/or reaching a debt settlement with the Company. In light of the above, the Company has written off its entire investment in CyberGym in 2025.

NOTE 10:- INVESTMENT IN HELD COMPANIES (continued)

g. Changes in Investment in Associate Companies in the Statement of Financial Position

	As on December 31	
	2025	2024
	(NIS in millions)	
Investment as on January 1	15	21
Company's share in losses for the year	-	(6)
impairment	(15)	-
Total investment balance as on December 31	**-**	**15**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS

a. Excess of amounts of pension plan assets over the pension obligation

	As of December 31,	
	2025	2024
	NIS in millions	
Fair value of plan assets (see section j2 below)	39,809	39,415
Present value of pension obligations (see section i1 below)	(28,266)	(27,424)
	11,543	**11,991**
Present value of pension obligations with respect to special agreements on early retirement (see section i3 below)	(110)	(86)
Excess of pension plan assets over pension obligations	**11,433**	**11,905**

b. Funds in Trust

	As of December 31,	
	2025	2024
	NIS in millions	
Fair value of funds in trust (see section k2 below)	**1,030**	**1,057**

c. Liabilities with respect to other post-employment benefits

	As of December 31,	
	2025	2024
	NIS in millions	
Present value of obligation with respect to other post-employment benefits (see sections i2 and j4 below)	**4,396**	**4,728**

Composed of:

	As of December 31,	
	2025	2024
	NIS in millions	
1) Present value of liabilities with respect to the other post-employment benefits, that are not part of the collective agreement with respect to the reform and special collective agreements (see section i2a):		
Discounted electricity	1,135	1,106
V.A.T. and grossed up tax with respect to discounted electricity	529	490
Retirement benefits	745	701
Welfare Fund for pensioners insured in the budgetary pension	67	65
Holiday gifts including grossed up tax	416	394
	2,892	**2,756**
2) Present value of liability with respect to other post-employment benefits as of the collective agreement with respect to the reform and the special collective agreements (see section i2b below)	2,644	2,776
Plan asset – an insurance policy in the insuring company (see section j4 below)	(1,140)	(804)
Present value of liability for other post-employment benefits as a result of the collective reform agreement and special collective agreements less plan asset	**1,504**	**1,972**
Total	**4,396**	**4,728**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

d. The Pension Plan of the Company and Other Post-Employment Benefits

1. a) The pension regulations from 1958 apply to all Company tenured employees and pensioners and their survivors who were admitted to work in the Company up to June 10, 1996 (inclusive) (hereinafter: "the Insured under the Budgetary Pension Arrangement"). The code of the central provident fund for pension to the Company's employees, pensioners and their survivors is based on the provisions of the aforesaid pension regulations and prescribes the entitlements of the Insured under the Budgetary Pension Arrangement (see also section j1 below).

   On March 5, 2012, the "Change of Method of Updating the Budgetary Pension, 2012 Law" was published in the Official Gazette. This law changed the mechanism of updating the pension of the Insured under the Budgetary Pension Arrangement to linkage to the Consumer Price Index.

   Following is a summary of the budgetary pension arrangement under the by-laws of the central provident fund for pension:

   The entitlement for pension is created with the existence of one of the following conditions:

   1) At the mandatory retirement date (for a woman - from the retirement age date) which is determined under the Retirement Age Law.

   2) Early retirement after a minimum of 30 years of work in the Company, provided that the employee has reached the age of 55 for men and age 50 for women (provided that the Company desires the retirement and with the approval of the employees' union).

   3) Dismissal retirement - an employee aged 40 years or over who has been working in the Company at least 10 years and is dismissed.

   4) Retirement due to disability.

   5) Special early retirement - if and insofar as will be carried out according to a specific arrangement that was prepared and approved by the authorized authorities according to law, and according to rules that will be approved.

   The survivors of an employee/a pensioner are entitled to a pension in accordance with the pension rates that are set out in the pension code.

   b) Rates of pension:

   1) Upon reaching retirement age (mandatory), dismissal, early retirement– the pension rate shall not fall below 25% and shall not exceed 70% of the determining salary of the employee for the calculation of pension and its amount will be calculated based on the number of years of employment in the Company, in accordance with the principles set out below:

      a. After first 10 years of work– 25% of the employee's determining salary for pension.

      b. For every additional year of employment, up to 30 years of work– an additional 2% for every full year of work in excess of the first 10 years of work (up to a maximum of 65%).

      c. For every additional year of work in excess of 30 years and up to 35 years of work -– an additional 1% for every work year or a part thereof in excess of the first 30 years of work (up to a maximum of 70%).

   2) In the event of the retirement of a permanent employee due to disability, the pension rates are determined in accordance with the Pension Regulations.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

d. The Pension Plan of the Company and Other Post-Employment Benefits (continued)

1. (continued)

c) The actuarial liability with respect to employees and pensioners/ survivors who are insured under the Budgetary Pension Arrangement includes, in addition to the pension that is payable after the termination of employment, the following entitling components included in other post-employment benefits:

1) "Excess employment grant" (over 35 years of work). The eligibility is conditional upon retirement after the age of 60 for men or 55 for women. For fractional years, the relative share of the grant will be paid. The grant is also paid for survivors (and heirs in the lack of survivors) in the event of death of an employee, upon the fulfillment of the entitling criteria.

2) "Up to 35 years grant" that is paid upon retirement and to survivors (and heirs with no survivors) in the event of the death of an employee. This grant will not be paid in respect of years for which another compensation is payable.

3) Grant upon retirement due to disability (an employee who is eligible for this grant will not receive in addition the "up to 35 years grant").

4) Grant for the non-utilization of sick days. The grant is also paid to survivors (and heirs in the lack of survivors) in the event of death of an employee, upon the fulfillment of the entitling criteria.

5) Reduced electricity price benefit for pensioners/ pensioner survivors (including grossing up for tax and VAT).

6) Holiday gifts for pensioners/ survivors (including grossing up for tax).

d) The Company has a (perpetual) liability under a collective agreement to bear the costs of welfare activities in an amount that is equal to 0.49% of the salary of every employee and of the pension and grants to which every pensioner/survivor is entitled (this liability is not calculated with respect to the components that are not regular salary or those that are not affected by an hourly price: convalescence, electricity, gift, house duty by roster and Arava).

e) Starting January 2012, as part of the change of the updating mechanism of the pension of those insured by the budgetary pension arrangement to linkage to the CPI, a welfare fund was established for pensioners who are entitled to budgetary pension, similarly to the fund that was established under the Civil Service.

f) The Company retirees/survivors have a basket of benefits and additional rights that are not included in the actuarial liability due to their being non-material.

2. The estimated liability for pensions and grants after termination of employment is based on actuarial calculations by an external actuary. The liability is calculated in accordance with rights and assumptions of the Company most of which were determined in consultation with the Company actuary, and in his opinion they are reasonable. The discount rates used for calculating actuarial liability match the market yields for high quality index-linked corporate debentures as of the date of the Financial Statements, See Note 2s1 above.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

e. Pension to Employees who are not Included in the Budgetary Pension Plan

The remaining permanent employees of the Company (hereinafter: "Generation C Employees") who started working on June 11, 1996 and thereafter and are not included under the budgetary pension plan, as described in section d above, as well as the Company's employees with a temporary status, are insured under an comprehensive cumulative paying pension fund (an external long-standing or new cumulative pension fund, or under another pension insurance policy at the personal choice of the employee). The Company makes deposits on a regular basis in respect of its liabilities to these employees.

These plans constitute plans for a defined deposit with respect to the Company's liability to pay these employees' pension rights, and its liabilities to pay 100% severance pay, and Section 14 of the Severance Pay Law - 1963 applies with regards to them.

	For the year ended December 31		
	2025	2024	2023
	NIS in millions		
Defined contribution plan - Sum recognized in wage cost and fixed assets	267	236	196

Additionally, these employees are entitled to receive grants from the Company after termination of employment, which are included as other benefits after termination of employment.

As stated, the actuarial liability with respect to Generation C Employees mainly includes:

1) "Up to 35 years grant" that is paid upon retirement and to survivors (and to heirs in the lack of survivors) in the event of the death of an employee. This grant will not be paid to an employee that has worked for less than 10 years, and for years for which another grant is paid.

2) Grant for the non-utilization of sick days for an employee above age 50 with 10 years seniority.

3) Reduced electricity price benefit for pensioners/ survivors (including grossing up for tax and VAT), for employees who began their employment up to November 4, 2018, inclusive.

4) Holiday gifts for pensioners/ survivors (including grossing up for tax).

5) Grant to employees completing 20 years of work in the Company.

6) Retirement grant in other types of retirement (such as disability, dismissal).

In addition to the aforesaid, the Company has an obligation (perpetual) by force of labor agreement to bear costs of welfare actions in an amount equaling 0.49% of the normal salary and hourly components of each Generation C employee and the grants to which each pensioner/ survivor is entitled.

Furthermore, the Company insures its employees and pensioners with collective life insurance. A third of the premium is paid by the employee and the rest by the Company.

The Company's retirees have a basket of benefits and additional rights that are not included in the actuarial liability due to their being non-material.

Additionally, as of December 31, 2025, employees and executives are employed by the Company through personal contracts. Within this employment, these employees are entitled from the date of transfer to the personal contract to a cumulative pension arrangement in a defined deposit plan in accordance with the terms stipulated in the personal contract.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents

1. Special Collective Agreement, Reform (organizational and structural change) and the Special Collective Agreement (early retirement, permanence quota, one time grant to EPE and Noga employees, and additional matters and special collective agreement (early retirements)

a) Special Collective Agreement, Reform (organizational and structural change)

On November 4, 2018, the special collective agreement signed on May 17, 2018 (hereinafter: the "Collective Agreement"), between the Company and the New National Labor Federation and the national employee committee of the Electric Company's employees (hereinafter jointly: "Employee Representatives"), concerning reform and structural and organizational change in the Company, came into force.

The following are the main points of the Collective Agreement:

1. As part of the reform agreement, the Company started a material process of organizational change and an efficiency plan in November 2018, including a special early retirement program for the retirement of 1,803 permanent employees of the Company aged 55-64 on retirement, and for employees of generation C who comply with the condition of seniority of over 25 years) who retired in 2018-2024. According to the agreement, the average age of retirees throughout the agreement period is 59.5 years. The retirement terms will include payment of a retirement grant at the rate of up to 120% of the determining salary for severance pay, as defined in the agreement, for each full year of work and proportionally for parts of a year, the grant is reduced from the age of 62-64 at the rate of 1.805% for each month beyond the age of 62. Those who retire early in the framework of the campaign are entitled to a pension/bridging from the retirement date and to a pension supplement as stated in section 2 below.

2. Addition of a reform pension for retirees by special early retirement - an employee who retires under the special retirement plan is entitled to an additional monthly pension (and in some cases a single payment) of NIS 1,250 gross, linked to the CPI, multiplied by a coefficient determined in accordance with the provisions of the Collective Agreement. The supplement is paid according to the mechanism set in the Collective Agreement. This supplement is paid by the Company in cases where the retiree has not yet reached the minimum age enabling the purchase of a policy in accordance with the provisions of the agreement (age 60).

3. On November 30, 2020, a special collective amendment agreement (3) was signed with respect to the reform agreement concerning the division of the transfer of employees to the Noga Company (hereinafter: "Amendment Agreement (3)"). In Amendment Agreement 3 the conditions for the receipt of a pension supplement by the Noga Company employees were updated in the agreement, so that they would be entitled to receive the full reform supplement, in an amount of NIS 1,700 (without the milestone condition of signing a new salary structure agreement, in an amount of NIS 100). This obligation remains in the Company's books. For details regarding the payments to Noga, see section 7 below.

4. The collective agreement formulates the production subsidiary's workforce, and the terms of termination of the employees who will be transferred on loan for 5 years to companies that will purchase the generation units that will be sold (hereinafter: "EPE"). The retirement terms for the permanent employees on loan completing 5 years of work in companies purchasing the generation units and are in the retirement / bridging pension track are essentially similar to the terms of the retirees in special retirement as described in the agreement in section 1 above, except for the amount of a reform pension supplement to be paid to them from the date of their retirement. Permanent employees with shorter seniority and younger age, as well as temporary employees, will be entitled, upon the termination of their employment, to receive grants and severance pay as specified in the agreement (without entitlement for a pension or a bridging pension).
   As part of Amendment Agreement (3), inter alia, the formula for the bridging pension was amended. This pension will be paid to shift workers in the sold stations insured with new cumulative pension funds, who will be entitled to a bridging pension increase upon the conclusion of the loan period, at a rate of 16.5%.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

1. Special Collective Agreement, Reform (organizational and structural change) and the Special Collective Agreement (early retirement, permanence quota, one time grant to EPE and Noga employees, and additional matters and special collective agreement (early retirements) (continued)

a) The following are the main points of the collective agreement: (continued)

5. The reform pension supplement for retirees during the reform period- an employee who retired from the Company commencing from June 2018 for any reason other than death, disability or retirement by the special retirement plan during the reform period, will be entitled, from the date of reaching mandatory retirement age, to an additional monthly pension for the rest of his life and to his surviving relatives (spouse only). The pension amount will be determined according to a number of parameters, including: the employee's retirement date, a basic amount table according to the retirement date, and the Company's compliance with the prescribed milestones. This amount will be multiplied by the coefficient determined in accordance with the provisions of the Collective Agreement.

   The total reform pension as of December 31, 2025, in accordance with the milestones completed so far, consists of a basis of NIS 1,510. The consideration will total NIS 1,700 once all the milestones are realized. The basic amount of the supplement will be updated according to the rate of increase of the CPI, will be multiplied by the coefficient determined in accordance with the provisions of the Collective Agreement, and will be paid according to a mechanism that was determined in the Collective Agreement.

6. The reform pension supplement for retirees after June 2026 - an employee who will retire from the Company after June 2026 for any reason other than death, disability or retirement in the special retirement plan during the reform period, will be entitled, from the date on which he reaches mandatory retirement age, to an additional monthly pension for the rest of his life and to his surviving relatives (spouse only). The pension amount will be determined in accordance with the Company's compliance with the prescribed milestones. This sum (up to NIS 1,700 if all the milestones are fulfilled) will be linked to the CPI and will be multiplied by the coefficient determined in accordance with the provisions of the Collective Agreement and will be paid according to a mechanism that was determined in the Collective Agreement. In addition, provisions were determined in the Collective Agreement regarding the scope of the entitlement of employees who will retire by a disability retirement or in the event of death, to the reform pension supplement or a one-time payment, and the payment mechanism of the supplement.

7. On May 30, 2021, an agreement was signed with the Harel Company as the company that insures and manages the funds of the reform pension supplement for all the eligible employees. As described in sections (2), (5), (6) above. This agreement arranges the manner of conduct and the services required from the “Harel” Company including the manner of calculating the coefficients, the management fees it will collect from the insured, the manner of adding employees, the process of making deposits to the insurance policy, the manner of payments from the policy, the scope of liability, the duty of confidentiality, and more. On January 1, 2022, the insuring company began its activity of managing the funds and pension payments to eligible employees. In 2023- 2025, the Company transferred an amount of approximately NIS 372 million, NIS 379 million and NIS 385 million to the insuring company, respectively, thus completing three of six annual phases of the active employees. In the year ended December 31, 2025, the Company transferred NIS 110 million to the insuring company thus discharging the liability with respect to the eligible employees who retired up to the deposit date and are over 60 years old. In addition, in 2023-2025, NIS 26 million was transferred to Noga for covering the three phases for liabilities to entitled employee transferred to Noga.

8. Increasing the ceiling for advanced study pay B for employees with professional ranking - as of May 1, 2018, the current maximum amount of the advanced study pay B increased by NIS 100. The cost of the increase was financed by postponing the last 2 phases of the wage agreement for the years 2013-2017. The updated ceiling will be updated according to the same updating mechanism, update rates and update dates for the ceiling of the professional advanced study B pay rate.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

1. Special Collective Agreement, Reform (organizational and structural change) and the Special Collective Agreement (early retirement, permanence quota, one time grant to EPE and Noga employees, and additional matters and special collective agreement (early retirements) (continued)

a) The following are the main points of the collective agreement: (continued)

9. Administrative supplement - as of May 1, 2018, from the end of the year from the date of the employee's entitlement to the administrative advanced study pay, an employee with an administrative ranking is entitled to a payment of administrative supplement of an additional NIS 200 gross per month. The amount of the supplement is updated in accordance with the update mechanism, update rates and update dates of the Company's advanced study pay rate. The addition is included in the regular salary, except in respect of the retirement grant calculation for special early retirement retirees.

10. An agreed upon framework and provisions for updating labor relations and changing the organizational culture of the Company, the principles of the organization's structural change and efficiency, and principles for changing the salary structure for new employees that will join the Company and changing the current incentive method.

11. The maximum employment period of an employee who was hired by the Company from November 5, 2018 is up to 4 years from the date of commencement of employment (instead of up to 5 years of employment at the Company).

    The Company will be entitled to make a decision regarding termination of employment of a temporary employee during the period of temporary employment at its discretion and subject to any law, without requiring the consent of the employees' committee.
    An employee as aforesaid, receiving tenure at the end of his employment period as a temporary employee, will not be entitled to electricity benefit at the Company employee rate.

12. Transition to personal contracts - the Company may employ by personal contract up to 180 managers and additional employees according to the criteria determined in the Collective Agreement. As of December 31, 2025, the Company continues implementation of the Agreement’s instructions.

13. On November 30, 2020, a special collective agreement (completion of severance for generation C employees) was signed. At the beginning of 2021, the Company carried out a one-time deposit for Generation C employees to supplement the severance pay with respect to the supplement period, as of the date of their employment with the Company and until December 2020. In addition, as of January 2021, the Company has been making regular deposits to provident funds and pension funds with respect to the full liability for these employees’ severance pay.

14. On January 21, 2020, an agreement amendment (2) to the reform agreement was signed, which was approved by the Supervisor of Wages, and includes the updates required to implement the reform supplement mechanisms as agreed (clarifying the sum of the supplement entitlement for loaned employees who will retire by mandatory retirement over the next five years; updating the conversion formula set out in the agreement to align it with the material agreements reached; completing instructions for calculating the pension supplement to be paid by the Company to employees until engagement of the insurer; completing instructions regarding how to calculate the supplement for employees retiring on disability benefits and technical corrections).

15. The amended agreement (3) addressed retirement under the special retirement plan in the collective agreement of a generation C employee, who is insured with a new cumulative pension, and who was insured during part of their term of employment with the Company with an old cumulative pension. This agreement provides that the bridging pension to which they will be entitled will be calculated by a combination of the two formulas, according to the various pension funds (old and new).

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

1. Special Collective Agreement, Reform (organizational and structural change) and the Special Collective Agreement (early retirement, permanence quota, one time grant to EPE and Noga employees, and additional matters matters and special collective agreement (early retirements) (continued)

b) Special Collective Agreement (early retirement, permanence quota, one time grant to EPE and Noga employees, and additional matters)

On November 30, 2020, a special collective agreement was signed between the Company and the employees' representatives with regards to an additional 200 early retirements, permanence quota, a one-time grant to EPE and Noga employees, and additional matters (hereinafter: "Collective Agreement on Early Retirements and Various Matters"). This agreement was approved by the Commissioner of Wages in the Ministry of Finance. The terms and conditions of retirement for the 200 retirees are identical to the terms of the collective agreement. Retirement was carried out gradually in the years 2021-2023.

As of the Statement of Financial Position date, all employees have retired according to the agreements - 1,803 under the reform agreement and 200 under a special collective agreement.

c) Special Collective Agreement - Early Retirements

On November 3, 2024, a special collective agreement (early retirements) was signed between the Company and the new Histadrut and the National Workers' Committee of the Electric Company employees for the retirement of 300 additional employees, who will retire from the Company during 2025 and until May 2026, under similar terms to the reform agreement and with the necessary adjustments regarding the additional reform allowance and reducing 100 permanent job positions. The agreement was approved by the Commissioner of Wages. As of December 31, 2025, 155 employees retired in accordance with the outline of the agreement.

d) Special Collective Agreement Supplement - Special Retirements

After the Statement of Financial Position date, on February 22, 2026, a special retirement agreement was signed that increases by 100 additional retirements in accordance with the terms set forth in the collective agreement from section c above (and reduces 25 permanent job positions). The estimated impact of the agreement is an increase in the actuarial liability of approximately NIS 216 million. The agreement was approved in principle by the Commissioner of Wages. As of the Financial Statements approval date, the Company has not yet received the official written approval of the Commissioner of Wages.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

1. Special Collective Agreement, Reform (organizational and structural change) and the Special Collective Agreement (early retirement, permanence quota, one time grant to EPE and Noga employees, and additional matters) (continued)

e) Following is the composition of costs of the reform and special collective agreements according to benefits given with respect to the Collective Agreements:

	For the year ended December 31					
	2025			2024		
	NIS millions					
	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreement – see Section B above	Total
Early retirement plan including pension supplement	71	42	113	73	567	640
Pension supplement for mandatory retirees during and after the reform period	104	-	104	128	-	128
Current salary costs	17	-	17	18	-	18
Retirement plan for employees loaned to purchasers of the generation units to be sold	42	-	42	7	-	7
Total	**234**	**42**	**276**	**226**	**567**	**793**
Total attributed to Statement of Profit and Loss	*** 116**	**33**	**149**	*** 206**	**582**	**788**
Total attributed to fixed assets	*** 75**	**11**	**86**	*** 78**	**(4)**	**74**
Total attributed to other comprehensive income	*** 43**	**(2)**	**41**	*** (58)**	**(11)**	**(69)**

* For details regarding a regulatory asset with respect to the reform costs attributed to profit and loss - see Note 14j below.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

1. Special Collective Agreement, Reform (organizational and structural change) and the Special Collective Agreement (early retirement, permanence quota, one time grant to EPE and Noga employees, and additional matters) (continued)

f) Following is the composition of costs of the reform and the special collective agreements as included in the actuarial liabilities and current salary:

	For the year ended December 31					
	2025			2024		
	NIS millions					
	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreement – see Section B above	Total
Obligation for pension						
Past service cost – change in plan terms due to implementation of agreements	-	-	-	-	318	318
Current service cost and interest	64	28	92	83	12	95
Losses (profits) from remeasurement	12	(4)	8	(15)	(15)	(30)
Other post-employment benefits resulting from the collective agreement with respect to the reform and the special collective agreement						
Past service cost - change in the plan's terms following implementation of agreements	-	-	-	-	19	19
Past service cost - change in the plan's terms following implementation of a reform collective agreement and a special collective agreement	1	-	1	-	230	230
Current service cost and interest	86	18	104	223	5	228
Losses (profits) from remeasurement	54	-	54	(83)	(2)	(85)
Current Salary Costs	17	-	17	18	-	18
Total	**234**	**42**	**276**	**226**	**567**	**793**
Total attributed to Statement of Profit and Loss	**116**	**33**	**149**	**206**	**582**	**788**
Total attributed to fixed assets	**75**	**11**	**86**	**78**	**(4)**	**74**
Total attributed to other comprehensive income	**43**	**(2)**	**41**	**(58)**	**(11)**	**(69)**

(For details regarding the accounting policy pertaining to the manner of implementation of the agreements - see Note 2s4 above)

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

2) Termination of the labor code

The labor relations in the Company are primarily based on collective labor agreements and collective labor arrangements including the labor code and the procedures by virtue thereof. These agreements and arrangements constitute the main normative source in all matters pertaining to acceptance into the Company, working conditions, labor relations and termination of employment. The validity of the labor code, whose legal status is of a bilateral collective arrangement, expired on December 31, 2015. As long as a new labor agreement has not been formulated nor a notice given as to cancellation of the code according to the provisions of the law, the parties are continuing to act in accordance with its provisions and in accordance with the provisions with respect to updating the labor relations, that were determined in the Collective Agreement of May 17, 2018, as described in section 1a above.

3) Special collective agreement (continuing temporary employees)

On August 3, 2022, a collective agreement was signed regarding the continuation of employment of temporary employees. The agreement entered into effect on August 15, 2022, after the Commissioner of Wages' approval to the agreement was received. The agreement allows the Company to extend the employment of employees who have been hired for temporary work without a time limit, and at the same time, the Management is given flexibility to terminate the employment of employees in a situation where they are not suitable for work or where a position or profession is redundant in the Company, under the conditions defined in the agreement. The agreement determines the terms of employment of these temporary employees after the basic period of temporary employment (4 years) as well as their rights during and after the period of employment.

4) Special collective agreement (retirement as pensioner of Generation C employees)

In April 2022, a Collective Agreement was signed, applying to Generation C permanent employees insured by the cumulative pension, which determined the terms for their retirement as pensioners from the Company, bonuses they will be entitled to on the date of retirement, and additional rights as Company pensioners. The agreement entered into effect on May 16, 2022, after receiving the approval of the Commissioner of Wages.

5) Agreement regarding remote work

On February 22, 2022, an agreement was signed between the Company and the employees' union regarding remote work, which entered into effect on May 1, 2022. Under this agreement, Company employees belonging to a list of occupations determined by the Company are authorized to work from their home or from another appropriate work space in the country in accordance with the terms and restrictions as specified in the agreement. The agreement was approved by the Commissioner of Wages. The agreement does not have a material impact on salary and other post-employment benefit expenses.

6) A (framework) wage agreement in the public sector and its implications for the Company's actuarial obligation

On May 15, 2024, a special collective agreement was signed that regulates the economic conditions and benefits for the Company's employees for the years 2020-2027 (2023 Wage Agreement). The terms of the agreement are consistent with the public sector wage agreement with non-material adjustments.

According to the Agreement, the employees will be entitled to universal wage increases in increments at a total rate of approximately 11% (salary increments of NIS 500 plus a 6% increase) while strengthening designated populations.

Furthermore, shortening the workweek to 40 hours and paying a one-time grant of up to NIS 6,000 to eligible employees. In addition, the agreement determines the method of updating the salary that determines the payment of annuities to retirees who retired/will retire during the term of the agreement.

With regard to fixing the determining salary for employees who will retire from 2028 onwards, the Company assumes an annual erosion of wages of about 0.77% in real terms (an estimate determined taking into account past experience and derived from a projected inflation rate).

In 2024 - 2025, the Company implemented four economic phases of the wage increase agreement (pension as needed). After the Statement of Financial Position date, on February 22, 2026 the Company received the approval of the Commissioner of Wages for the agreement.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

7) Amendment No. 4 to the Reform Agreement - Eshkol Agreement

On April 14, 2024, an Amendment Agreement (4) to the Reform Agreement regarding the sale of the Eshkol generation site was signed, which anchors the changes required in the employee lending outline following the sale of the station, in light of the State's directive to continue operating some of the converted units (Units 6-9). The updates include an increase in the number of loaned employees, as well as instructions and arrangements in the event that a directive is received to terminate the employment of 36 employees from the converted units before the end of the 5-year lending period. The impact of the agreement on the Financial Statements is not material. After the Financial Statements date, on February 22, 2026, the Company received the approval of the Commissioner of Wages for the agreement.

8) Collective Agreement to Reduce Employee Wages

On November 27, 2024, the Company joined a collective agreement signed by the State with the Histadrut to reduce wages for employees in the public sector in 2 installments and for the period December 2024-December 2026. This agreement has no implications on actuarial obligations.

9) SLA Agreement

On July 16, 2025, a collective agreement was signed that includes rights, salary conditions and bonuses upon termination of employment for a closed group of approximately 30 SLA (South Lebanon Army) employees. After the Statement of Financial Position date, on February 22, 2026, the Company received the approval of the Commissioner of Wages for the agreement.
The impact of the agreement on the Financial Statements is immaterial.

10) Vacation Agreement

On July 6, 2025, a vacation agreement was signed (in accordance with the State's Collective Agreement) regarding the grant of 8 additional vacation days to employees in 2025-2026 (4 days per year), in exchange for extension of the industrial peace period and the period for exhausting claims until March 31, 2028. The agreement has no impact on the Company's actuarial liabilities.

11) Voluntary early retirement agreement over the age of 64 years

On September 8, 2025, an agreement was signed for "voluntary early retirement over the age of 64" for up to 100 permanent employees on budgetary pensions in the ages of 64-66 upon their retirement, for the period September 2025 - December 2026. In accordance with the agreement, the Company will determine, at its sole discretion, which of the employees who request to retire as stated will be included in the arrangement. Employees who retire under this agreement are entitled to a special bonus at a rate of 60% of the effective salary for a bonus as defined in the agreement multiplied by the number of months of work remaining until the date of reaching the mandatory retirement age of 67, this is in addition to the pension rights accumulated according to their years of employment in the Company, to the rights under the special collective agreement of May 17, 2018, as amended (the Reform Agreement), and to the rights due to the employee upon termination of his employment in accordance with the employment agreements with the Company. After the Statement of Financial Position date, on February 22, 2026, the Company received the approval of the Commissioner of Wages for the agreement.
As of the Financial Statements date, the conditions were met entitling the inclusion in the retirement agreement for 44 retirees (request for retirement that was approved by the Management) for which a provision was made in the fourth quarter of 2025 in the amount of NIS 40 million of which NIS 21 million for the special bonus and the balance for advancing pension payments. As of the Statement of Financial Position date, 6 employees actually retired out of the 44 retirees that were approved.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

g. Changes in actuarial assumptions in 2025

In the fourth quarter, the salary increase assumption resulting from future agreements after 2027 was updated. This update increased the Company's liabilities by approximately NIS 26 million charged to Other Comprehensive Income and Fixed Assets.

h. The total liabilities' sections, with respect to the above post-employment employee benefits according to the calculations of the Company as of December 31, 2025, and December 31, 2024, amount to a total of NIS 33,912 million and NIS 33,042 million, respectively.

i. Defined Benefit Liability

1) Changes in the present value of the obligation for pensions

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Present value of the obligation for pensions as of the beginning of the year	27,424	26,113	28,353
Cost of interest	1,481	1,531	1,514
Current service cost	60	74	122
Past service cost – changes in the plan's terms following implementation of collective agreements	2	319	-
Employee deposits	14	15	16
Benefits paid	(1,408)	(1,343)	(1,269)
	27,573	26,709	28,736
Losses (Gains) with respect to remeasurement:			
Actuarial losses (gains) deriving from changes in financial assumptions	679	577	(2,761)
Actuarial gains deriving from changes in demographical assumptions	(2)	(43)	-
Impact of differences between the previous actuarial assumptions and that which occurred in practice (hereinafter: "Adjustments based on past experience")	16	181	138
	693	715	(2,623)
Present value of the obligation for pensions as of the end of the year	**28,266**	**27,424**	**26,113**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

i. Defined Benefit Liability (continued)

2) Changes in the present value of the obligation for other post-employment benefits

a) Changes in other benefits described in section c1 above:

	For the Year ended December 31		
	2025	**2024**	**2023**
	NIS in millions		
Present value of the obligation for other post-employment benefits that are not part of the collective agreement with respect to the reform and a special collective agreement as of the beginning of the year	2,756	2,623	2,699
Cost of interest	151	155	145
Current service cost	56	50	53
Past service cost – changes in the plan's terms following implementation of agreements	4	19	-
Benefits paid	(147)	(156)	(138)
	2,820	2,691	2,759
Losses (Gains) with respect to remeasurement:			
Actuarial losses (gains) deriving from changes in financial assumptions	103	70	(97)
Actuarial losses (gains) deriving from demographical assumptions	3	(7)	-
Adjustments based on past experience	(34)	2	(39)
	72	65	(136)
Present value of the obligation for other post-employment benefits that are not part of the collective agreement with respect to the reform as of the end of the year and the special collective agreements	**2,892**	**2,756**	**2,623**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

i. Defined Benefit Liability (continued)

2) Changes in the present value of the obligation for other post-employment benefits (continued)

b) Changes in other benefits described in section c2 above:

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Present value of the obligation for other post-employment benefits as a result of the reform collective agreement and the special collective agreement as of the beginning of the period	2,776	2,610	2,675
Past service cost – changes in the plan's terms following implementation of collective agreements	1	230	-
Cost of interest	148	155	145
Current service cost	9	107	98
Benefits paid	(205)	(144)	(169)
Payments transferred to the insuring company	(110)	(126)	(117)
	2,619	2,832	2,632
Losses (gains) with respect to remeasurement:			
Actuarial losses (gains) deriving from changes in financial assumptions	8	(14)	(35)
Adjustments based on past experience	17	(42)	13
	25	(56)	(22)
Present value of the obligation for other post-employment benefits as a result of the reform collective agreement and the special collective agreements as of the end of the year	**2,644**	**2,776**	**2,610**
Total present value of the obligation for other post-employment benefits as of the year end	**5,536**	**5,532**	**5,233**

3) Changes in present value of the obligation with respect to special agreements on early retirement

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Present value of the obligation with respect to special agreements for early retirement as of the beginning of the year	86	88	105
Cost of interest	4	4	5
Additional provision with respect to employee retirement within Special Retirement Plan	41	18	7
Benefits paid	(22)	(27)	(36)
Actuarial losses with respect to the obligation charged to the Profit and Loss	1	3	7
Present value of the obligation with respect to special agreements for early retirement as of the year end	**110**	**86**	**88**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

j. Plan's Assets

1) Central Pension Fund

a) From March 8, 2005, the Company deposits funds in the Central Pension Fund (hereinafter: the "Fund") to cover pension liabilities for pension for its employees entitled by the budgetary pension arrangements.
The Pension Fund acts by force of the Control of Financial Services (Provident Funds) (Rules for Management of a Central Provident Fund) Regulations – 2012. The fund was managed by the managing company accordingly. As of February 2022, Phoenix IEC Central Pension Fund Ltd. manages the pension fund.
According to the Financial Statements of the Fund, the actuarial liability as of December 31, 2025, is NIS 31,847 million and the surplus of the Company in the fund on that date, is approximately NIS 9,393 million. According to the Financial Statements of the Company, its actuarial liability for the pension obligations as of December 31, 2025, is NIS 28,376 million

b) The difference between the actuarial liability in the financial statements of the Fund as of December 31, 2025, and the actuarial liability in the financial statements of the Company, mainly derives from a difference in calculation methodology between the bodies, which partly derives from different professional approaches, according to the rules that oblige each of the bodies: the Company calculates the actuarial liability in accordance with the accounting rules applicable to the Company (in accordance with International Financial Reporting Standards, including IAS 19 and the directives of the Securities Authority), while the Fund acts in accordance with the instructions of the Capital Market, Insurance and Savings Division Officer, where the Actuary of the Fund noted that the assumptions used to prepare the fund's Statement of Financial Position comply with the instructions of the Capital Market, Insurance and Savings Division Officer for preparing actuarial statements of financial position.

The main difference between the assumptions derives from the discount rate, used to calculate the actuarial liability, i.e. the Fund capitalizes the actuarial liability according to the discount rate of government debentures and the Company according to the discount rate of corporate debentures, see Note 2s1 above, as well as the assumption of the real increase in salary, with respect to salary agreements. The difference in the assumptions causes a difference as on December 31, 2025 of approximately NIS 3.5 billion.

c) On December 2, 2012, the Control of Financial Services (Provident Funds) (Rules for Management of a Central Provident Fund) Regulations – 2012 were published. At the same time, the circular "Instructions for Management of a Central Provident Fund" was published by the Commissioner of the Capital Market, Insurance and Saving. The circular enables, inter alia, to spread payments to the fund by the Company. These circular instructions benefit the Company, mainly regarding the manner of spreading the payment with respect to debt to eligible pensioners.

The above-mentioned regulations and circular entered into effect on January 1, 2013. A parallel change to the articles of the fund was executed and approved by the Board of Directors of the Company on October 10, 2013. The approval of the Capital Market, Insurance and Savings Division of the Ministry of Finance was received on March 31, 2014.

In accordance with the aforesaid change, as of March 31, 2014, the manner of spreading the payments to the Fund with respect to the actuarial liability is detailed below:

The current growth amount - as defined in the legislative arrangement, will be deposited during the year following the financial year in two equal semiannual payments (at the end of the half and at the end of the year).

(1) With respect to active employees:

Other growth - the higher of the following sums will be deposited in the year following the financial year in two equal payments:
(a) 10% of the lacking sum due to the employees.
(b) A sum equal to 0.5% of the total actuarial liability with respect to the employees.

(2) With respect to pension receivers:

The higher of the following sums will be deposited in the year following the financial year, in two equal payments (at the end of the half and at the end of the year):
(a) Half of the lacking sum due to the pension receivers.
(b) A sum equal to 2% of the total actuarial liability with respect to pension receivers.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

j. Plan's Assets (continued)

1) Central Pension Fund (continued)

c) (continued)

(3) With respect to entitling events - retirement or passing away of an eligible employee as defined in the instructions for managing a central pension fund.

At an expected retirement - the actuarial debt, if exists, will be completed a month before payment of the first pension.
At an unexpected passing away / retirement - the actuarial debt will be completed within a month from the date of demand which will be delivered a month from the first payment.

(4) Ongoing transfer:

A sum of not less than NIS 50 million will be transferred every month (linked to the known CPI of the end of the year), provided that there is an actuarial deficit in the fund (until balanced).
The fund will pay the Company the sum accumulated in the fund exceeding the maximum sum in it, not later than 30 days from the date it submitted the fund's actuarial balance for a certain fiscal year. The maximum sum, as defined in the regulations, is the accrued actuarial obligation of the member plus 25%.

According to the actuarial report attached to the fund's financial statements as of December 31, 2025, amounts accumulated in the fund in excess of the maximum amount (reflecting the member's accrued actuarial liability plus 25%) in the amount of approximately NIS 1.4 billion.

In accordance with the Financial Services Supervision Regulations (Provident Funds) (Rules for Managing a Central Provident Fund for Pensions) - 2012, the Central Provident Fund's liability and the payment amount are formed on the approval date of the fund's financial statements, and therefore the Central Provident Fund will pay the Company said amount and no later than 30 days from the approval date of the Central Provident Fund's financial statements (March 11, 2026).

The excess amount of the plan's assets in the amount of approximately NIS 1.4 billion that will be returned to the Company does not constitute a plan asset as of the Financial Statements date and therefore was classified as receivables and the tax portion to be deducted was classified to long term receivables (see Section 2 below).

In accordance with the circular, the Company is required to make deposits to the Fund due to an increase in the accumulated actuarial liability for employees or for pension receivers that are due to a change in the labor agreements including special retirement plans, no later than one year after the signing of the agreement.

On November 20, 2019, the Commissioner of the Capital Market, Insurance and Savings Division of the Ministry of Finance issued an amendment to the pension circular "Provisions for Managing a Central Provident Fund - Amendment". The provisions of the circular refer to changes in the event of increase of accumulated actuarial liabilities of employees due to an early retirement agreement. The circular stipulated conditions that, only when they are fulfilled, will the member of the fund, subject to the Commissioner's approval, be able to spread the deposits required, as aforementioned, to cover the increase in the accrued actuarial liability resulting from an agreement of early retirement of employees.

On March 8, 2020, the Commissioner of the Capital Market, Insurance and Savings Authority approved the outline for the spreading of payments to the fund in accordance with the request of the Company for the Reform Agreement including the agreement to increase the number of retirees. The Company is making these deposits according to the outline.

Under this outline, during the reform period, the Company will annually pay the full amount for the current year's retirees and 10% of the balance in addition.

For the purpose of calculating the service of the deficit, a deficit arising from an early retirement agreement, the spread of which for a member was approved by the Commissioner, will not be taken into account.

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

j. Plan's Assets (continued)

1) Central Pension Fund (continued)

c) (continued)

(4) Ongoing transfer:

The approval is subject to the following:

(a) The Company will perform annually an updated actuarial calculation for the expected retirement forecast over the remaining spread period, in accordance with actual performance data and the updated forecast for the balance of the spread period as of the end of each year (hereinafter - an updated spread outline), all while maintaining the principles of the approved outline.

(b) The Company will report on the updated spread outline to the Capital Market, Insurance and Savings Authority annually, together with detailed explanations for any change in the forecast, if any.

In February 2022, an update to the Fund's articles was approved. The update included reference to the retention of rights for senior employees who have moved to a personal contract and are entitled to a budgetary pension.

d) The Company deposited in the fund, including the costs of the plan's assets, NIS 109 million during the year ended on December 31, 2025.

e) The Fund approved its financial statements as of December 31, 2025, on March 11, 2026.

f) The Fund presents the value of its assets at fair value according to international financial reporting standards (IFRS).

g) According to the forecast of the Company, according to the articles in effect (starting from March 31, 2014), the expected transfers to the fund in 2026 will amount to approximately NIS 14.4 million (excluding transfers required with respect to early retirement agreements).

2) Changes in the fair value of the assets of the plan

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Fair value of plan assets as of the beginning of the year	39,415	38,410	38,274
Interest income on plan assets	2,139	2,257	2,052
Deposits including costs of the plan assets	109	31	494
Benefits paid	(1,410)	(1,348)	(1,285)
Gains (losses) with respect to remeasurements of plan assets:			
Yield on plan assets (except for sums included in interest income)	987	65	(1,125)
	41,240	**39,415**	**38,410**
Less - Excess of plan assets to be returned to the Company	(1,431)	-	-
Fair value of plan assets as of the year end	**39,809**	**39,415**	**38,410**

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Interest income on plan assets	2,139	2,257	2,052
Gains (losses) with respect to remeasurements of plan assets	987	65	(1,125)
Actual yield on plan assets	**3,126**	**2,322**	**927**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

j. Plan's Assets (continued)

3) Composition of the asset portfolio of the funds of those insured by the Fund:

	For the year ended December 31			
	2025		2024	
	(in NIS million)			
	Quoted in active market	Not quoted in active market	Quoted in active market	Not quoted in active market
Negotiable government debentures	24,555	-	21,685	-
Corporate debentures	2,970	395	3,345	399
Deposits and loans	-	245	-	241
Shares	2,312	-	1,698	-
Other investments	2,850	5,418	3,414	5,870
Cash	-	2,495	-	2,763
	32,687	**8,553**	**30,142**	**9,273**

4) Changes in the fair value of the asset of the plan of the insurance policy in the insuring company

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Fair value of assets of the plan of the insurance policy in the insuring company as of the beginning of the year	804	386	-
Interest income on plan assets	53	34	10
Deposits of the company in the insuring company	372	379	385
Payments made	(60)	(24)	(8)
	1,169	775	387
Gains (Losses) in respect of remeasurements of plan assets of the insurance policy in the insuring company:			
Excess of plan assets over liabilities	(116)	-	-
Yield on plan assets (except for sums included in interest income)	87	29	(1)
Total recognized yield on plan assets (except for sums included in interest income)	(29)	29	(1)
Fair value of plan assets of the insurance policy in the insuring company as of the year end	**1,140**	**804**	**386**

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Interest income on plan assets of the insurance policy in the insuring company	53	34	10
Gains (Losses) in respect of remeasurements of plan assets of the insurance policy in the insuring company	(29)	29	(1)
Actual yield to be retained by the Company on plan assets of the insurance policy in the insuring company	**24**	**63**	**9**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

k. Funds in Trust

1) Deposited in the trust account are the Company's pension liability with respect to non-budgetary salary components as well as amounts related to payment of different bonuses to employees with budgetary pensions on the termination of employee - employer relations, since these are not pensions, therefore, according to the amendment to the income tax regulations (rules for approving and managing pension funds) - 1964, these funds cannot be transferred to the Pension Fund. As of the date of the report, there are sums in the trust account for payment for retirees on budgetary pension for the following components: holiday gifts (including grossing up), disability benefit, life insurance, grossing up charging of the tax benefit with respect to the "discounted electricity" component, grant for unused sick leave, grant for up to 35 years of employment, grant for employment exceeding 35 years, welfare activity fund, and grant to survivors of deceased employees. The trust funds are invested in Government and corporate debentures deposits and exchange traded funds and are presented according to their fair value.

2) Changes in fair value of funds in trust designated to cover actuarial liabilities (assets according to section 116 A of IAS 19):

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Fair value of funds in trust as of the beginning of the year	1,057	1,095	1,184
Interest income from funds in trust	55	63	62
Current refunds	(131)	(99)	(112)
Gains (losses) with respect to remeasurement:			
Yield on plan assets (except for sums included interest income)	49	(2)	(39)
Fair value of funds in trust as of the period end	**1,030**	**1,057**	**1,095**

3) Yield on funds in trust:

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Interest income from funds in trust	55	63	62
Gains (losses) with respect to remeasurement of funds in trust	49	(2)	(39)
Actual yield on funds in trust	**104**	**61**	**23**

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

l. Capital Reserves with Respect to Remeasurements of Actuarial Profits (Losses), net, which were not attributed to fixed assets (Before Tax Effect)

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Balance as of the beginning of the year	(96)	529	(733)
Gains (losses) from remeasurements	203	(567)	1,338
Gains (losses) from remeasurement attributed to movement in the balance of a regulatory deferral asset due to the reform	43	(58)	(76)
Balance as of the end of the year	**150**	**(96)**	**529**

m. Remeasurements which were Capitalized to Assets Cost (Fixed Assets)

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Increase (decrease) in fixed assets	**(14)**	**65**	**(278)**

n. Amounts Presented in Cost of Salaries in Expenses with respect to Liabilities to Pensioners, the results of the reform agreement and other agreements, and in fixed assets

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
1) **Cost of Salaries Results of the Reform Agreement and other agreements and Expenses with respect to Liabilities to Pensioners**			
Current service cost	125	231	273
Past service cost – change in the plan's terms following implementation of collective agreements	7	568	-
Cost of interest except for cost of interest with respect to early retirement	1,780	1,841	1,804
Interest revenues (*)	(2,247)	(2,354)	(2,124)
Costs due to early retirement and other costs	77	32	26
Total cost recognized in salaries cost and expenses with respect to liabilities to pensioners	**(258)**	**318**	**(21)**

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
2) **Expenses with respect to Liabilities to Pensioners only**			
Cost of interest except for cost of interest with respect to early retirement	1,060	1,094	1,002
Interest revenues (*)	(1,384)	(1,464)	(1,327)
Costs due to early retirement and other costs	72	29	22
Total cost recognized in income from liabilities to pensioners	**(252)**	**(341)**	**(303)**

(*) For plan assets and funds in trust

NOTE 11:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

o. Main Actuarial Assumptions Applied to the Actuarial Liability and Plan Assets

	For the year ended on December 31		
	2025	2024	2023
The weighted real discount rate for the end of the year grossed in the present value of the obligation	2.84%	2.99%	3.17%
Nominal rate of return used to calculate the interest cost	5.52%	5.99%	5.43%
Anticipated annual nominal rate of return grossed in the fair value of plan assets	5.52%	5.99%	5.43%
Average liability lifetime	13 years	13.6 years	13.4 years

Real update of salaries during the work period	- individual salary development model of the active employees (according to salary table + rank promotion according to work agreements + tenure promotion + individual advancement evaluation in addition to the implementation of the salary agreement signed in the public sector on July 17, 2023 for the years 2020-2027 and regarding fixing the determining salary for employees that will retire from 2028 onwards, the Company assumes an annual salary erosion of approximately 0.77% in real terms (an estimate determined taking into account past experience and derived from a forecasted inflation rate).
Real update of pension amounts after employment termination	- The pensions are linked to the CPI.
Pensioners and next of kin mortality, including updated mortality data	- According to the Ministry of Capital Market, Insurance and Savings circular 8-9 2024, and mortality study regarding employees, pensioners and survivors.

p. Analysis of sensitivity of main actuarial assumptions as of December 31, 2025 (in NIS million):

Actuarial assumptions	Change %	Increase in liability	Change %	Decrease in liability
Rate of interest for capitalization	(0.1)	396	0.1	388
Real salary increase rate after 2027 with respect to general salary agreements and cost of living increment less the CPI (real increase)	0.5	157	(0.5)	152

Manner of determining the sensitivity – the actuarial liability for each of the above-mentioned actuarial assumptions was calculated once according to the base assumption (as appears in the Financial Statements) and once according to an adjusted assumption (according to a specific scenario), and the increase (decrease) was calculated in respect of the change of this assumption.

q. The funds for pensions cover all the liabilities of the Company to employees included in the pension plan, assuming that the employees will retire in accordance with the accepted actuarial estimates.
In the event that all employees included in the pension plan are discharged immediately, the liability amount for these employees is significantly higher than the liability amount presented in the Financial Statements. The Management of the Company estimates that such an event is not expected.

NOTE 12:- FIXED ASSETS

a. Composition

1) Changes in 2025

	COST					ACCUMULATED DEPRECIATION AND LOSSES FROM IMPAIRMENT				Depreciated
	Balance on January 1, 2025	Classification	Deduction	Net addition ([1])	Balance on December 31, 2025	Balance on January 1, 2025	Deductions and classifications	Addition	Balance on December 31, 2025	Balance on December 31, 2025
	(NIS in millions)									
FIXED ASSETS IN USE										
Power plants (including land, buildings and machinery) (*)	66,269	3,348	(347)	355	69,625	55,068	(270)	1,665	56,463	13,162
Sub-stations	16,792	1,580	(11)	212	18,573	10,569	29	258	10,856	7,717
Telecommunications	2,382	8	(4)	56	2,442	2,028	(4)	67	2,091	351
Switching stations	7,633	31	-	37	7,701	5,015	-	102	5,117	2,584
400 KV voltage lines	3,737	2	-	2	3,741	1,773	-	87	1,860	1,881
High voltage transmission lines	8,488	346	(73)	32	8,793	4,326	(73)	198	4,451	4,342
Distribution networks	49,484	733	(182)	1,775	51,810	28,391	(124)	1,177	29,444	22,366
Meters	2,788	160	(335)	234	2,847	1,667	(318)	125	1,474	1,373
Land, office buildings	4,031	(69)	(24)	78	4,016	2,637	-	103	2,740	1,276
Office equipment and tools	2,040	3	-	54	2,097	1,782	-	47	1,829	268
Computers	601	10	(3)	43	651	473	(3)	56	526	125
Motor vehicles (*)	1,060	-	(128)	162	1,094	520	(122)	184	582	512
Mobile mechanical equipment (*)	547	-	(13)	134	668	429	(13)	33	449	219
Emergency equipment	161	253	-	16	430	82	-	8	90	340
Ships (*)	163	-	(163)	-	-	152	(154)	3	1	(1)
Other projects	570	9	(4)	19	594	239	(2)	22	259	335
Spare parts for power plants and substations	1,094	(672)	-	770	1,192	426	(34)	50	442	750
Total fixed assets in use	**167,840**	**5,742**	**(1,287)**	**3,979**	**176,274**	**115,577**	**(1,088)**	**4,185**	**118,674**	**57,600**
FIXED ASSETS UNDER CONSTRUCTION										
Power plants, buildings and other installations	5,750	(3,205)	-	722	3,267	-	-	-	-	3,267
Sub-stations	1,694	(1,165)	-	672	1,201	57	(42)	-	15	1,186
High voltage lines	890	(174)	(13)	476	1,179	-	-	-	-	1,179
Switching stations	305	65	-	198	568	-	-	-	-	568
400 KV voltage lines	802	45	(8)	207	1,046	-	-	-	-	1,046
Storage facitilities	263	-	-	23	286	-	-	-	-	286
Payments on account of equipment	38	(37)	-	8	9	-	-	-	-	9
Other investments	178	(2)	-	50	226	-	-	-	-	226
Materials and payments on account of materials designated for investments in fixed assets	1,482	(1,269)	(40)	1,426	1,599	-	-	-	-	1,599
Total fixed assets under construction	**11,402**	**(5,742)**	**(61)**	**3,782**	**9,381**	**57**	**(42)**	**-**	**15**	**9,366**
Total fixed assets	**179,242**	**-**	**(1,348)**	**7,761**	**185,655**	**115,634**	**(1,130)**	**4,185**	**118,689**	**66,966**

[1] Less receipts from development works orders.

(*) For details regarding right-to-use assets presented within the fixed assets, see Note 21a.

NOTE 12:- FIXED ASSETS (continued)

a. Composition (continued)

2) Changes in 2024

	COST					ACCUMULATED DEPRECIATION AND LOSSES FROM IMPAIRMENT				Depreciated
	Balance on January 1, 2024	Classification	Deduction	Net addition [1]	Balance on December 31, 2024	Balance on January 1, 2024	Deductions	Addition	Balance on December 31, 2024	Balance on December 31, 2024
	(NIS in millions)									
FIXED ASSETS IN USE										
Power plants (including land, buildings and machinery) (*)	66,020	41	(214)	422	66,269	53,252	(180)	1,996	55,068	11,201
Sub-stations	16,228	356	(6)	214	16,792	10,342	(5)	232	10,569	6,223
Telecommunications	2,328	4	-	50	2,382	1,961	-	67	2,028	354
Switching stations	7,270	333	-	30	7,633	4,917	-	98	5,015	2,618
400 KV voltage lines	2,714	1,003	-	20	3,737	1,703	-	70	1,773	1,964
High voltage transmission lines	8,255	235	(88)	86	8,488	4,218	(88)	196	4,326	4,162
Distribution networks	47,279	759	(185)	1,631	49,484	27,388	(137)	1,140	28,391	21,093
Meters	2,632	148	(255)	263	2,788	1,788	(232)	111	1,667	1,121
Land, office buildings	3,843	4	(23)	207	4,031	2,555	(19)	101	2,637	1,394
Office equipment and tools	1,999	3	(16)	54	2,040	1,751	(14)	45	1,782	258
Computers	552	5	(2)	46	601	420	(2)	55	473	128
Motor vehicles (*)	906	-	(158)	312	1,060	523	(151)	148	520	540
Mobile mechanical equipment (*)	554	-	(22)	15	547	422	(22)	29	429	118
Emergency equipment	139	1	-	21	161	79	-	3	82	79
Ships (*)	163	-	-	-	163	125	-	27	152	11
Other projects	541	8	(3)	24	570	219	(1)	21	239	331
Spare parts for power plants and substations	1,118	(314)	-	290	1,094	385	2	39	426	668
Total fixed assets in use	**162,541**	**2,586**	**(972)**	**3,685**	**167,840**	**112,048**	**(849)**	**4,378**	**115,577**	**52,263**
FIXED ASSETS UNDER CONSTRUCTION										
Power plants, buildings and other installations	4,780	-	(20)	990	5,750	-	-	-	-	5,750
Sub-stations	1,208	(102)	-	588	1,694	57	-	-	57	1,637
High voltage lines	622	(147)	-	415	890	-	-	-	-	890
Switching stations	368	(221)	-	158	305	-	-	-	-	305
400 KV voltage lines	1,489	(953)	-	266	802	-	-	-	-	802
Storage facilities	231	2	(1)	31	263	-	-	-	-	263
Payments on account of equipment	-	4	-	34	38	-	-	-	-	38
Other investments	127	(3)	-	54	178	-	-	-	-	178
Materials and payments on account of materials designated for investments in fixed assets	1,067	(1,166)	(36)	1,617	1,482	-	-	-	-	1,482
Total fixed assets under construction	**9,892**	**(2,586)**	**(57)**	**4,153**	**11,402**	**57**	**-**	**-**	**57**	**11,345**
Total fixed assets	**172,433**	**-**	**(1,029)**	**7,838**	**179,242**	**112,105**	**(849)**	**4,378**	**115,634**	**63,608**

[1] Less receipts from development works orders.

(*) For details regarding right-to-use assets presented within the fixed assets, see Note 21a.

NOTE 12:- FIXED ASSETS (continued)

b. Investments in land (before amortization and before impairment), which are included under fixed assets include NIS 1,107 million with respect to long-term land leases and NIS 464 million for land owned by the Company.

A substantial portion of the land property, in which the Company has rights, is not registered in the Israel Land Authority Registry and the status of such properties has not been settled for various technical reasons, such as the absence of parcelization in a portion of those areas, the requirements of planning authorities to assemble master plans, and disputes with the various authorities, including the tax authorities, mainly regarding assets that were purchased many years ago and changes in registration, which prevent obtaining authorizations for registration in the Israel Land Authority Registry. Due to the great complexity of the matter, it is not possible to estimate the period of time which will be required to conclude registering the land, but, in the Company's opinion, this cost of registering the land, as aforesaid, is not anticipated to be substantial.
The Company paid the capitalized lease fees at the beginning of the lease period with respect to the majority of the land leased from the Israel Land Administration.

c. As of the date of the expiration of the Concession period (March 4, 1996), the Company had written down the vast majority of the cost of acquiring land as to which the Company's right to receive appropriate compensation at the expiration of the Concession (i.e. within the Assets Arrangement) was unclear.
In January 2018, the Company, the State, the Israel Land Authority and the Tel Aviv Municipality entered into two agreements with respect to the outline of the Assets Arrangement (for further details regarding the Assets Arrangement and its results, see Note 1f above).

d. See Note 19f for liens related to fixed assets.

e. Also, see Note 34a6 below for fixed asset investment commitments.

f. The Company's Financial Statements include assets, primarily networks and lines located within Judea and Samaria (including the Palestinian Authority territories) ("the territories".) In the opinion of the Company's Management, the utilization of these assets for the purpose of electricity supply will continue and they will remain in the possession of the Company.

In the event that the possession of the balance of the assets, as a whole or partially, located in the territories, is taken from the Company, the Company cannot estimate if it will be indemnified in a full or partial amount, if any, for these assets.

At the end of each reporting year, the Company reviews the useful life of the fixed assets it uses.
For details regarding the change in the estimated lifespan of coal-fired power stations and emission reduction facilities – see Note 2x.

NOTE 13:- INTANGIBLE ASSETS, NET

The composition:

	Balance as of January 1, 2025	Additions in 2025	Deductions in 2025	Balance as of December 31, 2025
	NIS in millions			
Cost of software	3,646	(*) 356	(2)	4,000
Accumulated amortization of software	(2,427)	(250)	2	(2,675)
Intangible assets, net	**1,219**	**106**	**-**	**1,325**

	Balance as of January 1, 2024	Additions in 2024	Deductions in 2024	Balance as of December 31, 2024
	NIS in millions			
Cost of software	3,384	(*) 289	(27)	3,646
Accumulated amortization of software	(2,212)	(242)	27	(2,427)
Intangible assets, net	**1,172**	**47**	**-**	**1,219**

At the end of each reporting year, the Company reviews the useful lifespan of the intangible assets it uses.
(*) Including in 2025 an increment from self-development of NIS 111 million (2024: NIS 109 million)

NOTE 14:- REGULATORY ASSETS/LIABILITIES

a. As of January 1, 2014 (date of transfer to international standardization), the Company applies IFRS 14, and its significance is the continued implementation of the existing practice in the subject of recognition of regulatory deferral accounts. The Company recognizes regulatory deferral accounts in its financial statements, and they are similar in essence to the regulatory assets and liabilities that existed in the Company's books prior to the implementation of IFRS 14. The regulated rates are designed to cover the Company's costs using a combination of cost control and normative costs and efficiency coefficients determined from time to time within the rate bases for the generation and grid segments and Authority decisions on specific issues. In addition, the regulated rates are designed to cover in the same way the Company's investments in fixed assets through the recognition of depreciation in accordance with the life span determined by the Authority and providing a return on equity and foreign capital in accordance with rates of return and leverage which are also determined in accordance with market conditions by the Authority.

b. **Details of the amounts and transactions in regulatory deferral accounts for the year ended on December 31, 2025:**

	(NIS millions)					
	Balance	Transactions for the year ended on December 31, 2025			Balance	Period remaining for refund / cancellation
	As of January 1, 2025	Creation / recognition	Refund / cancellation	Classification *	As of December 31, 2025	Years
Debit balance of regulatory deferral accounts						
With respect to non-consecutive update of the fuels component in the rate (see section i below)	175	312	(409)	-	78	1-4
With respect to social rate (see section f below)	408	362	(366)	-	404	1-4
With respect to load management arrangements (see section h below)	45	19	(54)	-	10	1-4
With respect to gap between update date of fixed payment component (see section l below)	62	20	(59)	-	23	1-4
In respect of exchange of meters (see section r below)	21	209	(256)	26	-	1-4
With respect to electricity purchase from private electricity producers and photo-voltaic installations (see section g below)	509	194	(348)	-	355	1-4
With respect to a gap between actual rate update dates and the theoretical tariff (see section e below)	81	(77)	(252)	248	-	1-4
With respect to linkage differentials (see section m below)	3,321	737	(234)	-	3,824	10-45
With respect to depreciation differences and rate recognition for the fixed assets (see section n below)	2,267	605	-	-	2,872	1-45
With respect to sale of sites (see section p below)	-	-	-	1,300	1,300	1-4
With respect to reform costs (see section j below)	3,279	201	(878)	-	2,602	8-45
Total	**10,168**	**2,582**	**(2,856)**	**1,574**	**11,468**	
Credit balance of regulatory deferral accounts						
With respect to consumer participation in financing sites that were sold (see section k below)	638	-	(52)	-	586	10-16
With respect to a gap between actual rate update dates and the theoretical update (see section e below)	-	-	-	248	248	1-4
With respect to sale of sites (see section p below)	1,220	(1,277)	(1,243)	1,300	-	1-4
In respect of exchange of meters (see section r below)		-	-	26	26	1-4
With respect to the compromise agreement with the Egyptian Gas Companies (see section o of the agreement)	591	(47)	(175)	-	369	1-3
With respect to capacity coefficient (see section s below)	95	34	(95)	-	34	1-4
Total	**2,544**	**(1,290)**	**(1,565)**	**1,574**	**1,263**	
Deferred taxes with respect to part of the regulatory deferral accounts (see Note 20 below)	**1,056**				**1,160**	
Total credit balances of regulatory deferral accounts and deferred tax	**3,600**				**2,423**	
						Change (**)
Total balance of regulatory deferral accounts, net	**6,568**				**9,045**	**2,477**

(*) For details of the classification carried out with respect to the regulatory accounts see sections r, e and p below

(**) The change in 2025 is divided as follows:

Movement in regulatory deferral accounts before tax, attributed to profit and loss (***)	2,538
Movement in regulatory deferral accounts before tax, attributed to other comprehensive income (****)	43
Deferred taxes included in credit balances of regulatory deferral accounts and deferred tax	(104)
Total	**2,477**
*** Movement in regulatory deferral accounts attributed to profit and loss, net of tax	1,955
**** Movement in regulatory deferral accounts attributed to other comprehensive income, net of tax	33

NOTE 15:- REGULATORY ASSETS/LIABILITIES (continued)

c. Details of the amounts and transactions in regulatory deferral accounts for the year ended on December 31, 2024:

	(NIS millions)						
	Balance	Transactions for the year ended on December 31, 2024				Balance	Period remaining for refund / cancellation
	As of January 1, 2024	Creation / recognition	Refund / cancellation	For Eshkol site sale	Classification	As of December 31, 2024	Years
Debit balance of regulatory deferral accounts							
With respect to income balancing (see Section q below)	36	-	-	(36)	-	-	1
With respect to non-consecutive update of the fuels component in the rate (see section i below)	2,105	621	(102)	(2,449)	-	175	1
With respect to social rate (see section f below)	360	387	(305)	(34)	-	408	1
With respect to load management arrangements (see section h below)	-	80	(57)	22	-	45	1
With respect to gap between update date of fixed payment component (see section l below)	81	37	(14)	(42)	-	62	1
In respect of exchange of meters (see section r below)	153	105	(27)	(210)	-	21	1
With respect to electricity purchase from private electricity producers and photo-voltaic installations (see section g below)	984	603	(76)	(1,002)	-	509	1
With respect to a gap between actual rate update dates and the theoretical tariff (see section e below)	-	-	-	-	81	81	1
With respect to linkage differentials (see section m below)	2,724	926	(329)	-	-	3,321	10-45
With respect to depreciation differences and rate recognition for the fixed assets (see section n below)	1,657	759	(149)	-	-	2,267	1-45
With respect to sale of sites (see section p below)	12	(6,000)	1,288	3,480	1,220	-	1
With respect to reform costs (see section j below)	3,943	192	(811)	(45)	-	3,279	3-45
Total	**12,055**	**(2,290)**	**(582)**	**(316)**	**1,301**	**10,168**	
Credit balance of regulatory deferral accounts							
With respect to consumer participation in financing sites that were sold (see section k below)	690	-	(52)	-	-	638	11-17
With respect to a gap between actual rate update dates and the theoretical update (see section e below)	801	(533)	(33)	(316)	81	-	1
With respect to sale of sites (see section p below)	-	-	-	-	1,220	1,220	1
With respect to the compromise agreement with the Egyptian Gas Companies (see section o of the agreement)	742	36	(187)	-	-	591	5
With respect to capacity coefficient (see section s below)	-	95	-	-	-	95	1
Total	**2,233**	**(402)**	**(272)**	**(316)**	**1,301**	**2,544**	
Deferred taxes with respect to part of the regulatory deferral accounts (see Note 20 below)	978					**1,056**	
Total credit balances of regulatory deferral accounts and deferred tax	**3,211**					**3,600**	
							Change (*)
Total balance of regulatory deferral accounts, net	**8,844**					**6,568**	**(2,276)**

(*) For details of the classification carried out with respect to the regulatory accounts see section p below

The change in 2024 is divided as follows:

Movement in regulatory deferral accounts before tax, attributed to profit and loss (**)	(2,140)
Movement in regulatory deferral accounts before tax, attributed to other comprehensive income (***)	(58)
Deferred taxes included in credit balances of regulatory deferral accounts and deferred tax	(78)
Total	**(2,276)**
** Movement in regulatory deferral accounts attributed to profit and loss, net of tax	(1,649)
*** Movement in regulatory deferral accounts attributed to other comprehensive income, net of tax	(45)

NOTE 14:- REGULATORY ASSETS/LIABILITIES (continued)

d. Regulatory deferral accounts are measured on a non-capitalized basis. In some of the cases, the non-capitalized balance accumulates interest until the collection date in accordance with the interest rate defined by the Electricity Authority. For further details see Note 3i.

e. Regulatory Deferral Account with Respect to a Gap between Rate Updating Dates (without fuel)

The electricity rate is not updated in a continuous manner; therefore, a gap exists between the income collected according to the actual rate and the income that is due to the Company according to the theoretical rate. The gap accumulates during the whole calendar year and is added to the recognized cost of the Company on the date of the annual update in the following year. The Company creates a regulatory deferral account in its Financial Statements with respect to this gap. The change in the regulatory account for 2024-2025 is calculated as the difference between the total theoretical cost recognized and the actual recognized cost less the theoretical collection.
The theoretical recognized cost for the year 2025 is calculated in accordance with the decision of the Authority with regard to the 2025 annual update.

f. Regulatory Deferral Account with Respect to Social Rate

On March 27, 2007, the Electricity Sector Law (Amendment No. 6, Reduced Rates), 2007 was made public. According to the Law, a consumer who has reached legal retirement age and is entitled to income support from the State, will pay a reduced rate of 50% of the home consumption rate for the first 400 kWh consumed on a monthly basis for home consumption only.

In addition, a number of additional groups of the population received this entitlement during 2007-2012:
1) Disabled holocaust survivors.
2) Disabled who receive old age pensions for the disabled.
3) Six additional groups are eligible to reduced electricity prices.

The law authorizes the Minister, upon consulting the Minister of Welfare and upon consent of the Minister of Finance, to determine other needy populations which will be entitled to reduced payments, at the determined proportion of the household rate, the quantity of electricity that will entitle it to a reduced payment, as well as discount rates and various quantities for groups of the population, so that the total reduction from the payment for electricity consumption will not exceed an amount equaling 1.5% of the total payments paid by all consumers for electricity consumption. According to the decision of the Electricity Authority, this cost will be charged to all electricity consumers except the Palestinian Authority consumers.

g. Regulatory Deferral Account with respect to Electricity Purchases from Private Producers and Photovoltaic Facilities:

On the annual update date every year, the Electricity Authority updates the recognized cost with respect to purchase of electricity from private electricity producers and photo-voltaic installations. Advances are paid to the Company within the rate in force for electricity purchases from private electricity producers and photovoltaic facilities. With respect to the differences that are created between the advances, as stated, and the actual costs, a regulatory account with a debit or credit balance is created, as relevant.

h. Regulatory Deferral Account with Respect to Load Management Arrangements:

With respect to the gap in the timing of the recognition of costs borne by the Company with respect to the load management arrangements within the rate relating to the date of expenses thereof, the Company records in its books a regulatory deferral account.

i. Regulatory Deferral Account with Respect to Non-Update of the Fuel Component in the Rate, Net

The update of the fuel component in the electricity rate is executed retroactively on the date of the annual update, every year, according to the actual quantity of fuel consumed, forecasted fuel consumption during the current year, and updates of relevant information. With respect to the gaps created between the actual rate and the theoretical rate that according to the estimate of the Company will be retroactively recognized, the Company records in its books a regulatory deferral account with a debit or credit balance that is refunded to the Company or the consumers, respectively. Within the framework of the rate base for the generation segment which was published in January 2023, the Electricity Authority determined the first part of the rate base for the generation segment, and the second part, which will include additional issues, inter alia the methodology for the recognized fuels cost, will be published for a separate hearing. In light of the Authority's intention to publish a new methodology for the recognized fuels cost, which will apply retroactively from February 1, 2022, the Company recorded the regulatory deferral account with respect to non-update of the fuels component in the rate in accordance with the minimal cost that will be recognized, the Company estimates that it is with a level of certainty exceeding 70%.

NOTE 14:- REGULATORY ASSETS/LIABILITIES (continued)

j. Regulatory Deferral Account with Respect to the Reform Costs (Structural Change)

Following the aforesaid in the Note regarding the Structural Change (see Notes 1e and 3k above), regarding coverage of the reform costs in the electricity rate, and the Note regarding post-employment employee benefits (see Note 11f above), the Company recognizes in a regulatory deferral account the expenses and the other comprehensive income (loss) components related to implementation of the structural change. In light of this, as of 2018, the Company recognized a regulatory deferral account, which reflects the costs of the Structural Change that were attributed to the Statement of Profit and Loss and the Statement of Other Comprehensive Income less the sums collected to finance the reform costs in accordance with the decisions of the Electricity Authority.

k. Regulatory Deferral Account with Respect to Consumer Participation in Financing Sites that were Sold

Receipts with respect to consumer participation in the financing of generation sites were previously stated in the Company's books as offsetting from fixed assets. As of the classification date of the Alon Tavor, Ramat Hovav and Eshkol sites as disposal groups classified as held for sale, such receipts were classified to a regulatory account in credit, in light of the fact that the return to consumers will continue according to the same plan determined on the date of the collection of participation.

l. Regulatory Deferral Account with Respect to a gap between the updating dates of the fixed payment in the electricity rates:

In accordance with the Authority's decision, the electricity rate will include a compensation component due to non-consecutive updating of the fixed payment. In view of this, the Company recognized a regulatory deferral account which reflects the gap between the rate in effect and the theoretical rate for the period.

m. Regulatory deferral accounts with respect to linkage differentials:

Starting from January 1, 2014, as part of the adoption of IFRS, the Company's financial statements were no longer adjusted to the CPI. As a result, a lack of matching was created between the Company's nominal expenses and the recognized revenues according to a real rate.
In December 2015, the Authority reached a decision in this matter, which enabled the Company as of January 1, 2016, to partially bridge this mismatch, by recording regulatory deferral accounts with respect to linkage differentials on the foreign capital that financed the reduced cost of the fixed assets and the other assets recognized in the rate and financed by foreign capital. In view of this, the Company recognizes in its books a regulatory deferral account in debit in accordance with the linkage differentials as stated (up to the limit of the relevant financing expenses) less the depreciation accrued with respect to them.

n. Regulatory deferral account with respect to depreciation differences and rate recognition with respect to the fixed assets:

In view of the differences between the depreciation rates of the fixed assets in the Company's books and the depreciation rates recognized in the rate, timing differences are created. Additionally, in light of the new rate base for the generation segment for the years 2022-2027, in which the method of recognition of the Company's capital costs was changed (see Note 3e above), gaps were created between the method of depreciation of the assets in the generation segment in the Company's books plus or less regulatory deferral accounts with respect to them and the method of depreciation recognized in the rate. Due to this, the Company consolidated all the gaps between the balance of fixed assets in the Company's books, including the regulatory accounts with respect to them as on that date, and the balance of assets recognized in the rate into a regulatory deferral account with respect to depreciation differences and rate recognition and updated it in accordance with the new recognition method applicable from February 1, 2022.

o. Regulatory deferral account with respect to the Compromise Agreement with the Egyptian Gas Companies

The Authority's decision of December 12, 2019 regarding the Compromise Agreement between the Electric Company and the Egyptian Gas Companies stipulates that the amount received by the Company as part of the compromise agreement will be fully returned to the electricity consumers through the rate, in accordance with the payment dates included in the compromise. In addition, the decision stipulated that the Company will have the right to recognize legal expenses in respect of the proceeding conducted by the Company in an amount of approximately NIS 49 million.
In light of this, the Company recognized on that date a credit balance in a regulatory deferral account. For additional details, see Note 34b7 below. The interest rate used to calculate the regulatory liability is in accordance with the effective interest rate used to measure the debtors with respect to the compromise agreements.

NOTE 14:- REGULATORY ASSETS/LIABILITIES (continued)

p. Regulatory deferral account with respect to sale of sites

The Company recognizes a regulatory liability with respect to the profit component from the sale of power stations sold as part of the reform which, in accordance with the Authority's decision as stated in Note 1e, will be returned to consumers.

As a result of the Authority's decision, regarding the value of the land at the Eshkol site as detailed in Note 3x above, in 2025the Company recorded income from movement in regulatory assets in the amount of NIS 1,377 million including interest and linkage of which, NIS 1,277 million is in a regulatory deferral account for the sale of sites and NIS 100 million is recorded in the regulatory deferral account for the gap between the actual rate update dates and the theoretical rate. In accordance with the aforementioned decision, the balance of the regulatory asset will be returned to the Company, including interest and linkage, over three years.

q. Regulatory deferral account with respect to income balancing

In the second quarter of 2020, the Company first recognized a regulatory deferral account in debit, due to the existing differences between the prices at which the Company sold electricity primarily to pumped storage facilities (when it was in its capacity of the System Manager) and the regulated rates. As of the date of the SMU exit to the Noga Company on November 1, 2021, these gaps were attributed directly to the Noga Company. The Company collected the regulatory deferral account in 2024 against the surpluses from the sale of the Eshkol site.

r. Regulatory Account in respect of change of Meters:

The regulatory account for change of meters includes the excess costs (beyond the recognized cost of simple meters) of all smart meters installed by the end of 2025, as well as reimbursement of costs for scrapping the simple meters prematurely.

s. Capacity coefficient

In accordance with the Authority's decision regarding the 2025 Annual Update, the Authority reduced the Company's recognized cost for the capacity coefficient received from the Company's consumers and decided to return it to the consumers, for details see Note 3g above.

t. The total net balance of regulatory deferral accounts (before deferred tax effect) as of December 31, 2025, is a debit balance of approximately NIS 10,205 million. This balance includes net debit balances of regulatory deferral accounts in the amount of approximately NIS 10,128 million which are based on decisions of the Electricity Authority (debit balances of regulatory accounts of approximately NIS 11,405 million offset by credit balances of approximately NIS 1,277 million) and a net credit balance of regulatory deferral accounts in the amount of approximately NIS 1 million which are based on Company estimates (assets created in the amount of NIS 88 million, less liabilities created in the amount of NIS 89 million).

An additional regulatory deferral account based on the decisions of the Electricity Authority but for which the final calculation methodology has not yet been determined is included in the debt balance in the amount of approximately NIS 78 million in respect of fuel costs (see section i above).

In light of the Electricity Authority's decision regarding the update of the tariff structure as detailed in Note 3c, to the best of the Company's knowledge, there has been no change in the Authority's recognition, but as of the Financial Statements approval date, a final decision has not yet been made regarding the balances of regulatory assets and liabilities relating to 2024 and beyond.

The total net balance of regulatory deferral accounts (before deferred tax effect) as of December 31, 2024, is a debit balance of 7,624 million. This balance includes net debit balances of regulatory deferral accounts in the amount of NIS 7,537 million which are based on decisions of the Electricity Authority (debit balances of regulatory accounts of NIS 10,081 million offset by credit balances of approximately NIS 2,544 million) and a net credit balance of regulatory deferral accounts in the amount of NIS 88 million which are based on Company estimates (assets created in the amount of NIS 60 million less liabilities created in the amount of NIS 148 million).

Additional regulatory accounts based on the decisions of the Electricity Authority, but for which the final calculation methodology has not yet been determined, have a balance of approximately NIS 175 million for the costs of fuel (see section i).

NOTE 15:- CREDIT FROM BANKS AND OTHER CREDIT PROVIDERS

Composition:

	As of December 31,	
	2025	2024
	NIS in millions	
Short term loans	-	193
Current maturities of loans and debentures **	2,448	3,634
Current maturity of a liability to the State of Israel**	57	12
Current maturities for forward and swap transactions	18	38
Current maturities of leases	164	169
Total	**2,687**	**4,046**

** With respect to interest rates, linkage basis and types of currencies, see Note 19a.

NOTE 16:- OTHER CURRENT LIABILITIES

Composition:

	As of December 31,	
	2025	2024
	NIS in millions	
Interest and accrued expenses	592	618
Institutions	264	182
Employees	295	318
Other payables	166	211
	1,317	**1,329**

NOTE 17:- CUSTOMER ADVANCES, NET OF WORK IN PROGRESS

Represents receipts from customers, net of work in progress with respect to attachments to buildings and works for others and business development projects (see also Note 2n5 above).

a. Composition:

	Connections to buildings		Business development and work paid for by others		Total	
	As of December 31		As of December 31		As of December 31	
	2025	2024	2025	2024	2025	2024
	NIS in millions		NIS in millions		NIS in millions	
Receipts from customers	1,258	1,121	321	346	1,579	1,467
Less: expenses with respect to work in progress	(220)	(204)	(70)	(66)	(290)	(270)
Losses accrued with respect to business development work	-	-	-	2	-	2
	1,038	**917**	**251**	**282**	**1,289**	**1,199**

NOTE 18:- PROVISIONS

Composition:

	Legal claims and financial demands	Provision for vacation pay	Municipal tax	Provision for dismantling and removal of asbestos	Others	Total
	NIS in millions					
Balance as of January 1, 2025	273	378	35	38	15	739
Provisions created during the year ..	69	250	13	* 49	-	381
Provisions realized during the year ..	(29)	(245)	(38)	(22)	(12)	(346)
Provisions canceled during the year	(52)	-	-	(5)	-	(57)
Current maturity for long-term provision (transfer from long-term) (see Note 19h).....	-	-	-	105	3	108
Balance as of December 31, 2025 ...	**261**	**383**	**10**	**165**	**6**	**825**

* Provision for the removal of fire damage in Unit 4 collector in Rutenberg, see Note 1h.

	Legal claims and financial demands	Provision for vacation pay	Municipal tax	Provision for dismantling and removal of asbestos	Others	Total
	NIS in millions					
Balance as of January 1, 2024	233	343	33	49	8	666
Provisions created during the year ..	112	255	11	15	9	402
Provisions realized during the year ..	(24)	(220)	(9)	(7)	-	(260)
Provisions canceled during the year	(48)	-	-	-	(2)	(50)
Current maturity for long-term provision (transfer from long-term) (see Note 19h).....	-	-	-	(19)	-	(19)
Balance as of December 31, 2024 ...	273	378	35	38	15	739

NOTE 19:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS

a. Composition of the long-term debentures and liabilities and hedging transactions

	December 31, 2025								December 31, 2024
Linkage Basis:	**Unlinked NIS**	**Linked to the CPI**		**Denominated in U.S. Dollars**		**Denominated in Euro**	**Denominated in Japanese Yen**	**Total**	**Total**
					NIS in millions				
Effective interest rates (%)	**5-6**	**0-2**	**3-4**	**3-5**	**7-9**	**4-5**	**3-4**		
Debentures:									
Debentures	-	15,643	11,035	4,767	1,873	-	1,117	34,435	35,981
Current maturities	-	1,850	143	(5)	397	-	(1)	2,384	1,992
Total	**-**	**13,793**	**10,892**	**4,772**	**1,476**	**-**	**1,118**	**32,051**	**33,989**
Liabilities to banks									
Loans from banks	1,500	-	-	-	20	66	-	1,586	1,732
Current maturities	-	-	-	-	20	44	-	64	1,642
Total loans from corporations	**1,500**	**-**	**-**	**-**	**-**	**22**	**-**	**1,522**	**90**
Swap and forward transactions *								1,506	1,082
Current maturities of hedging transactions *								18	38
Total credit balances of hedging transactions								**1,488**	**1,044**
Total	**1,500**	**-**	**-**	**-**	**-**	**22**	**-**	**3,010**	**1,134**
Liabilities to the State of Israel:									
Liabilities to the State of Israel	-	2,028	-	-	-	-	-	2,028	1,993
Current maturities	-	57	-	-	-	-	-	57	12
Total	**-**	**1,971**	**-**	**-**	**-**	**-**	**-**	**1,971**	**1,981**

* Presented at fair value, for further details, see Note 25.

NOTE 19:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS (continued)

b. Composition of the long-term debentures

1. Negotiable series registered in Israel:

   Negotiable debenture Series 27, 29, 31, 32, 33, 34, 35, 36 and 37 were issued in the years 2015-2025 and listed for trade on the TASE, are linked to the CPI, are due for redemption in 2026 - 2041.

2. Non-negotiable series registered in Israel:

   Debentures Series listed for trade on the TASE at the institutional continuous floor are: "2029 Linked Electric", "2028 USD Electric", and "2032 USD Electric". These series are due for redemption in 2026 - 2032.

3. Non-negotiable series registered abroad:

   The Company has non-negotiable debenture series issued in USD and Japanese Yen. These series will be redeemed in 2026 - 2032 and in 2096.

c. Material Raisings and Payments:

1. Material raisings during the reporting period

   a) On May 12, 2025, the Company raised approximately NIS 960 million through the issuance of negotiable debentures of Series 36 and Series 37 pursuant to a shelf prospectus dated April 18, 2024, as detailed below:

      - Series 36 (index-linked) – in the amount of approximately NIS 387 million par value for a consideration of approximately NIS 387 million, before issuance expenses (a price of 100 Agorot to NIS 1 par value), at a nominal interest rate of 2.99% (effective yield to maturity – 3.01%). The Debentures principal shall be repaid in one installment on May 11, 2034.
      - Series 37 (index-linked) – in the amount of approximately NIS 573 million par value for a consideration of approximately NIS 573 million, before issuance expenses (a price of 100 Agorot to NIS 1 par value), at a nominal interest rate of 3.26% (effective yield to maturity – 3.29%). The bond principal will be repaid in one installment on May 11, 2041.

   b) On December 28, 2025, the Company took out loans from banking corporations in Israel in a total amount of NIS 1,500 million. The loans are in unlinked NIS, bearing a variable interest rate and will be repaid in a single payment on January 28, 2028.

2. Material repayments during the reporting period

   a. On February 9, 2025, the Company carried out an early repayment of the entire loan principal in the total amount of NIS 1,500 million borrowed from banking corporations in Israel in November 2021.

   b. On February 28, 2025, negotiable debentures from Series 29 were partially repaid in the amount of approximately NIS 1,478 million par value (an amount of approximately NIS 1,732 million including linkage differentials) that were issued by the Company on the Tel Aviv Stock Exchange pursuant to a Shelf Prospectus dated November 27, 2015.

   c. On May 7, 2025, private debentures (non-negotiable) from the "2029 Linked Electric" series were partially repaid in the amount of approximately NIS 128 million par value (a total of approximately NIS 149 million including linkage differentials) that were issued to institutional entities in 2014.

3. Material Raisings After the Statement of Financial Position Date

   On January 28, 2026, the Company completed a debenture issuance through the investment banks Barclays Bank PLC and Citigroup Global Markets Inc. to Qualified Institutional Buyers in a total amount of USD 500 million par value as part of a comprehensive program (GMTN) to issue debentures in a total amount of up to USD 12.5 billion par value. The remaining balance to be utilized by the Company under the GMTN program is USD 4.5 billion par value, with the utilization of the balance under the aforementioned program being subject to required approvals.
   The debentures were issued at a price of 100%, so that the issuance proceeds (gross) were USD 500 million. The stated interest rate of 5.633% (effective yield to maturity 5.71%) will be paid in semi-annual installments. The debentures principal will be repaid in a single payment on January 28, 2038. The debentures issued as stated in the program were listed for trading on the institutional continuous floor on the Tel Aviv Stock Exchange as debentures from the 2038 Dollar Electricity Series.

NOTE 19:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS (continued)

c. Raisings and Material Payments: (continued)

4. Material repayments after the Statement of Financial Position date

   On March 1, 2026, Series 29 negotiable debentures were fully repaid in the amount of approximately NIS 1,478 million par value (a total of approximately NIS 1,762 million including linkage differences) issued by the Company on the Tel Aviv Stock Exchange pursuant to a shelf prospectus dated November 27, 2015.

d. Terms of the Company's financing agreements that might result in immediate repayment

Some of the financing contracts of the Company include provisions that provide a certain lender with the right to demand immediate repayment of the unpaid balance of the loan and the accrued interest upon their occurrence, regarding conditions relating to a material violation of the Company's liabilities to the financers, including:

1. The granting of a liquidation order or the granting of an order with similar characteristics pursuant to the Insolvency and Economic Rehabilitation Law, 2018, stay of proceedings, issuing an attachment order in a considerable amount as to Company assets, expropriation of a material asset and/or appointment of a receiver.
2. The failure to pay principal or interest on time or after a period of deferral of repayment as defined in the contract.
3. The cessation of management of most or all of the Company's business, or a notice of intent to cease such activity.
4. Failure to settle a court order issued against the Company for payment of over USD 25 million.
5. Sale/transfer of assets contrary to the restrictions set forth in the Company's financing contracts -
   a) Some of the financing agreements prohibit the transfer of assets that have received specific financing, as well as a prohibition on the transfer of assets, except when the following cumulative conditions are met: (a) the transfer is made at market value, (b) at least 75% of the consideration is in cash or cash equivalent, (c) the investment of the consideration is in active assets. The Company must invest the proceeds within 180 days (in the Company's assessment, based on the opinion of its legal advisors, the amount of the proceeds it must invest is the tariff value of the assets being transferred) from the transfer of the assets in fixed assets for the purposes of electricity generation, transmission or distribution, or alternatively offer the bondholders to purchase the debentures from them in accordance with certain conditions stipulated in the agreements.

      In addition, certain contracts allow the transfer of assets to subsidiaries of the Company, provided that such assets constitute less than 5% of the Company's assets.

   b) Under some of the other financing agreements, to the extent that cash proceeds are received in the sale of assets valued at more than USD 100 million, the Company will use an amount equal to or greater than the cash received within 365 days: (1) to finance capital investments or investments in long-term assets of the Company; and/or (2) to redeem or repay secured obligations or other debt secured by the Company's floating liens. (In the Company's assessment, based on the opinion of its legal advisors, the amount of consideration for which it must invest/redeem debt is equal to the tariff value of the assets sold). To the extent that the Company does not act in accordance with the foregoing and the amounts of cash not used for such purposes exceed USD 100 million in aggregate, the Company will be required to offer the bondholders or bondholders with similar terms to purchase the debentures or similar debentures that can be purchased at amount equal to the amount not invested in the purposes specified in subsections (1) and (2) above.
6. Transfer of financing obligations without the lender's consent.
7. Company representations given within the framework of the relevant financing agreements that have become materially misleading (or incomplete) and/or failure to present material details and/or failure to provide ongoing updates regarding events (including legislative changes, Government decisions and structural changes in general) that affect or may adversely affect the Company's operations and/or financial strength.
8. A decrease in the State's holdings below 51% or a change in control of the Company.
9. Cancellation of insurance in financing contracts insured by credit risk insurance companies.
10. Providing a preferential lien to lenders that will impair the ability of other lenders to realize the lien given to them.

NOTE 19:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS (continued)

d. Terms of the Company's financing agreements that might result in immediate repayment (continued)

11. Cessation of rating of the debentures or negotiable securities for a period exceeding 60 days due to circumstances within the Company's control.
12. Delisting of the relevant security from trading.
13. Cancellation of licenses required to conduct the Company's business or failure to comply with them.
14. Violation of laws applicable to the Company that have a material adverse effect on the Company.
15. A merger where there is a reasonable concern that it will impair the Company's ability to meet its obligations to lenders.
16. The initiation of legal proceedings and/or an official investigation which are expected to have a material adverse effect on the Company (other than a pending legal proceeding detailed in the Company's Financial Statements or Immediate Reports) and/or in the event that proceedings have been initiated in relation to the liquidation or reorganization of the Company, a delay in payment or a compromise or arrangement with a creditor of the Company other than under Sections 350 and/or 351 of the Companies Law.
17. The terms of the financing contract have ceased to be legal or in the event that one of the transaction documents is the subject of legal proceedings (including arbitration proceedings).
18. In the event that the following two cumulative conditions are met:
    a) The debentures are rated by both S&P and Moody's two notches below the Company's international long-term corporate credit and rating of the senior debt for 3 consecutive months.
    b) The debenture rating was determined by S&P and Moody's at a level lower than BB+ and Baa3, respectively.

    After the Statement of Financial Position date, the Company entered into a financing agreement under which the condition was updated such that as far as the rating level determined by S&P is lower than BBB and the rating level determined by Moody's is lower than Ba1.
19. Failure to publish financial statements within 30 days of the latest date on which their publication is required by any law or within 30 days of the end of an extension granted by a competent authority, whichever is later.
20. "Cross Default" - the existence of a right for a particular lender to demand immediate repayment of the debt (i.e., even if it did not put the debt up for immediate repayment), confers upon another lender with whom the contract was not breached the right to demand immediate repayment. The scope of the Company's financing contracts that include a cross-default clause amounts to approximately NIS 7,824 million as of December 31, 2025. It should be clarified that these financing contracts by their nature also allow for cross-acceleration.
21. "Cross Acceleration" – if the Company violates its liabilities toward a certain lender and that lender demands immediate repayment as a result of such violation, it will confer upon another lender with whom the contract was not violated the right to demand immediate repayment. The scope of the Company's financing contracts that include a cross-acceleration clause amounts to approximately NIS 28,489 million as of December 31, 2025. It should be clarified that since cross-default clauses inherently also include the possibility of cross-acceleration, this scope refers to financing agreements that only include cross-acceleration clauses.
22. Material Adverse Change - the existence of a Material Adverse Change (hereinafter: "MAC") in the business or financial condition of the Company, that poses a risk to the Company's ability to fulfill its obligations to the lenders, entitles the lender to demand immediate repayment of the debt. The scope of the financing contracts that include a MAC stipulation amounts as of December 31, 2025, to approximately NIS 33,311 million.
23. The Company ceased to be a reporting corporation, as per the meaning of this term in the Securities Law.

At the time of reporting and approval of the financial statements, the Company is of the opinion that none of the lenders with whom the Company entered agreements have a reason to demand immediate repayment of the Company's debt to them, including the subject of fulfilling the MAC provisions.

NOTE 19:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS (continued)

e. Credit Rating

Below are updates on credit rating of the Company in the reporting period and after the Statement of Financial Position date:

	Rating company	The object of rating	Date	Rating	Outlook	The nature of rating activity
A. Events during the reported period						
International rating	S&P Global Ratings	Issuer rating and senior secured foreign currency debt	January 29, 2025	BBB+	Negative	Rating ratification, Removing the rating from a watch list with negative implications and determining a negative outlook
			May 20, 2025	BBB+	Negative	Rating ratification
			November 21, 2025	BBB+	Stable	Rating ratification, raising outlook from negative to stable
	Moody's	Issuer rating and senior secured foreign currency debt	October 21, 2025	Baa2	Negative	Determining an issuer rating and ratification of a senior secured foreign currency debt rating
Local rating	S&P Maalot	Issuer rating and senior secured debt in local currency	February 5, 2025	ilAAA	Negative	Rating ratification, removal from watch list with negative implications and determining a negative outlook
			May 26, 2025	ilAAA	Negative	Rating ratification
			November 25, 2025	ilAAA	Stable	Rating ratification, raising outlook from negative to stable
	Midroog	Rating debentures in local currency	March 31, 2025	Aaa.il	Stable	Raising the rating and changing the outlook from positive to stable
B. Events after the Statement of Financial Position date						
International rating	Moody's	Issuer rating and senior secured foreign currency debt	February 3, 2026	Baa2	Stable	Rating ratification, raising outlook from negative to stable

f. Securities and Liens

To ensure full repayment of the payments with respect to part of the above mentioned debentures and loans (principal, interest and linkage differentials) and to ensure compliance with the remainder of the stated debenture and loan terms, the Company has pledged all its property (including property under construction) that can be pledged according to law and all its rights to this property of any type and nature whatsoever, existing at present and as will be in future by a floating charge - of equal rank with all the other floating charges that were created by the Company, relative (pari passu) to the amounts of obligation as will be secured, from time to time, by each of these liens. The extent of the liabilities of the Company secured by floating charges on December 31, 2025, and December 31, 2024, is approximately NIS 38,314 million and approximately NIS 39,848 million, respectively.

NOTE 19:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS (continued)

f. Securities and Liens (continued)

To ensure the obligations of the Company towards various lenders, the Company has created fixed charges in favor of the lenders over the following assets:

- Six selective catalytic reduction (SCR) systems purchased by the Company from the BNG company to be installed at the "Orot Rabin" power station and at the Rutenberg power station.
- A steam addition purchased by the Company from the Doosan company for a gas turbine at the Hagit site.

The extent of the liabilities of the Company secured by fixed charges on December 31, 2025, and December 31, 2024, is approximately NIS 88 million and NIS 209 million, respectively.

In accordance with the Electricity Sector Law:

- "A license or any part thereof cannot be transferred, charged or attached, directly or indirectly, except with the approval of the Authority".
- "the Electricity Authority may determine in the license that Certain assets belonging to the license owner, required in the opinion of the Authority for executing the activity according to the instructions of the license, cannot be transferred, charged or attached, directly or indirectly, without the approval of the Authority."

Until Amendment 13 of the Electricity Sector Law, this authority was vested with the Minister of Energy.
According to that stated, the Minister of Energy's/Authority's approval for the pledges detailed in this Note, which were created after the Electricity Sector Law entered into force, was received.

g. Fair Value of Negotiable Debentures

For details of the fair value of the debentures traded in the Tel Aviv Stock Exchange, see Note 25j below.

h. Other Long-term Liabilities

	As of December 31,	
	2025	2024
	NIS in millions	
Provision for site evacuation and restoration (1)	386	385
Employee bonus	15	13
Suppliers' lien	7	16
Profit not yet realized with respect to Communications Company	57	61
Other liabilities	12	16
Total	**477**	**491**

(1) Transaction in provision for site evacuation and restoration

	As of December 31,	
	2025	2024
	NIS in millions	
Balance for the beginning of the year	385	356
Provisions created – including interest	137	10
Provisions canceled	(6)	-
Transfer from short term (current maturities) (see Note 18)	(105)	19
Provisions realized	(25)	-
Total for the end of the year	**386**	**385**

NOTE 19:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS (continued)

i. Transactions in Liabilities Deriving from Financing Activity

	For the year ended December 31, 2025 (in NIS million)				
	Debentures	Loans from banking corporations	Hedge transactions from banking corporations	Liabilities to the State of Israel	Liabilities with respect to lease
Balance as of January 1, 2025	35,981	1,732	316	1,993	909
Changes due to cash flows from financing activity					
Debenture issue/receiving loans	949	1,500	-	-	-
Repayments	(1,913)	(1,642)	-	(22)	(172)
Payment from settlement of derivatives	-	-	(198)	-	-
Total net cash from financing activity	(964)	(142)	(198)	(22)	(172)
Recognition/derecognition for right-to-use assets and others	-	-	-	-	(46)
The impact of changes in the exchange rates of foreign currency and the CPI	(496)	(7)	-	47	(22)
Reduction of premium/discount/deferred expenses	(86)	3	-	10	-
Impact of change in fair value	-	-	1,164	-	-
Balance as of December 31, 2025	**34,435**	**1,586**	**1,282**	**2,028**	**669**

	For the year ended December 31, 2024 (in NIS million)				
	Debentures	Loans from banking corporations	Hedge transactions from banking corporations	Liabilities to the State of Israel	Liabilities with respect to lease
Balance as of January 1, 2024	37,271	2,923	781	1,939	710
Changes due to cash flows from financing activity					
Debenture issue/receiving loans	3,361	-	-	-	-
Repayments	(5,408)	(1,187)	-	(21)	(175)
Payment from settlement of derivatives	-	-	(922)	-	-
Total net cash from financing activity	**(2,047)**	**(1,187)**	**(922)**	**(21)**	**(175)**
Recognition/derecognition for right-to-use assets and others	-	-	-	-	379
The impact of changes in the exchange rates of foreign currency and the CPI	883	(8)	-	67	(5)
Reduction of premium/discount/deferred expenses	(126)	4	-	8	-
Impact of change in fair value	-	-	457	-	-
Balance as of December 31, 2024	**35,981**	**1,732**	**316**	**1,993**	**909**

NOTE 20:- INCOME TAXES

a. Benefits under the Law for the Encouragement of Industry

The Company is an "Industrial Company" as defined by the Law for the Encouragement of Industry (Taxes), 1969 and, accordingly, is entitled to certain tax benefits, the most significant of which is depreciation at increased rates and filing consolidated tax returns with the subsidiary Netiv Ha'Or – Orot Rabin Ltd. pursuant to the ruling received from the Income Tax Authority.

b. Tax rates

The tax rate relevant for the Group for the years 2023-2025 is 23%. The current taxes and the deferred taxes for the reported periods are calculated in accordance with this tax rate.

c. Tax assessments

1. The Company has final tax assessments up to and including the 2023 tax year and a partial assessment agreement for 2024.

2. On December 30, 2025, a final assessment agreement was signed between the Company and the Tax Authority, in respect of income tax assessments in respect 2018-2023 and a partial assessment agreement in respect of 2024 (hereinafter: the "Agreement"). In accordance with the agreement, the tax liability for said years amounts to approximately NIS 1.05 billion plus interest and linkage as required by Law. The agreement reflects, inter alia, the change in depreciation rates in accordance with tax laws in the relevant years as well as the impact of recognition in connection with pension expenses. These amounts constitute timing differences and are final with respect to 2024 tax year as well. The implementation of the agreement does not materially affect the Company's tax expenses.

3. For details on the appreciation assessments received for the sale of the "Alon Tavor", "Ramat Hovav", "Hagit East" and "Eshkol" sites, appeals filed by the Company thereon and the settlement agreement that was determined, see Note 34b6c3.

4. On December 31, 2023, the subsidiary, the Coal Company, received income tax assessments for 2018-2022, according to which it is required to pay additional tax amounts in a total amount of NIS 337 million, including interest and linkage.
   The tax liability arises, as per the tax assessment officer, from application of Section 85 of the Ordinance, which allows the tax assessment officer to tax the Company's income from the sale of business inventory, as if it were sold at the "value amount" and, in the words of tax assessment officer, for reasons of the assessment, "market price".
   As per the tax assessment officer, the market price of the coal inventory sold by the subsidiary to the Company should be determined at a price that leaves the subsidiary with an accounting profit (before tax) of 7.5% of total costs. Alternatively, the tax assessment officer believes that the market price of the coal inventory should be determined as the same price as the price determined from a casual transaction in immaterial amounts carried out by the Coal Company, compared to the sale prices to the Company in accordance with the agreements between the companies.
   The subsidiary fully disputes the assessments and filed an objection with the Tax Authority on April 26, 2024.
   Up to April 26, 2025, no assessment was issued to the Company by order, and the period in which the tax assessment officer is authorized to determine the assessment by order has passed, meaning that the tax years 2018-2019 tax years have become statutorially barred.
   In December 2025, the Coal Company was first presented with a draft economic opinion from the Tax Authority, which divided the Company's operations into two segments and attributed high profitability rates, while comparing it to global companies. Subsequently, on December 29, 2025, the Coal Company received assessments by an order relating to the years 2020-2022, according to which it is required to pay additional tax amounts beyond the tax liability it has calculated in total amount of NIS 126 million, including interest and linkage differences.
   After the Statement of Financial Position date, on January 25, 2026, the Coal Company filed an appeal with the Haifa District Court in respect of the above-mentioned assessment orders.
   According to the opinion of the Coal Company's legal advisors, according to which it is more likely than not that the assessments will be canceled or at least significantly reduced. Accordingly, no provision was recognized in the Coal Company's reports in respect of the above-mentioned assessments.
   It should be emphasized that, in accordance with the Company's assessment agreement, to the extent that income is added to the Coal Company's assessment in the relevant tax years, an expense will be recognized by the Company at the same time. Therefore, the clarification of the Coal Company's assessments will not have an impact on the tax expenses in the consolidated financial statements.

NOTE 20:- INCOME TAXES (continued)

d. Theoretical tax reconciliation:

Below is a reconciliation between the statutory tax on adjusted income before income taxes (computed as a result of the application of statutory tax rates) and the income taxes included in the Statement of Operations:

	For the Year ended December 31		
	2025	2024	2023
	(NIS in millions)		
Income before income taxes	3,717	6,617	891
Statutory tax rate	23%	23%	23%
Computed tax per statutory rate	855	1,522	205
Assessment agreements and other impacts with respect to previous years	14	13	-
Expenses disallowed net (including depreciation)	28	12	7
Other differences	(3)	54	(33)
Total tax expenses on income as presented in Statement of Profit or Loss	**894**	**1,601**	**179**

e. Income tax expenses (income) that were recognized in the Statement of Operations

	For the Year ended December 31		
	2025	2024	2023
	(NIS in millions)		
Change in deferred tax assets and liabilities which were recognized	711	811	(576)
Changes in deferred tax assets and liabilities recognized in respect of prior years (1)	(118)	-	-
Current taxes in respect of previous years (1)	132	-	-
Current taxes (2)	169	790	755
	894	**1,601**	**179**

(1) Mainly as a result of the impact of the assessment agreement as stated above.
(2) Including current provision for capital gains tax liability from an agreement to sell the Eshkol site - see Note 1e above.

f. Taxes relating to transactions in balances of Regulatory Deferral Accounts recognized in Statement of Profit and Loss

	Amount before tax	Tax influence	Amount less tax
For year ended December 31, 2025	**2,538**	**(583)**	**1,955**
For year ended December 31, 2024	**(2,140)**	**491**	**(1,649)**
For year ended December 31, 2023	**1,965**	**(450)**	**1,515**

g. Taxes relating to other comprehensive income (loss):

	Amount before tax	Tax influence	Amount less tax
For year ended December 31, 2025	**271**	**(62)**	**209**
For year ended December 31, 2024	**(693)**	**159**	**(534)**
For year ended December 31, 2023	**1,384**	**(320)**	**1,064**

NOTE 20:- INCOME TAXES (continued)

h. Liabilities in respect of current taxes

	As of December 31,	
	2025	2024
	NIS in millions	
Current tax liabilities	572	1,578
Less tax advances paid	61	834
Total liabilities in respect of current taxes	**511**	**744**

NOTE 20:- INCOME TAXES (continued)

i. Deferred tax assets and liabilities which were recognized

1) Composition of deferred tax assets and liabilities which were recognized:

	Accrued vacation pay	Allowance for doubtful accounts income not recognized and legal provisions	Liabilities for pensions, net	Fixed assets and intangible assets	Liabilities for leases and provisions for fixed assets	Others	Regulatory deferral accounts (*)	Total
	NIS in millions							
Deferred tax asset (liability) as of December 31, 2023	**47**	**445**	**(292)**	**(8,807)**	**256**	**(14)**	**(978)**	**(9,343)**
Changes during 2024	4	(96)	(24)	(55)	45	43	(78)	(161)
Deferred tax asset (liability) as of December 31, 2024	**51**	**349**	**(316)**	**(8,862)**	**301**	**29**	**(1,056)**	**(9,504)**
Changes during 2025	1	(132)	(195)	(350)	(30)	15	(104)	(795)
Deferred tax asset (liability) as of December 31, 2025	**52**	**217**	**(511)**	**(9,212)**	**271**	**44**	**(1,160)**	**(10,299)**

The deferred taxes are calculated according to the tax rate expected to apply on the reversal date as detailed above.

(*) In accordance with Israeli standardization and the accepted practice in Israel for companies with rate control, on which the tax reports are based, the change in regulatory deferral accounts constitutes an "adjustment" to expenses or to the specific revenues to which the relevant change relates. Additionally, change in regulatory liability with respect to return to consumers profit from sale of sites constitutes adjustment to sale proceeds for tax purposes or, alternatively, sale expense is deductible.

The Company reflects the aforesaid treatment and accordingly recorded in the Statement of Financial Position a total of NIS 1,160 million and NIS 1,056 million as deferred tax liability as of December 31, 2025 and 2024, respectively, with respect to regulatory deferral accounts presented together with credit balances of regulatory deferral accounts (see Note 14 above).

NOTE 20:- INCOME TAXES (continued)

i. Deferred tax assets and liabilities which were recognized (continued)

2) Composition of deferred taxes balance presented in the Statement of Financial Position:

	As of December 31,	
	2025	2024
	NIS in millions	
Total deferred taxes, net	10,299	9,504
Less: deferred taxes with respect to regulatory accounts presented as part of regulatory deferral accounts (see Note 14 above)	1,160	1,056
Total deferred taxes, net – presented in non-current liabilities	**9,139**	**8,448**

NOTE 21:- LEASES

a. Leases in which the Group is a lessee

The Group applies International Financial Reporting Standard IFRS 16 Leases. As part of its lease agreements the Group has been leasing the following: ships, diesel tanks, vehicles, mobile mechanical equipment, distillate line, lands, performance centers, and server farms.

For details on diesel tanks, see Note 8b above, and for details on lands, see Note 13b above.

1. Right-to-use assets

	Land	Ships	Diesel tanks	Vehicles	Distillate line	Performance Center	Server Farm	Total
	(in NIS millions)							
Balance as of January 1, 2024	**492**	**38**	**386**	**157**	**3**	**82**	**24**	**1,182**
Depreciation for right-to-use assets	(14)	(25)	(45)	(86)	(1)	(15)	(3)	(189)
Net additions during the year (*) (**) (***)	45	-	71	176	-	3	-	295
Balance as of December 31, 2024	**523**	**13**	**412**	**247**	**2**	**70**	**21**	**1,288**
Depreciation for right-to-use assets	(13)	(5)	(45)	(111)	(1)	(16)	(3)	(194)
Net additions during the year (*) (**) (***)	29	(8)	(54)	116	-	1	-	84
Balance as of December 31, 2025	**539**	**-**	**313**	**252**	**1**	**55**	**18**	**1,178**

* Includes deductions of leases that have ended
** Additions gross with respect to 2025 – NIS 151 million (2024 – NIS 311 million)
*** includes classification from last year

2. Lease liabilities

	As of December 31,	
	2025	2024
	NIS in millions	
Current maturities of lease liabilities	164	169
Long term lease liabilities	505	740

Regarding repayment dates, see Note 25d below.

3. Additional information with respect to leasing

	For the year ended December 31,		
	2025	2024	2023
	NIS in millions		
a) Amounts recognized in the Profit and Loss			
Financial expenses (income) with respect to leasing	30	75	19
Amortization of right-to-use assets	125	136	141
b) Amounts recognized in the Cash Flow Report			
Total cash flow paid with respect to leasing	198	200	167

NOTE 21:- LEASES

b. Leases in which the Group is a lessor - Information regarding material lease agreements

The Coal Company owns four tugboats that are leased to entities that operate the coal unloading ports at the Company's two coal-fired power stations in Hadera and Ashkelon.

For details of commitments, see Note 34a5 below.

The Group's investments in leases as of December 31, 2025, amount to NIS 48 million, of which NIS 47 million are included in long-term receivables and NIS 1 million are included in accounts receivable (December 31, 2024 – NIS 55 million and NIS 2 million, respectively).

NOTE 22:- SHARE CAPITAL

a. Details of the Share Capital

	As of December 31, 2025		As of December 31, 2024	
	Authorized	Issued and paid-up	Authorized	Issued and paid-up
	(Number of shares, in thousands)		(Number of shares, in thousands)	
80,167,387 Ordinary shares of NIS 0.1 par value each	80,167	80,165	80,167	80,165
40,053,252 Ordinary "B" shares of NIS 0.1 par value each	40,053	40,053	40,053	40,053
39,531 special shares of NIS 0.1 par value each	40	-	40	-
Total	120,260	120,218	120,260	120,218

b. Shareholders' Rights

1) Upon distribution of dividends:

   a. The first five percent (or a smaller rate) will be distributed to the Ordinary shareholders only, according to the value relative to the capital paid up on account of the Ordinary shares held by them.
   b. The balance will be equally distributed to Ordinary shareholders and Ordinary B shares, according to the value relative to the capital paid up on account of the Ordinary shares held by them, until the total dividend paid on the Ordinary shares reaches 10% per year (including the dividend of up to 5% that was distributed as stated in section a above).
   c. The balance remaining after the distribution detailed in sections a-b above (in this section below: the ”Balance”), will be distributed as a dividend between the Ordinary shareholders and the Ordinary B shareholders according to the value relative to the capital paid up on account of the ordinary shares and Ordinary B shares held by them, in a manner such that the rate of dividend from the balance to be paid on Ordinary B shares will be double the rate to be paid from the balance on Ordinary shares. This is until the total dividend from the balance to be paid on the Ordinary B shares will be double the rate that will be paid from the balance on the Ordinary shares, until the total dividend paid on the Ordinary shares reaches 15% per year and on the Ordinary B shares 15% per year.
   d. Any amount remaining from the balance after the execution of the aforesaid in section c above will be distributed equally between the Ordinary shareholders and Ordinary B shareholders, according to the value relative to the capital paid up on account of the Ordinary shares and Ordinary B shares held by them.

2) Upon liquidation:

   In the event of liquidation, the active surplus will be used – as subject to the rights of any other share class issued upon that time and granting a right of participation – as follows:
   First, to return to the ordinary shareholders the outstanding or attributed capital;
   Second, to return to the ordinary shareholders the outstanding or attributed as outstanding capital on account of the ordinary shares held by them accordingly;
   Third, to distribute the remainder – if any – between the ordinary shares and the ordinary “B” shares according to a relative value to the number of ordinary shares and ordinary “B” shares held by them accordingly.

3) On the Statement of Financial Position date, the State of Israel held 120,033,262 Ordinary shares and Ordinary "B" shares, which represent approximately 99.85% of the paid-up capital of the Company.

4) For details regarding a class action of non-controlling shareholders see Note 34b1.

NOTE 23:- CAPITAL RESERVES

The composition:

	For the year ended December 31	
	2025	2024
	NIS in millions	
Capital fund with respect to transactions with controlling shareholders:		
From the sale of land to the Ports and Railway Authority	57	57
From the purchase of the Coal Company	(2)	(2)
Company's assets renewal reserve (1)	673	673
Capital redemption reserve fund	42	42
Premium on shares	23	23
Reserves from disposal of assets	29	29
Cash flows hedge fund (See Note 25i1 below)	(17)	(37)
	805	**785**
Remeasurement fund (see Note 11l above)	**116**	**(73)**

(1) The assets renewal reserve represents profits in excess of amounts permitted for payment of dividends under the Concession for 1985 and 1986, designated by the Minister of Energy for the renewal of assets.

The Company has established various reserves pursuant to applicable laws or at the discretion of the Minister responsible for the Company at the time of their establishment. Such reserves, other than the reserves from realization of assets, cannot be distributed as dividends.

NOTE 24:- RETAINED EARNINGS

a. Section 33(c) of the Government Companies Law, 1975, which states, inter alia, that the decision of the Board of Directors on the appropriation of profits of a Government company, or a distribution, as defined by the Companies Law, is subject to the approval of the Companies Authority.
Notwithstanding that stated, in the event in which the Authority disagreed with the decision of the board of directors, then a Government Company of the Company's type, will act according to the decision of the Government Companies Authority, as approved by the Government. The current policy of the Government Companies Authority (which may change from time to time) on profit distribution and appropriation in government companies, as determined in the Government Companies circular on December 11, 2018, states inter alia that:
(1) In general, the government company must appropriate each year at least 50% of the current profits, before payment of a bonus from the profits to employees, for the purpose of distributing a cash dividend.
(2) Notwithstanding that stated in section 1 above, according to the law, the Companies Authority may determine a different distribution policy for a particular government company or a group of government companies in relation to its current profits, and the Companies Authority may make a decision regarding a specific company or group of companies as aforesaid that deviates from said policy, all in light of the specific circumstances of the company or the group of companies as aforesaid, and for reasons that will be detailed.
(3) With respect to accrued profits, in accordance with the law, the Companies Authority may determine a policy of appropriation of profits for a particular government company or group of government companies, or to make a specific decision regarding distribution from profits accrued in a particular company or group of companies.
If the Companies Authority has determined a policy or adopted such a decision, the matter will be brought to the attention of the company and the notification and disclosure rules specified in the circular will apply to the notice.
(4) The Companies Authority, as a rule, will not approve a decision of the Board of Directors regarding the appropriation of profits that are not part of the distribution.
(5) The above provisions will not apply to a company whose articles of association prohibit the distribution of profits.

b. That stated in Sections (1) to (5) above does not derogate from the provisions of Section 302 of the Companies Law, under which a company is entitled to make a distribution from its profits (as per its definition in Section 302 of the Companies Law) (hereinafter: the "Profit Test") as long as there is no reasonable concern that the distribution will prevent the Company from being able to fulfill its current and expected liabilities once they mature (hereinafter: the "Solvency Test"). In other words, in order to perform a required distribution, the Company must pass both the Profit Test and the Solvency Test (hereinafter together: "the Distribution Tests"). Notwithstanding that stated above, the Court may, at the request of the Company, and after its Board of Directors has confirmed that the distribution complies with the Solvency Test, allow the Company to make a distribution that does not comply with the Profit Test, as long as it is convinced that the Solvency Test is complied with. In accordance with the Articles of Incorporation of the Company, each distribution must be approved by the Board of Directors of the Company and by a meeting of the shareholders of the Company. The Companies Law and the Articles of Incorporation of the Company prescribe that a meeting of the shareholders of the Company cannot resolve to distribute a dividend in an amount in excess of the amount that was recommended by the Board of Directors. The Company maintains, based on a legal expert opinion that it received, that a government company will not be required or allowed to make a distribution if it does not satisfy the distribution tests, (unless the approval of the Court to make a distribution even if only the Solvency Test is fulfilled has been given, as mentioned).

c. As understood by the Company, the directives of the Government Companies Law as well as the instructions of the circular of the Companies Authority on distribution and appropriation of profits in government companies do not impose a duty on the board of directors of a government company to decide to distribute dividends, but a decision by a board of directors to distribute dividends requires the approval of the Companies Authority. Under the provisions of the Government Companies Law, in the event of a conflict between the company's board of directors and the Companies Authority, the Company will act according to the decision of the Companies Authority, as approved by the Government.

d. Under Government Companies Authority circular, dated June 2, 2013, bonus payments to employees are not allowed when no dividends were paid for the year for which the bonus is requested, except by exceptional approval by the Director of the Government Companies Authority. The bonus will be paid to the employees immediately after the dividend transfer to the State. The Company did not pay bonuses to employees in years where no dividends were paid.

e. Section 13 of Government Resolution No. 3859 regarding the reform of the electricity sector and structural change in the Electric Company, of June 3, 2018, determines that insofar as the Company's Board of Directors decides not to distribute dividends, the Government will not oblige the Company to distribute dividends under section 33(c) of the Government Companies Law until the end of 2025 or until reaching the final financial stability targets as approved by the resolution of the Company's Board of Directors of May 10, 2018, whichever is earlier. For further details on this matter, including in connection with the aforementioned Government resolution and decision of the Board of Directors, see Note 1e6c above.

NOTE 24:- RETAINED EARNINGS (continued)

f. In addition, on March 19, 2025, the Company received a letter from the Companies Authority to the Minister of Energy, according to which, after the Government Companies Authority examined the financial aspects of the Company, and taking into account the scope of the Company's approved development plans until 2030 and the regulatory requirements currently applicable to it, the Authority's position is that the Authority will not be required to disagree with the position of the Company's Board of Directors, if it decides, at its discretion and in accordance with its powers by Law, not to distribute a dividend to the State as a shareholder based on the Company's financial statements for 2024 and 2025.

g. As part of its discussions on the Company's 2023-2024 Financial Statements, the Company's Board of Directors decided, after discussing the designation of the Company's profits, that the Company will not distribute dividends from its profits for these years.
As required by the Circular "Distribution and Designation of Profits in Government Companies" of December 11, 2018, on March 26, 2024 and on March 27, 2025, the Company submitted a detailed letter to the Government Companies Authority requesting the approval of the Board of Directors' decision as aforementioned.

h. In 2025, the Company recorded profits of NIS 4,763 million. As part of its discussions on the Company's 2025 Financial Statements, the Company's Board of Directors, after discussing the designation of the Company's profits, while taking into account the great importance the Company regards the maintenance of its financial strength decided that the Company will not distribute dividends from its profits for this year due to the following considerations:

1) The Company is in the midst of implementing a wide-scale investment plan, which is significantly greater than the one included in the reform outline, for meeting the Government targets for developing the electricity sector mainly in the grid segments in accordance with the development plans approved by the Minister of Energy

2) The security uncertainty has not yet ended in the country, as specified in Note 1h above particularly regarding the possible consequences of the Lion's Roar Operation, which may have an effect in a material manner on the operating results, financial position, cash flows and financial strength of the Company.

NOTE 25:- FINANCIAL INSTRUMENTS

a. Composition:

	For the year ended December 31	
	2025	2024
	NIS in millions	
Financial Assets (1):		
Cash and cash equivalents	2,383	2,157
Short term investments	419	3,539
Trade receivables	4,869	5,157
Swap and forward transactions	224	766
Deposits for securing the swap transactions	758	214
Accounts receivable	1,743	360
Long term receivables	400	662
	10,796	**12,855**
Financial Liabilities		
Trade and other accounts payable	4,240	4,513
Swap and forward transactions	1,506	1,082
Debentures	34,435	35,981
Liabilities to Banking corporations and others	1,593	1,941
Liabilities to the State of Israel	2,028	1,993
Lease liabilities	669	909
	44,471	**46,419**

(1) Represents the Company's total exposure to credit risk (see section e below).

b. Financial Risk Management Purposes and Policies

The operations of the Company expose it to different financial risks, e.g. market risk, credit risk and liquidity risk. The risk management plan of the Company includes actions to reduce possible negative effects of the financial risks of the Company. The Company employs derivative financial instruments to hedge certain exposures to risks. Mr. Eyal Hermony, Senior Vice-President of Finance and Economics, is responsible for managing the financial risks according to the policies approved by the Board of Directors. The Company identifies, assesses and hedges financial risks. The Board of Directors approves the specific policies for dealing with market risks, such as exchange rate risk, commodity purchase price risk, and interest rate risk and CPI risk.

NOTE 25:- FINANCIAL INSTRUMENTS (continued)

c. Market Risks and Policy for their Management:

The Company sells its products at prices determined by an external entity – the Electricity Authority. The rate is based on the principles detailed in Note 3 above. At the same time, in determining the recognized cost for the Company, the Electricity Authority determined costs of the different components in the rate, which sometimes do not match the actual costs of the Company. Consequently, the major part of Company activities is not exposed to market risks, except to the major risks detailed below:

The Company's policies for managing market risks:

a) The Company will execute hedging transactions in foreign currency in order to reduce currency exposure, aiming to match the expense structure, as far as possible, to the revenue structure recognized in the electricity rate.

b) The Company will execute hedging transactions on part of the foreign currency payments flow that are linked to foreign currency while considering the payment dates of the principal and interest payments.

c) The Company will hedge the exposure due to payments to suppliers in foreign currency, as far as possible.

d) The Company will examine the need for hedging commodity purchase prices.

e) The Company will execute a volume of hedging transactions which will limit the erosion of equity, at a rate of up to 5% of the equity as a result of a change at a rate of 10% in case of the NIS weakening against foreign currencies at a rate of 10% and/or with respect to a change in the variable interest.

f) The Company will work to implement hedge accounting in accordance with international standards under the provisions of IFRS 9, in order to prevent fluctuations, within the restrictions of the standard, in the profit and loss account for the period.

The main principles of the accounting policies and adopted methods, including recognition conditions, measuring basis and the basis used to recognize income and expenses related to each group of financial assets and financial liabilities are detailed in Note 2 above.

1) Currency risks

The Company is exposed to currency risk mainly with respect to its financial liabilities and accounts payable, including payments to fuel suppliers. For details of the cover for the exposure to currency risk due to leases and accounts receivable with respect to a compromise arrangement with the Egyptian Gas Companies, in the electricity rate, see section g below.

Analysis of sensitivity to changes in currency exchange rates

Changes in the exchange rates of the following currencies against the NIS affect the measurement of financial instruments which are denominated in foreign currency and would have increased (decreased) the profit and loss in the amounts presented below: (after tax). This analysis was performed under the assumption that all other variants, especially the interest rates, remained fixed. The 2024 analysis was performed under the same base.

		December 31, 2025		December 31, 2024	
Currencies	A change at a rate of	Increase	Decrease	Increase	Decrease
		In NIS millions			
USD	1%	3	(3)	2	(2)

NOTE 25:- FINANCIAL INSTRUMENTS (continued)

c. Market Risk and Policy for their Management (continued)

2) Consumer Price Index Risks

Most of the capital costs and part of the operating costs recognized in the electricity rate are linked to the Consumer Price Index (the "Index"). The Company has expenses linked to the Index, deriving mainly from the Company's financial liabilities denominated in Index-linked NIS.

In addition, the Company has nominal financial liabilities denominated in NIS that are not linked to the Index, for which the Company is examining the economic feasibility of performing protection against the change in the Index. The Company's exposure to changes in the CPI with respect to the foreign capital component is covered as of 2016 by recording a regulatory deferral account with respect to CPI linkage differentials. For additional details see Note 14m above.

3) Commodity purchase price risk

The Company has expenses with respect to purchase agreements in NIS and other currencies. In addition, some of the expenses are linked to prices of various raw materials which also constitute exposure for the Company. On the other hand, some of the Company's revenues for covering these expenses in the electricity rate are linked to the wholesale price index of industrial outputs for domestic destinations.

The Company is examining the correlation between the change in the input prices recognized in the rate compared to the change in the commodity purchase prices and the need for hedge transactions on commodity purchase prices.

4) Interest Risks

a) Market risk with respect to interest rates
The Company is exposed to differences in the market interest rate, with respect to the financial liabilities that bear variable interest.

Changing interest rates risks are not material to the cash flows of the Company.

Additionally, an increase in the interest rates prevailing in the market may significantly raise the price of the debt raisings the Company will be required to take. Following are details of the type of interest of the interest-bearing financial instruments which are not derivatives or lease liabilities:

	For the year ended December 31	
	2025	2024
	NIS in millions	
Instruments (non-derivative) at variable interest		
Financial assets	768	265
Financial liabilities	1,586	1,925
	818	**1,660**
Instruments (non-derivative) at fixed interest		
Financial assets	2,687	2,525
Financial liabilities	36,463	37,974
	33,776	**35,449**

NOTE 25:- FINANCIAL INSTRUMENTS (continued)

c. Market Risk (continued)

4) Interest Risks (continued)

b) Fair value sensitivity analysis to changes in interest rates:

The Company's debentures and loans bearing fixed interest are measured at depreciated cost with the effective interest method and therefore the change in the interest rates as of the end of the reported period is not expected to have any impact on the Profit and Loss.
Following, the sensitivity analysis of the Company's swap transactions which are measured at fair value through Profit and Loss (before tax):

December 31, 2025	Other comprehensive (income) loss	(Profit) loss	Book value	(Profit) loss	Other comprehensive (income) loss
Change in interest %	Increase of 100 base points			Decrease of 100 base points	
			In NIS millions		
Swap transactions					
NIS	(187)	177	184	(187)	197
Linked NIS	-	(249)	8,177	261	-
USD	148	28	(6,070)	(27)	(157)
Euro	-	-	(17)	-	-
Yen	22	9	(1,008)	(8)	(23)
Total	**(17)**	**(35)**	**1,266**	**39**	**17**

December 31, 2024	Other comprehensive (income) loss	(Profit) loss	Book value	(Profit) loss	Other comprehensive (income) loss
Change in interest %	Increase of 100 base points			Decrease of 100 base points	
			In NIS millions		
Swap transactions					
NIS	(236)	219	312	(232)	250
Linked NIS	-	(316)	8,114	336	-
USD	208	42	(6,859)	(42)	(222)
Euro	-	-	(52)	-	-
Yen	34	13	(1,214)	(13)	(36)
Total	**6**	**(42)**	**301**	**49**	**(8)**

c) Cash flow sensitivity analysis for instruments at variable interest:

A change of 1% (100 base points) in the interest rates would have increased (decreased) the profit and loss in the amounts presented below (after tax). This analysis assumed the other variables, particularly the foreign currency exchange rates, remained fixed. The analysis for 2024 was done under the same base.

	December 31, 2025		December 31, 2024	
	Increase	Decrease	Increase	Decrease
Net financial instruments at variable interest	(6)	6	(13)	13

NOTE 25:- FINANCIAL INSTRUMENTS (continued)

d. Liquidity Risk

The Company manages its liquidity risks by ensuring, as far as possible, an adequate liquidity level that covers its obligations on time in both normal conditions and extreme situations without incurring significant loss or affecting its image.

The Company may be exposed to liquidity risks as a result of various factors which are not necessarily under its control, and among other things, as a result of disruptions to the supply of natural gas or coal, which may cause the Company to run the generation system using alternative and more expensive fuels. A significant increase in fuel prices, a sharp increase of the currency exchange rate, a significant economic crisis which may cause an increase in customers' balances as well as following the events of the war as detailed in Note 1h2 above.
The Company believes that this concerns timing gaps with regards to the high costs of fuels and with regards to impacts caused by an economic crisis or war which will eventually be covered by the electricity rate. However, the time gap between the date on which such expenses are incurred by the Company, to the date on which the rate is updated, may harm its cash flow.
In addition, a decrease in the State's credit rating may impact the Company's rating, and accordingly also impact its fundraising costs.
The Company measures its liquidity risk, inter alia, through the liquidity ratio, which measures the Company's ability to meet its liabilities without additional debt raisings. In general, the Company's liquidity position is better when the liquidity ratio is higher. The Company is meeting the liquidity index it has set for itself. The Company manages the liquidity risk by raising funds of various term lengths in the Israeli and/or in foreign capital markets, in accordance with its needs, performed a sufficient time prior to the required date according to the Company's forecasts, and in addition by creating and maintaining credit facilities in banks in Israel and abroad, and all while maintaining cash reserves (safety cushion) in accordance with the decision of the Board of Directors.

NOTE 25:- FINANCIAL INSTRUMENTS (continued)

d. Liquidity Risk (continued)

The following are tables that include the Company's financial liabilities including all the derivatives according to contractual repayment dates. The liabilities to suppliers and other payables are expected to be repaid according to their book value during the first year. The tables include non-capitalized cash flows with respect to the principal and the interest.

1) Liquidity Risk as of December 31, 2025

	Book value	First year	Second year	Third year	Fourth year	Fifth year	Sixth onwards	Total
	NIS in millions							
Derivative Financial Instruments, net								
Cash flow hedge transactions								
USD	(4,910)	(639)	(1,166)	(1,889)	(60)	(60)	(1,685)	(5,499)
Euro	(17)	(17)	-	-	-	-	-	(17)
Yen	(672)	(23)	(23)	(222)	(15)	(414)	-	(697)
Unlinked NIS	6,082	730	1,235	2,299	81	596	1,693	6,634
Total	**483**	**51**	**46**	**188**	**6**	**122**	**8**	**421**
Other swap and forward transactions:								
USD	(1,841)	(987)	(47)	(1,164)	-	-	-	(2,198)
Euro	(200)	(200)	-	-	-	-	-	(200)
Yen	(447)	(217)	(13)	(318)	-	-	-	(548)
Linked NIS	8,021	691	1,302	4,149	28	593	1,863	8,626
Unlinked NIS	(4,734)	635	(1,235)	(2,299)	(80)	(596)	(1,693)	(5,268)
Total	**799**	**(78)**	**7**	**368**	**(52)**	**(3)**	**170**	**412**
Total derivatives	**1,282**	**(27)**	**53**	**556**	**(46)**	**119**	**178**	**833**

	Book value	First year	Second year	Third year	Fourth year	Fifth year	Sixth onwards	Total
	NIS in millions							
Debentures								
Debentures in USD	6,640	744	1,270	3,429	103	226	4,215	9,987
Debentures in Yen	1,117	43	43	243	35	635	324	1,323
Debentures in linked NIS	26,678	2,654	2,847	1,887	2,978	1,617	19,974	31,957
Total	**34,435**	**3,441**	**4,160**	**5,559**	**3,116**	**2,478**	**24,513**	**43,267**
Liabilities to banking corporations:								
Loans in Euro	66	47	19	4	-	-	-	70
Loans in USD	20	21	-	-	-	-	-	21
Loans in unlinked NIS	1,500	75	75	1,506	-	-	-	1,656
Total	**1,586**	**143**	**94**	**1,510**	**-**	**-**	**-**	**1,747**
Loans from the State of Israel in linked NIS	**2,028**	**92**	**464**	**787**	**777**	**-**	**-**	**2,120**
Lease liabilities	**669**	**187**	**158**	**144**	**46**	**42**	**212**	**789**
Other long-term liabilities	**7**	**-**	**7**	**-**	**-**	**-**	**-**	**7**
Total Financial Liabilities	**38,725**	**3,863**	**4,883**	**8,000**	**3,939**	**2,520**	**24,725**	**47,930**

NOTE 25:- FINANCIAL INSTRUMENTS (continued)

d. Liquidity Risk (continued)

2) Liquidity Risk as of December 31, 2024

	Book value	First year	Second year	Third year	Fourth year	Fifth year	Sixth onwards	Total
	NIS in millions							
Derivative Financial Instruments, net								
Cash flow hedge transactions								
USD	(5,554)	(269)	(730)	(1,333)	(2,160)	(68)	(1,995)	(6,555)
Euro	(52)	(36)	(18)	-	-	-	-	(54)
Yen	(811)	(27)	(26)	(26)	(254)	(17)	(474)	(824)
Unlinked NIS	6,160	286	730	1,235	2,299	81	2,289	6,920
Total	**(257)**	**(46)**	**(44)**	**(124)**	**(115)**	**(4)**	**(180)**	**(513)**
Other swap and forward transactions:								
USD	(2,602)	(1,563)	(54)	(54)	(1,331)	-	-	(3,002)
Euro	(238)	(241)	-	-	-	-	-	(241)
Yen	(470)	(247)	(14)	(14)	(363)	-	-	(638)
Linked NIS	8,056	224	675	1,272	4,053	27	2,400	8,651
Unlinked NIS	(4,173)	1,720	(730)	(1,235)	(2,299)	(81)	(2,289)	(4,914)
Total	**573**	**(107)**	**(123)**	**(31)**	**60**	**(54)**	**111**	**(144)**
Total derivatives	**316**	**(153)**	**(167)**	**(155)**	**(55)**	**(58)**	**(69)**	**(657)**

	Book value	First year	Second year	Third year	Fourth year	Fifth year	Sixth onwards	Total
	NIS in millions							
Financial Liabilities								
Short term loans in unlinked NIS	193	193	-	-	-	-	-	193
Debentures								
Debentures in USD	7,583	394	850	1,452	3,920	119	5,077	11,812
Debentures in Yen	1,277	49	49	49	277	40	1,096	1,560
Debentures in linked NIS	27,121	2,651	2,563	2,752	1,814	2,878	19,877	32,535
Total	**35,981**	**3,094**	**3,462**	**4,253**	**6,011**	**3,037**	**26,050**	**45,907**
Liabilities to banking corporations:								
Loans in Euro	137	77	48	19	4	-	-	148
Loans in USD	95	78	24	-	-	-	-	102
Loans in unlinked NIS	1,500	1,581	-	-	-	-	-	1,581
Total	**1,732**	**1,736**	**72**	**19**	**4**	**-**	**-**	**1,831**
Loans from the State of Israel in linked NIS	**1,993**	**47**	**90**	**453**	**769**	**759**	**-**	**2,118**
Lease liabilities	**909**	**192**	**165**	**153**	**59**	**54**	**299**	**922**
Other long-term liabilities	**16**	**-**	**16**	**-**	**-**	**-**	**-**	**16**
Total Financial Liabilities	**40,824**	**5,262**	**3,805**	**4,878**	**6,843**	**3,850**	**26,349**	**50,987**

NOTE 25:- FINANCIAL INSTRUMENTS (continued)

e. Credit Risk Management

The Company's cash, deposits and investments are deposited with banking institutions and monetary funds. The policy of the Company on bank deposits is to deposit funds according to the financial strength of the banks (mainly based on banks' credit rating). Selecting the monetary funds is done according to various criteria such as the size of the fund, management fees and past returns.

Hedge transactions in financial instruments are entered into with large and stable banking institutions, with high financial stability that have low credit risk.

The Company does not hold or sell financial instruments for trading purposes.

Customers Credit Risk	-	The exposure to credit risks from customers is limited given the large number of the Company's customers and the fact that the Company supplies an essential ongoing service. At the same time, the Company identified an increase in customer credit risk resulting from the Supreme Court decision and the subsequent decision of the Electricity Authority, which limited the Company's ability to carry out disconnections in accordance with the criteria detailed in the decision as well as due to the "Swords of Iron" war and the subsequent decision of the Electricity Authority regarding leniencies for electricity consumers, for more details see Note 6a. Regarding debts of the Palestinian Authority and the East Jerusalem Electricity Company see Note 6c. For details regarding the Electricity Authority's decision and draft resolution for a hearing regarding debt collection procedures and enforcement tools, see Note 3w.
Provisions for doubtful accounts	-	Are adequate according to estimates of the management, based on, inter alia, debt age, collection proceedings taken, the increase in credit risk described above, etc.
Compromise agreement with the Egyptian Gas Companies	-	For details of the compromise agreement, including the collateral received to secure the financial asset – see Note 34b7.

f. Guarantees Provided in Israel and Abroad

As part of its normal activity, the Company opened bank guarantees/ conditional letters of credit payable for various beneficiaries. The balance of the guarantees and indemnifications as on December 31, 2025, are:

1) Local guarantees in Israel

a) A guarantee in the approximate amount of NIS 25 million is provided to Gas Lines Ltd., to guarantee payment for natural gas delivery according to the agreement.

b) A guarantee in the approximate amount of NIS 42 million is provided to the Electricity Authority, to guarantee the terms of the Electricity License.

c) Other bank guarantees amounting to approximately NIS 47 million, provided during normal business operations to different authorities, e.g. courts, customs, Israel Land Authority and local municipalities.

Total local guarantees amount to approximately NIS 114 million.

2) Guarantees to Parties Abroad

The balance of guarantees in the form of documentary credit opened in banks for the benefit of Company's suppliers under agreements for importing equipment and services from abroad amounts to approximately NIS 37 million.

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

g. Linkage Basis Report

	As of December 31, 2025 (in NIS million)						
	Linkage to USD	Linkage to Euro	Linkage to Japanese Yen	Linkage to CPI*	Un-linked	Non-financial and others	Total
Assets							
Cash and cash equivalents	17	-	-	-	2,366	-	2,383
Short-term investments	-	-	-	-	419	-	419
Trade receivables for sale of electricity	-	-	-	-	4,869	-	4,869
Accounts receivable	150	-	-	131	1,500	417	2,198
Inventory- fuels	-	-	-	-	-	274	274
Inventory – stores	-	-	-	-	-	109	109
Long-term inventory fuels	-	-	-	-	-	2,932	2,932
Long-term receivables	1,036	-	-	-	308	43	1,387
Assets with respect to post-employment benefits	-	-	-	-	-	12,463	12,463
Fixed assets, net	-	-	-	-	-	66,966	66,966
Intangible assets, net	-	-	-	-	-	1,325	1,325
Debit balances of regulatory deferral accounts, net of tax	-	-	-	-	-	11,468	11,468
Total	1,203	**-**	**-**	**131**	**9,462**	**95,997**	**106,793**

* Including adjustments to fair value of hedging transactions (including due to credit risk)

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

g. Linkage Basis Report (continued)

	As of December 31, 2025						
	(in NIS million)						
	Linkage to USD	Linkage to Euro	Linkage to Japanese Yen	Linkage to CPI*	Un-linked	Non-financial and others	Total
Liabilities							
Credit from banks and other credit providers	413	44	(1)	2,208	23	-	2,687
Trade payables	457	187	-	-	2,279	-	2,923
Accounts payable and accruals	106	-	11	156	1,044	-	1,317
Current tax liability	-	-	-	-	-	511	511
Provisions	-	-	-	-	-	825	825
Advances from work orders less works in progress	-	-	-	-	-	1,289	1,289
Debentures, liabilities to banks and others	6,255	22	1,118	24,685	1,500	470	34,050
Long-term lease liabilities	1	-	-	504	-	-	505
Long-term currency exchange transactions	(6,823)	(217)	(1,129)	8,325	1,332	-	1,488
Long-term liability to the State of Israel	-	-	-	1,971	-	-	1,971
Liabilities with respect to post-employment benefits	-	-	-	-	-	4,396	4,396
Deferred taxes, net	-	-	-	-	-	9,139	9,139
Shareholders' Equity	-	-	-	-	-	43,269	43,269
Credit balances of regulatory deferral accounts and deferred taxes for regulatory deferral accounts	-	-	-	-	-	2,423	2,423
Total	**409**	**36**	**(1)**	**37,849**	**6,178**	**62,322**	**106,793**
Total, Net	**794**	**(36)**	**1**	**(37,718)**	**3,284**	**33,675**	**-**
Exposures covered by the electricity rate **	(379)	-	-	-	-	379	-
Total exposure, net	**415**	**(36)**	**1**	**(37,718)**	**3,284**	**34,054**	**-**

* Including adjustments to fair value of hedging transactions (including due to credit risk)
Regarding the exposure to the CPI following the transition to IFRS see Note 14m above.

** The Company recognized a financial asset with respect to the Dollar receipts to be received as part of the compromise agreement with the Egyptian Gas Companies in an amount of approximately NIS 379 million, to be returned in full to the consumers within the electricity rate. For details, see Note 14o above.

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

g. Linkage Basis Report (continued)

	As of December 31, 2024						
	(in NIS million)						
	Linkage to USD	Linkage to Euro	Linkage to Japanese Yen	Linkage to CPI*	Un-linked	Non-financial and others	Total
Assets							
Cash and cash equivalents	173	-	-	-	1,984	-	2,157
Short-term investments	-	-	-	-	3,539	-	3,539
Trade receivables for sale of electricity	-	-	-	-	5,157	-	5,157
Accounts receivable	107	-	-	262	182	312	863
Inventory- fuels	-	-	-	-	-	1,399	1,399
Inventory – stores	-	-	-	-	-	167	167
Long-term inventory fuels	-	-	-	-	-	1,944	1,944
Long-term receivables	701	-	-	-	750	-	1,451
Investment in associate companies	-	-	-	-	-	15	15
Assets with respect to post-employment benefits	-	-	-	-	-	12,962	12,962
Fixed assets, net	-	-	-	-	-	63,608	63,608
Intangible assets, net	-	-	-	-	-	1,219	1,219
Debit balances of regulatory deferral accounts, net of tax	-	-	-	-	-	10,168	10,168
Total	**981**	**-**	**-**	**262**	**11,612**	**91,794**	**104,649**

* Including adjustments to fair value of hedging transactions (including due to credit risk)

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

g. Linkage Basis Report (continued)

	As of December 31, 2024 (in NIS million)						
	Linkage to USD	Linkage to Euro	Linkage to Japanese Yen	Linkage to CPI*	Un-linked	Non-financial and others	Total
Liabilities							
Credit from banks and other credit providers	79	70	-	2,162	1,735	-	4,046
Trade payables	621	184	-	-	2,379	-	3,184
Accounts payable and accruals	114	1	13	177	1,024	-	1,329
Current tax liability	-	-	-	-	-	744	744
Provisions	-	-	-	-	-	739	739
Advances from work orders less works in progress	-	-	-	-	-	1,199	1,199
Debentures, liabilities to banks and others	7,630	67	1,277	25,121	-	475	34,570
Long-term lease liabilities	2	-	-	733	5	-	740
Long-term currency exchange transactions	(8,234)	(290)	(1,293)	8,889	1,972	-	1,044
Long-term liability to the State of Israel	-	-	-	1,981	-	-	1,981
Liabilities with respect to post-employment benefits	-	-	-	-	-	4,728	4,728
Deferred taxes, net	-	-	-	-	-	8,448	8,448
Shareholders' Equity	-	-	-	-	-	38,297	38,297
Credit balances of regulatory deferral accounts and deferred taxes for regulatory deferral accounts	-	-	-	-	-	3,600	3,600
Total	**212**	**32**	**(3)**	**39,063**	**7,115**	**58,230**	**104,649**
Total, Net	**769**	**(32)**	**3**	**(38,801)**	**4,497**	**33,564**	**-**
Exposures covered by the electricity rate **	(492)	-	-	-	-	492	-
Total exposure, net	**277**	**(32)**	**3**	**(38,801)**	**4,497**	**34,056**	**-**

* Including adjustments to fair value of hedging transactions (including due to credit risk)
Regarding the exposure to the CPI following the transition to IFRS see Note 14m above.

** The Company recognized a financial liability for the leasing of the ships of the Coal Company, whose balance as of December 31, 2023 is approximately NIS 41 million, exchange rate differentials and interest for the liabilities are covered by the electricity rate and are included in regulatory deferral accounts. Simultaneously, the Company recognized a financial asset with respect to the Dollar receipts to be received as part of the compromise agreement with the Egyptian Gas Companies in an amount of approximately NIS 506 million, to be returned in full to the consumers within the electricity rate. For details, see Note 14o above.

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

h. The following are details of open commitments for carrying out swap transactions in foreign currency and forward transactions:

	As of December 31, 2025			
Type of transaction	**Currency receivable**	**Currency payable**	**Principal amount receivable**	**Principal amount payable**
			(in NIS millions)	
Cash flow hedge swap transactions	USD	NIS	4,705	4,990
Cash flow hedge swap transactions	Euro	NIS	17	19
Cash flow hedge swap transactions	Yen	NIS	611	791
Other swap transactions	USD	Linked NIS	1,117	1,173
Other swap transactions	Yen	Linked NIS	305	425
Other swap transactions	NIS	Linked NIS	5,800	6,513
Forward transactions	USD	NIS	910	924
Forward transactions	Euro	NIS	200	202
Forward transactions	Yen	NIS	204	209

	As of December 31, 2024			
Type of transaction	**Currency receivable**	**Currency payable**	**Principal amount receivable**	**Principal amount payable**
			(in NIS millions)	
Cash flow hedge swap transactions	USD	NIS	5,379	4,990
Cash flow hedge swap transactions	Euro	NIS	51	57
Cash flow hedge swap transactions	Yen	NIS	699	791
Other swap transactions	USD	Linked NIS	1,276	1,146
Other swap transactions	Yen	Linked NIS	349	415
Other swap transactions	NIS	Linked NIS	5,838	6,407
Forward transactions	USD	NIS	1,188	1,189
Forward transactions	Euro	NIS	241	253
Forward transactions	Yen	NIS	233	239

For details of the fair value balance with respect to swap transactions see section k below.
For details of the impacts on the Profit and Loss with respect to the financial instruments in this section, see Note 32 below.
These transactions are intended to cover exposures in the statement of financial position.
The Company does not hold financial instruments for sale or profit producing purposes.

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

i. Cash flow hedging

The Company finances its development plan and refinances its debt, inter alia, by executing issuances and other debt raising in foreign currency. This financing exposes the Company to risk with respect to foreign currency. In order to hedge the foreign currency risk of this activity, the Company executed transactions to hedge foreign currency swap (for the term until repayment of the debt on dates and in amounts conforming to the expected payment schedules) in order to hedge the exchange rate risk deriving from those same future transactions, that are intended to hedge cash flows.

These hedge transactions are treated in the Financial Statements as cash flow hedge transactions. These transactions fully hedge the exposure with respect to foreign currency risks with respect to the principal and interest of the debentures and other debt raisings.

1. **Movement in capital funds in respect of derivative financial instruments used for cash flow hedging (before tax effect)**

	2025		2024	
NIS in millions	Hedging fund	Hedging cost fund	Hedging fund	Hedging cost fund
Balance as of January 1	246	(292)	256	(235)
Change in fair value	675	109	(185)	(57)
Change in fair value transferred to profit and loss	(758)	-	175	-
Balance as of December 31	**163**	**(183)**	**246**	**(292)**

As to the Company's accounting policy regarding cash flow hedging, see Note 2l above.
For details on the expected cash flows from cash flow hedging transactions, see Section d above.

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

j. Financial instruments measured at fair value for disclosure purposes only:

The book value of certain financial assets and financial liabilities, including cash and cash equivalents, trade receivables, short-term and long-term receivables, short-term investments, deposits, short-term loans and credit, trade and other payables, matches or is close to their fair value.

	Book value		Fair value	
	December 31		December 31	
	2025	2024	2025	2024
	(NIS in millions)		(NIS in millions)	
Financial liabilities – level 1				
Long-term debentures (including current maturities and interest payable)				
Negotiable debentures in Israel at fixed interest rates (1) .	26,194	26,510	26,552	26,116
Financial liabilities – level 2				
Long-term debentures and loans (including current maturities and interest payable)				
Long-term loans at fixed interest rate (4)	2,034	1,999	2,008	1,957
Long-term loans at variable interest rate (5)	1,587	1,741	1,589	1,745
Non-negotiable fixed-interest debentures in Israel (2).....	633	781	644	799
Non-negotiable fixed-interest debentures abroad (3).....	7,850	8,966	8,051	8,993

(1) The negotiable debentures issued by the Company in Israel are valued at prices quoted on the Tel Aviv Stock Exchange.

(2) The non-negotiable debentures issued by the Company in Israel are valued at individual quotes calculated by Mirvah Hogen Ltd.

(3) Non-negotiable debentures at fixed interest abroad.

1. Debentures issued by the Company abroad in U.S. Dollars
   (a) The debentures for which there is an individual quote in the “Bloomberg” system are revalued using an effective yield calculation derived from the system.
   (b) The debentures for which there is no individual quote in the “Bloomberg” system ("unquoted debentures") are revalued as follows:
      1. If there are quotes in the “Bloomberg” system for debentures with a shorter and longer life than unquoted debentures, then the revaluation for it is carried out by interpolating the quoted yields.
      2. If there are no quotes for interpolation of yields as specified in section 1, then the revaluation for it is carried out by the longest quoted effective debenture yield scheme together with the difference between the US Treasury Bond yield with the longest life available on the “Bloomberg” system and the US Treasury Bond yield with the same life as the longest quoted debenture.
2. Debentures issued by the Company abroad in Japanese Yen
   (a) If there is an individual quote in the “Bloomberg” system for the yield on Dollar debentures of the Company with a similar life to Japanese debentures, then the revaluation is carried out in the “Bloomberg” system by converting the Dollar effective yield to effective yield in Japanese Yen.
   (b) If there is no individual quote in the “Bloomberg” system for the yield of Dollar debentures of the Company with a similar life to Japanese debentures, then the revaluation is carried out by converting the Dollar yield of debentures with a shorter and longer life than debentures to be revalued to effective yield in Japanese Yen and interpolation between the yields converted to the appropriate duration.

(4) The fair value of the fixed interest index linked NIS loans is revalued through discounted cash flows expected with respect to the loans, with the yield that is appropriate to the average duration of the loan which is calculated by linear interpolation of the yields of the Company’s negotiable index linked debentures.

(5) The fair value of the variable interest loans is equal to the unpaid principal balance and accrued interest as of the Statement of Financial Position date (which corresponds to their book value without deferred expenses).

NOTE 25:- FINANCIAL INSTRUMENTS (Continued)

k. Fair value hierarchy of instruments measured at fair value:

The financial instruments of the Company, measured at fair value through the Statement of Operations and Comprehensive Income according to levels are detailed as follows:

Financial instruments measured at fair value are classified according to the lowest level at which significant use is made to measure the fair value of the whole instrument.

Level 1: Quoted prices (unadjusted) in active markets for financial assets and liabilities.
Level 2: Data which are not quoted prices included in level 1, observed directly (namely prices) or indirectly (data derived from prices), regarding financial assets and liabilities.
Level 3: Data of financial assets and liabilities which are not based on observed market data.

Hedging transactions included in level 2 are calculated at fair value, based on expected interest curves.

	Level 2	
	Year ended December 31	
	2025	2024
	NIS in millions	
Financial Assets		
Swap transactions designated for cash flow hedging	1	397
Other Swap and Forward transactions	223	369
Financial Liabilities		
Swap transactions designated for cash flow hedging	484	140
Other Swap and forward transactions	1,022	942
Total liabilities with respect to hedge transactions, net	**1,282**	**316**

NOTE 26:- REVENUES

a. The composition:

	For the Year ended December 31		
	2025	2024	2023
	NIS in millions		
Residential	11,938	12,533	11,800
Ultra-high voltage commercial	369	237	211
High voltage commercial	2,606	2,358	2,277
Low voltage commercial	6,873	6,661	6,562
East Jerusalem Electricity Company and Palestinian Authority	2,972	2,979	2,681
Infrastructure services (**)	1,673	1,073	750
Revenues from the sale of electricity	**26,431**	**25,841**	**24,281**
Other income (***)	314	343	405
	26,745	**26,184**	**24,686**

(**) Infrastructure services are mainly electricity transmission and distribution services that are provided to private electricity producers, and income from system costs.

(***) Are mainly included in the generation, supply, distribution segments, and activity that is not within the framework of the electricity chain.

Rate updates

- On January 1, 2023, the domestic consumer rate increased by approximately 8.2% compared to the rate published on August 1, 2022.
- On February 1, 2023, the domestic consumer rate decreased by approximately 1.5% compared to the rate published on January 1, 2023.
- On April 1, 2023, the domestic consumer rate decreased by approximately 2.4% compared to the rate published on February 1, 2023.
- On February 1, 2024, the domestic consumer rate increased by approximately 2.6% compared to the tariff published on April 1, 2023.
- On January 1, 2025, the domestic consumer rate increased by approximately 3.5% compared to the previous rate from February 1, 2024.
- After the Statement of Financial Position date, on January 1, 2026, the domestic consumer rate increased by approximately 1.5% compared to the previous rate from January 1, 2025.

For additional details regarding updates of the electricity tariff, see Note 3 above.
For details regarding the decision for updating the tariff structure, see Note 3c above.

b. The scope of sales deriving from private producers and Noga:

	For the Year ended December 31		
	2025	2024	2023
	(kWh in millions)		
Total electricity sales of the Company (*)	47,303	48,692	47,853
Scope of electricity purchases by the Company from private producers	19,544	19,856	16,438
Their measure of the total electricity sales of the Company (in %)	41%	41%	34%

(*) Without infrastructure services which are mainly electricity transmission and distribution services provided for private electricity producers and private suppliers.

NOTE 27:- COST OF OPERATING THE ELECTRICITY SYSTEM

Following is the composition of the cost of operating the electricity system after separation of wage and depreciation components:

The composition:

	For the Year ended December 31		
	2025	**2024**	**2023**
	NIS in millions		
Fuels	5,454	6,096	7,296
Electricity purchases	8,777	9,840	6,860
Operation of the generation system	819	700	696
Operation of the transmission and distribution system and other	536	564	525
	15,586	**17,200**	**15,377**
Wages	1,650	1,615	1,671
Depreciation and amortization	3,765	4,010	3,932
	21,001	**22,825**	**20,980**

NOTE 28:- OTHER REVENUES, NET

The composition:

	For the Year ended December 31		
	2025	**2024**	**2023**
	NIS in millions		
Revenue from the sale of stations (1)	-	(6,783)	-
Forfeiture of Eshkol guarantee	-	-	(100)
Income from insurance indemnification (2)	(344)	-	-
Capital gain from sale of buildings	-	-	(41)
Income from forfeiture of guarantees for connecting producers	(11)	(5)	(51)
Net income from the Asset Arrangement (3)	(224)	(71)	(6)
Others	3	-	9
	(576)	**(6,857)**	**(189)**

(1) On June 3, 2024, the sale transaction of Eshkol site was completed, for proceeds in the amount of NIS 9,173 million, in addition to NIS 56 million for the additional fuels sold to the purchasers. From this sale, other revenues of NIS 6,783 million were created for the Company. For details of the designation of the profit and, accordingly, the creation of regulatory liability, see Notes 1e9, and 14p above.

(2) See Note 1h1

(3) See Note 1f.

NOTE 29:- SALES AND MARKETING EXPENSES

The composition:

	For the Year ended December 31		
	2025	2024	2023
		NIS in millions	
Wages	394	375	378
Consumer services	347	346	294
Depreciation	218	192	181
	959	**913**	**853**

NOTE 30:- ADMINISTRATIVE AND GENERAL EXPENSES

The composition:

	For the Year ended December 31		
	2025	2024	2023
		NIS in millions	
Wages	502	462	471
Doubtful and bad debts (*)	52	120	247
Depreciation and amortization	158	156	161
Others	152	160	207
	864	**898**	**1,086**

(*) For more details regarding the provision for doubtful debts, see Note 6a.

NOTE 31:- WAGE COSTS

The composition:

	For the Year ended December 31		
	2025	2024	2023
		NIS in millions	
Wage costs without remeasurements	5,028	4,760	4,763
Wages of employees lent to the sold power stations	(126)	(115)	(66)
Wage costs without remeasurements and without borrowed employees wage	4,902	4,645	4,697
Remeasurements capitalized into fixed assets	(14)	65	(278)
Total wage costs	4,888	4,710	4,419
Less:			
Wages charged to fixed assets	2,315	2,230	1,845
Wages charged to other items that are not consequential	27	28	54
Total wage costs included in Statement of Operations items, net	**2,546**	**2,452**	**2,520**

NOTE 32:- FINANCIAL EXPENSES, NET:

	For the Year ended December 31		
	2025	**2024**	**2023**
		NIS in millions	
a. Interest expenses:			
Interest expenses due to debentures	1,077	1,244	1,224
Interest expenses due to liabilities to banks	31	149	170
Interest expenses due to lease liabilities	31	80	17
Interest expenses due to liabilities to the State of Israel	35	34	33
Interest income due to hedge transactions	(180)	(301)	(292)
Other interest expenses	138	50	34
Total interest expenses	**1,132**	**1,256**	**1,186**
b. Other (income) expenses			
Changes in the fair value of the hedge transactions	1,141	457	(298)
Sums transferred to other comprehensive income due to cash flow hedging	26	(67)	121
Expenses (income) from differences in exchange rate differentials	(1,010)	29	290
Expenses from differentials of linkage to the CPI	667	885	663
Total other expenses (income)	**824**	**1,304**	**776**
c. Less - credit costs capitalized as part of fixed assets cost*	**463**	**653**	**500**
Total financing expenses	**1,493**	**1,907**	**1,462**
Other financing income	**(610)**	**(566)**	**(321)**
Total financing expenses, net	**883**	**1,341**	**1,141**
* The capitalization rate which served the calculation of non-specific credit costs	4.85%	6.31%	5.77%

NOTE 33:- RELATED AND INTERESTED PARTIES

The related and interested parties of the Company are as defined in the Securities Law - 1968, and in International Accounting Standard 24 (IAS 24). The State of Israel is the sole interested party in the Company, therefore, the State of Israel and companies and other entities controlled by it (including Government companies, local authorities and Government ministries and other corporations in which the Government has a certain percentage of ownership), constitute related and interested parties of the Company (the data below do not include transactions with companies that are owned by local councils).

a. 1. Total Balances of Related and Interested Parties, Quoted from the Consolidated Statement of Financial Position

	December 31,	
	2025	2024
	NIS in millions	
Trade receivables for sales of electricity and others	96	75
Natural Gas Lines Ltd., see section b1 below (including current maturities)	-	33
Accounts receivable and debit balances, including long-term	25	90
Liabilities to suppliers and service provides (including debt to Natural Gas Lines Company Ltd. and balance with the Noga Company according to the manner of the Company's accounting with the Noga Company)	339	455
Payables and credit balances	274	205
Advances from parties ordering works net of works in progress	229	268
Liabilities to the State of Israel (including current maturities), see section b2c below	2,028	1,993
Lease liabilities, (including current maturities) see Note 21 above	220	386

The Company sent requests for balance confirmations at the end of 2025 to 432 electricity customers, and 276 suppliers and other customers who conform to the aforementioned criteria. The Company did not receive any confirmations from customers and 29 confirmations were received from suppliers.

2. The total transactions with related and interested parties, taken from the consolidated report:
The Company's revenues from those transactions carried out with related parties and interested parties, during its ordinary course of business, are: sales of electricity, electricity connections and works according to execution contracts. In the framework of its purchases, the Company primarily buys electricity from Noga, natural gas transmission, water and land leasehold services from the above-related parties and interested parties. Payments to the State and its authorities as a sovereign entity, namely payments pursuant to law, such as taxes and fees, are transactions not deviating from the Company's ordinary course of business.

a) Revenues:

(1) The revenues from electricity sales for the year ended on December 31, 2025, and the year ended December 31, 2024 from related and interested parties (in accordance with invoices that were issued, and not including income receivable) were approximately NIS 1,789 million and NIS 1,727 million , respectively (mainly revenues from Mekorot Ltd. of approximately NIS 463 million, and approximately NIS 398 million, respectively, and from Netivei Israel - Transport Infrastructure Company of approximately NIS 112 million and approximately NIS 96 million, respectively, and from local authorities).

(2) The revenues from providing infrastructure services to the Noga Company for the year ended on December 31, 2025, and the year ended December 31, 2024 amounted to approximately NIS 1,673 million and approximately NIS 1,073 million, respectively.

(3) Revenues recorded for the year ended on December 31, 2025 and the year ended December 31, 2024, from the Gas Lines Company in the amount of approximately NIS 1 million and an amount of approximately NIS 5 million, respectively, mainly from interest and exchange rate differences to finance the building of the natural gas pipeline.

(4) The revenue recorded for the year ended on December 31, 2025 from the Asset Arrangement in the Other Income, net line item amounted to NIS 224 million compared to NIS 71 million in 2024.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

a. 2. (continued)

b) Expenses:

(1) The electricity purchases and other costs from the Noga Company for the year ended on December 31, 2025, and the year ended December 31, 2024 amounted to approximately NIS 4,417 million and approximately NIS 5,850 million, respectively.

(2) Expenses for the year ended on December 31, 2025, for natural gas transmission fees to Natural Gas Lines, were about NIS 229 million and construction costs for fixed assets were about NIS 56 million. For the year ended on December 31, 2024, for natural gas transmission fees to Natural Gas Lines, were about NIS 180 million and fixed asset construction costs in an amount of approximately NIS 35 million (see details in section b2d below).

(3) The remaining expenses for the year ended on December 31, 2025, and the year ended December 31, 2024, (primarily local authorities, leasing depreciation and financing expenses to related parties, maintaining a temporary stock of diesel fuel for sectoral emergency, transmission of fuels and water) were about NIS 721 million, and about NIS 658 million, respectively.

b. The Company enters into Several Types of Transactions with Related and Interested Parties:

1. Irregular Transactions (according to Section 270(4) of the Companies Law):

To the best knowledge of the Company, the following are details of irregular transactions with a controlling party, or in which the controlling party has a personal interest according to section 270(4) of the Companies Law, entered by the Company, that are in effect as of the date of the Statement of Financial Position, and transactions in the two years preceding the Statement of Financial Position date.

Project for the Establishment of a Natural Gas Transmission System:

According to the agreement of November 10, 2004, between the Israel National Gas Lines Ltd ("INGL"), the Government of Israel and the Company, under which the Company will fund, manage and order the work required to set up part of the natural gas transportation system. In 2025, the balance of the loan to INGL for financing the project was fully repaid.

2. Other Transactions (which are not Irregular and not Negligible):

a) The Europe and Asia Pipeline Company Ltd. ("EAPC")

The investment balance in leasing tugboats (including current maturities) included in long-term other receivables as on December 31, 2025 and December 31, 2024, are approximately NIS 48 million and NIS 57 million, respectively.

b) Energy Infrastructures Ltd. ("EI")

1) In January 1997, an agreement was signed between the Company and EI, within which EI constructed an oil distillate line ("the oil distillate line") to the Gezer site, through which oil distillates are pumped for 50 years from the beginning of the regular operation of the line, namely up to May 2048. The charter signed between EI and the Company is for 25 years. The lease is treated in the Company's books as a finance lease. The balance of the lease as of December 31, 2025 amounts to approximately NIS 0.3 million, and as of December 31, 2024, amounts to approximately NIS 3 million. The amortized amount of the right-to-use asset as of December 31, 2025 is approximately NIS 1 million, and as of December 31, 2024, approximately NIS 2 million.
Estimated original cost of the transaction is approximately NIS 32 million. The effect of this transaction on the profitability of the Company is negligible.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

b. The Company enters into Several Types of Transactions with Related and Interested Parties: (continued)

2. Other Transactions (which are not Irregular and not Negligible): (continued)

b) Energy Infrastructures Ltd. ("EI") (continued)

2) Diesel fuel segments:

On June 5, 2016, a Government decision was taken for the construction of fuel lines for connecting the dual fuel power stations owned by private producers to the national diesel fuel transmission system. Further to the decision, EI is required to plan and perform a project to establish the infrastructure and connect the stations. In accordance with Government decisions, on July 12, 2020, an engagement agreement was signed between the Company as the long arm of the Ministry of Energy and EI for the construction of diesel fuel pipe segments in exchange for the infrastructure rate determined by the supervisory order, as well as for line maintenance payments in accordance with the rate. Where the project's planning and performance, the lines' maintenance and the ownership of the lines will be under EI's full responsibility.

The Company's responsibility is to transfer the payments for the project to EI until the agreement is assigned to Noga, alongside the transfer of responsibility for the continuity of the economic function. The transaction has no consequential impact on the Company, the cost of the payments to EI is collected through the rate charged to the Company's consumers and is included in the settlement of system costs with Noga.

The first payment for the construction costs will be made within 60 days following the completion of each segment, and for the duration of 20 years (linked to the fuel sector's infrastructure rates). This project is expected to be completed during 2026. Up to the end of December 2025, the construction of six pipe segments was completed.

c) Liability to the State of Israel

In the 1990's the Company received loans in the amount of NIS 1.5 billion from the Industrial Development Bank Ltd., guaranteed by the State of Israel. In October 2009, a letter of assignment was entered between the bank and the State, assigning these loans to the State. Pursuant to the assignment there was no change in the conditions of the loans. Within the Assets Arrangement, in 2018, these loans were converted to a CPI-linked NIS loan which was adjusted to the market conditions prevailing at that time. The balance of the loan as on December 31, 2025 is approximately NIS 2,028 million (including before transfer to current maturities). (December 31, 2024 – NIS 1,993 million).

d) Agreement for the Transmission of Natural Gas

In June 2006, the Company and the Gas Lines Company (hereinafter: Gas Lines) signed an agreement for the transmission of natural gas according to the version published by the Natural Gas Authority, which is applicable to all gas consumers. In January 2009, the agreement of 2006 was replaced by a new agreement with a validity of 15 years from the date of connection of each site to the gas transmission system. The Company's Board of Directors approved the agreement on February 2, 2008.

The original cost of the transaction for the period of the agreement was estimated at approximately NIS 2,520 million. Within the electricity rate, the Electricity Authority grants the Company recognition for the capacity and energy costs in accordance with the gas quantities calculated by it in the fuels basket.

Following the update of the transmission rate in accordance with the decision of the Natural Gas Authority in the Ministry of Energy, the capacity cost paid by the Company to Natural Gas Lines in 2025 amounted to approximately NIS 229 million.

1. Increasing capacity and contractual engagements

a. An update agreement was signed on December 2019 with regards to the transmission agreement, including an addition to the Company's aggregate capacity in relation to the CCGTs to be built and operated by natural gas at the "Orot Rabin" site. Connection fees to the site in an amount of approximately NIS 65 million, were paid by the Company according to standard terms of the transmission agreement.

The capacity payments for Unit 70 began in June 2022 and for Unit 80 in February 2025.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

b. The Company enters into Several Types of Transactions with Related and Interested Parties: (continued)

2. Other Transactions (which are not Irregular and not Negligible): (continued)

d) Agreement for the Transmission of Natural Gas (continued)

1. Increasing capacity and contractual engagements (continued)

b. In August 2020, an addendum was signed with respect to the transmission agreement with the Gas Lines Company for the purpose of connecting the first unit at the Rutenberg power station, which will be converted from coal to natural gas, following the Minister of Energy's decision to phase out the use of coal and convert coal-fired units into natural gas. The connection fee with respect to the converted unit amounts to approximately NIS 45 million was paid by the Company and charged to fixed assets in accordance with the standard terms of the transmission agreement.
Capacity payment for this unit began in March 2023.

In December 2021, an addendum to the agreement with the Gas Lines Company was signed for the connection of the second unit at the Rutenberg power station which is being converted from coal to natural gas. Connection fees for this converted unit in the amount of approximately NIS 100 million were paid by the Company and charged to fixed assets in accordance with the standard terms of the transmission agreement.
Capacity payments for this unit began in March 2025. The increase in capacity for the CCGTs being constructed at "Orot Rabin" was also approved on this date.

c. In January 2023, an addendum to the transmission agreement with the Gas Lines Company was approved, regarding the connection of 4 additional units which are converted to gas, two units at the Rutenberg power station and two units at the Orot Rabin power station. The payment of connection fees for Unit 4 at Rutenberg of NIS 26 million was paid by the Company in accordance with the standard terms of the transmission agreement.
Capacity payments for this unit began in September 2025.

The connection fees for Unit 3 in Rutenberg and Units 5 and 6 in Orot Rabin were charged to fixed assets amounting to approximately NIS 116 million per year and are expected to be updated in accordance with actual costs of INGL.
Capacity payments for Unit 3 at Rutenberg began in October 2025.

d. In October 2023, an update to the transmission agreement was signed with the Gas Lines Company for the purpose of extending the term of the agreement for the Gezer site, beyond the 15 years stipulated in the original agreement, by an additional five years until May 2029, or until the termination of gas transmission to the site, whichever comes first. The transaction amount for the capacity ordered for the Gezer site is estimated at NIS 35 million per year.

e. In January 2024, an update to the transmission agreement was signed with the INGL, in order to extend the term of the agreement for the Hagit site, beyond 15 years as stipulated in the original agreement, by an additional five years until June 2028, or until the termination of gas transmission to the site, whichever comes first.

f. The effect of the 15-year transmission agreement ended for the Reading and Eshkol sites at the end of June 2021 and the beginning of July 2021, respectively. In June 2020, an extension was approved with respect to the transmission agreement of these sites by either 5 years or until the date of the sites' sale and the signing of transmission agreements between Gas Lines and the future buyers, pursuant to the reform outline as stated in Note 1e, whichever is sooner.
The term of the agreement for Eshkol site ended with the sale of the site at the beginning of June 2024.

g. In May 2025, an update to the transmission agreement was signed with INGL for the purpose of extending the agreement period for the Tzafit site, beyond 15 years as stipulated in the original agreement, by an additional five years until the end of April 2030, or until the termination of gas transmission to the site, whichever is earlier.

2. Reductions resulting from the sale of stations

Within the framework of the reform in the electricity sector, the Company sold the power station in Alon Tavor in December 2019, the power station in Ramat Hovav in December 2020, units 3-6 at the Hagit site in June 2022 and the power station in Eshkol in June 2024.
The monthly capacity payments decreased accordingly with the sale of each site.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

b. The Company enters into Several Types of Transactions with Related and Interested Parties: (continued)

2. Other Transactions (which are not Irregular and not Negligible): (continued)

e) Remote disconnection of wind turbines:

As part of the Government's policy to encourage the use of renewable energies, private wind turbine electricity generation projects are advanced in the North of Israel by private entrepreneurs. The Ministry of Defense has conditioned its approval in finding a required technological solution for states of emergency.
The estimated value of the transaction is approximately NIS 250 million. A rate of 85% of the value of the transaction will be financed in accordance with the decision of the Electricity Authority's plenum (hereinafter: the "Authority") of December 23, 2019, as follows: one third by the electricity consumers through electricity rate recognition, two thirds through collection from the private entrepreneurs.

As of the Statement of Financial Position date, the Company has collected from the electricity consumers and the private developers (from November 1, 2021, through Noga) approximately NIS 247 million and transferred to the Ministry of Defense an amount of approximately NIS 220 million.

This agreement has no consequential impact on the Company.

f) Leasing tanks for the storage of sectorial diesel fuel

On October 31, 2021, the Company signed an agreement with "Energy Infrastructures Ltd." (hereinafter: "EI") for the leasing of tanks to store sectorial diesel fuel. The agreement is expected to be transferred in the future to the Noga Company.

The building of the tanks began at the end of 2023 and is expected to be completed by the end of the first quarter of 2027. The leasing term is 20 years as of the date of the tanks' handover, and the Company has the option to extend the leasing term for an additional 20 years. The monthly leasing fee is in accordance with the leasing rate applicable upon the date of the tanks' handover pursuant to the Order for Supervision of Product and Service Prices (Infrastructure Rates in the Fuel Sector), 2014.
Following the Swords of Iron War and the need for additional container capacity, it was agreed with "EI" to bring forward the leasing of two containers to advance and bridge the gap until construction of the new containers is completed. Accordingly, in 2023, the Company recognized a right-of-use asset against a lease liability in the amount of NIS 46 million.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

b. The Company enters into Several Types of Transactions with Related and Interested Parties: (continued)

2. Other Transactions (which are not Irregular and not Negligible): (continued)

g) Maintaining a temporary diesel inventory for a sectoral emergency

1. On November 22, 2023, an agreement was signed between the Company and EAPC for the purchase of temporary diesel fuel inventory, its storage and sale by EAPC. On June 20, 2024, the agreement with EAPC was extended until December 31, 2024.

   On June 27, 2024, an additional agreement was signed between the Company and EAPC for the purchase of an additional quantity of temporary diesel fuel inventory by EAPC and its storage in an additional tank. The agreement is under similar terms to the above-mentioned agreement and is valid until January 31, 2025. In accordance with the agreements, EAPC was given the option to terminate them by giving 30 days' prior notice.

   According to a directive from Noga the agreement period with the EAPC was extended in both agreements by two additional phases in additional year, one is until the end of December 2026 and the other until the end of January 2027.

   After the Statement of Financial Position date, on February 26, 2026, a directive was received from the Power Authority to immediately enter into agreement with Bazan for the purchase of diesel fuel and with the EAPC for the lease of a tank at the EAPC. Further to this directive, the Company acted in accordance with the directive within the framework of an update to the existing lease agreement with the EAPC.

   The said diesel fuel is intended to be used by the electricity sector for emergency purposes, according to the instructions of the System Manager at "Noga", which also serves as the Power Authority in the Electricity Sector and with the approval of the Supreme Power Authority managed by the Director General of the Ministry of Energy. The ownership and control of the diesel fuel, in accordance with the agreement, belongs to EAPC and therefore the purchase cost is not included in the Company's books. Also, in accordance with the agreement, the Company will bear the lease and financing costs and will reimburse EAPC or alternatively be reimbursed by EAPC for price differences that arise if EAPC will sell the diesel fuel until the end of the agreement or transfer it at market prices for use by the Company or private producers if directed by the Power Authority to do so.

2. On January 8, 2024, an agreement was signed between the Company and “EI” Company regarding the purchase of temporary diesel fuel inventory, its storage and sale by “EI”. The agreement was valid until May 31, 2024.

   On October 15, 2024, an agreement was signed between the Company and EI for the purchase and maintenance of temporary diesel fuel inventory. The agreement is valid until October 31, 2025.

   On October 26, 2025, the agreement was extended under the same terms for one year until October 31, 2026. The use of diesel fuel and ownership and control are identical to the agreements with EAPC as specified in section 1.

   The cost of the lease, the flow, the financing and the derivative for the price differences in the agreements in sections 1 and 2 above in 2025 amounts to approximately NIS 90 million (2024 – NIS 88 million).

h) For further details regarding transactions with related parties of the coal company see Note 34a5 below.

i) For additional details regarding transactions with related parties of Netiv Haor, see Note 1e9 above.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

b. The Company enters into Several Types of Transactions with Related and Interested Parties: (continued)

2. Other Transactions (which are not Irregular and not Negligible): (continued)

j) Urban and National Infrastructure Projects

1. Agreement for Cooperation in the Metro Project

On June 5, 2024, the Company and NTA Metropolitan Mass Transit System Ltd. (hereinafter: "NTA") entered into a cooperation agreement on a National Infrastructure Project aimed at establishing a network of metro lines in the Tel Aviv metropolitan area.
The agreement regulates the manner in which infrastructure works, connection works and/or works to relocate existing infrastructures necessary to advance the project are carried out. The agreement period ends on December 31, 2028.
As of December 31, 2025, the total advances received from NTA on account of works, net of actual works, amounted to approximately NIS 99 million.
The total consideration from the performance of the works by the Company is estimated at approximately NIS 600 million.

2. Relocation of high voltage lines

The Company performs work to relocate high voltage lines and ultra-high voltage lines at the request of the customers.
As of December 31, 2025, the balance of net advances for these works from interested parties and related parties amounts to approximately NIS 169 million.

3. Negligible Transactions according to Regulation 41(a3)(1) to the Securities Regulations (Annual and Financial Statements), 2010

Negligible Transactions Procedure
The Company and its consolidated companies carry out or may carry out, as part of their normal business activities, transactions and/or obligations to carry out transactions with a controlling party, or in which the controlling party has a personal interest ("Controlling Party Transaction"), as well as transactions with interested parties, as defined in section 1 of the Securities Law – 1968, and transactions with related parties of the Company as defined under International Accounting Standard 24.
Usually, these transactions are not material to the Company or its consolidated companies, from both the quantitative and qualitative aspects and are generally carried out under similar terms to terms of transactions with third parties. Moreover, from the Company's point of view, these transactions are mostly integral to its current activity, since the Company is on the one hand a Government Company, where the controlling party is the State, and on the other hand, a supplier of an essential and central service to the Israeli economy.

a) On March 29, 2012, the Company's Board of Directors approved a procedure that determines in advance guidelines and rules for classifying controlling party transactions as minor transactions, as stated in regulation 41(a3)(1) to the Securities Regulations (Annual Financial Statements) 2010, that will serve to examine the required extent of the disclosure in the periodic and quarterly reports and in the prospectus of a controlling party transaction, as stated in regulation 22 of the Securities Regulations (Periodic and Immediate Reports) 1970 (hereinafter: the "Regulations of the Reports") and in regulation 54 of the Securities Regulations (Details of the Prospectus and Draft of the Prospectus – Structure and Shape), 1969

b) On February 28, 2013, the Company's Board of Directors approved an amendment to the quantitative test within the Procedure (described in section (a) below). In addition, the Board of Directors approved the adoption of the Procedure with respect to the disclosure that will be provided to transactions with related parties and to transactions with interested parties within the framework of the Notes to the Financial Statements.

These guidelines and rules were determined, inter alia, after considering the types and characteristics of transactions by the controlling party in the Company, transactions with interested parties and transactions with related parties of the Company, noting the scope of activity of the Company, which is one of the largest companies in the economy, the volume of the Company's assets, liabilities and revenues. These guidelines may be examined from time to time by the Company's Board of Directors, which is entitled to change them from time to time and/or add other guidelines.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

b. The Company enters into Several Types of Transactions with Related and Interested Parties: (continued)

3. Negligible Transactions according to Regulation 41(a3)(1) to the Securities Regulations (Annual and Financial Statements), 2010 (continued)

Negligible Transactions Procedure (continued)

According to these guidelines and rules, it was determined that a Controlling Party Transaction and/or an Interested Party Transaction and/or a Related Party Transaction will be considered as a minor transaction if it passes the following two-stage test:

a) Quantitative Test:

The scope and/or value of the transaction are less than NIS 10 million.

In multi-annual transactions (for example: an agreement for a period of several years) the transaction will be examined to decide if it is minor on an annual basis (namely, does the annual financial amount deriving from the agreement exceed the amount stated in the aforementioned rule).

Each transaction will be inspected separately, however combined or conditional transactions (which are actually part of the same agreement), will be examined in aggregate.

b) Qualitative Test:

The transaction is part of the normal business activity of the Company and is inherent to its current activity, carried out at market conditions and from its type, nature and effect on the Company it is immaterial to the Company and there are no special considerations arising from all the circumstances of the transaction, indicating the materiality of the transaction.

The Audit Committee reviews the Negligible Transaction Procedure in the Company every year.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

c. 1) Remuneration and benefits to Key Management Personnel and Interested Parties (including Directors) employed by the Company:

	Year Ended December 31,			Payment in the Year Ended December 31,		
	2025	2024	2023	2025	2024	2023
	Number of Individuals			NIS in millions		
Total gross salary	37	32	29	38.2	32.5	27.2
Employer's costs	37	32	29	8.9	7.1	5.7
Total remuneration	**37**	**32**	**29**	**47.1**	**39.6**	**32.9**
Benefits with respect to severance	4	3	1	3.2	3.2	0.4
Post-employment benefits – pension liability balance and other benefits	37	29	22	92.3	82.9	67.4
Short-term employee benefits	33	29	28	5.9	3.5	2.6

a) Key Management Personnel in the Company include: Chairman of the Board of Directors, CEO, members of Company Management, directors. See details of remuneration to Directors in section c2 below.

On November 18, 2021, the Board of Directors of the Company, in accordance with the recommendation of the Remunerations Committee on November 4, 2021, re-approved the updated remuneration policy for senior officers of the Company (the "Remuneration Policy"). The above approval was given after the Board of Directors discussed and considered the recommendations of the Company's Remuneration Committee, taking into consideration the criteria prescribed in the Companies Law and taking into account the considerations and principles detailed below. The compensation package was adapted to the size of the Company, the nature of its activity, the Company's desire to retain its officers, and the fact that the Company is a government company subject to the provisions of the Government Companies Law and its various regulations, and the directives of the Government Companies Authority, which restrict the Company's ability to act independently in matters of wages and employee benefits. The Company's objectives and considerations and principles at the base of the policy which reflect the updated Company objectives, approvals required for approval or update of the Company's officers' terms of employment, parameters relating to examination of the remuneration terms, the remuneration terms for the Company's officers, remuneration in connection with employment termination, and the liability insurance clause for officers, inter alia, were updated within the approved remuneration policy. The Remuneration Policy was approved at the general meeting of February 3, 2022.

On January 30, 2025, the Company's Board of Directors approved, in accordance with the recommendation of the Compensation Committee as of that date, the updated compensation policy for Senior Officers of the Company (the "Compensation Policy"). The approval as stated above was given after the Board of Directors discussed and considered the recommendations of the Company's Compensation Committee on the matter, taking into account the criteria set forth in the Companies Law and taking into account the considerations and principles detailed below. The compensation package was adjusted to the size of the Company, the nature of its operations, the Company's aspiration to retain its Officers, and the Company's being a Government Company subject to the provisions of the Government Companies Law and its various regulations and the guidelines of the Government Companies Authority that limit the Company's ability to act independently in matters of salary and benefits for its employees. Within the framework of the approved compensation policy, the considerations and principles underlying the policy that reflect the Company's updated goals were updated, inter alia, and reference was added to the scope of the position of Chairman of the Board of Directors, the salary ranges of Management members were clarified, the Company segment was updated for the purpose of annual compensation and incentive grants and the arrangement regarding the renewal of liability insurance for Officers was updated. The compensation policy was approved at the General Meeting on March 10, 2025.

b) In 2025, personal remuneration was paid to 107 senior employees with personal contracts and officeholders in the amount of approximately NIS 14.5 million with respect to 2024. Considering the Company's compensation policy as described above, in addition there is a provision in the Company's books of approximately NIS 14.9 million for personal remuneration for senior officers employed with personal contracts and officeholders for 2025. This provision is not included in the salary data in sections c1 and c2.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

c. 2) Remuneration and benefits to Key Management Personnel and Interested Parties (including Directors) not employed by the Company:

	Year Ended December 31,			Year Ended December 31,		
	2025	2024	2023	2025	2024	2023
	Number of Individuals			NIS in millions		
Total benefits with respect to Directors not employed by the Company	* 12	*13	* 7	1.1	0.9	0.9

* In 2025 and in 2024 two Directors served on behalf of the employees, who do not receive salary for their participation in meetings of the Board of Directors.
The Company does not have benefits to Key Management Personnel who are not employed by the Company.

d. Regarding details of transactions with related parties of investee companies, see Note 10 above.

e. Several Indemnification Letters furnished by the Company:

1. <u>Indemnification of Directors and Officers of the Company</u>

a) On November 22, 2012, the General Assembly of shareholders, approved the issuance of a letter of indemnity to the Directors of the Company, the CEO of the Company, the VP Finance and Economics of the Company and the Legal Consultant and Secretary of the Company (hereinafter: "the Officers"), who served in the Company on the relevant determining date, even if the date of occurrence of the event to be indemnified took place prior to the date of issuing the letter of indemnity, for actions regarding the prospectus published by the Company on June 26, 2012 (as amended on July 2, 2012) and regarding decisions taken to execute private placements and debt raisings not under or based on a prospectus, all as detailed in the indemnification letter.

In accordance with the indemnification letter, the amount of indemnification the Company may have to pay for all the Officers, cumulatively, under the Indemnity Letter, and pursuant to any other undertaking and letter of indemnity issued to the Officers (within their meaning in the Companies Law) and the employees of the Company (including commitments and letters of indemnification issued by the Company to Officers and/or employees of the Company, in connection with the preparation, approval and publication of the Financial Statements of the Company as of June 30, 2009), or insofar as they will be issued by the Company in the future, including, if and insofar as the Company will provide indemnification in connection with a restructuring in the Company and/or privatization, shall not exceed an amount of NIS 10 billion or an amount constituting 25% of the Company's equity as of June 30, 2009, linked to the Israeli Consumer Price Index on July 2009.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

e. Several Indemnification Letters furnished by the Company: (continued)

1. Indemnification of Directors and Officers of the Company (continued)

b) On May 25, 2015, the General Meeting of shareholders, approved granting letters of indemnification to the directors, Company CEO and officeholders of the Company, who are serving and/or have served in the Company, even if the date of occurrence of the event to be indemnified occurred before the date of granting the letter of indemnification, for actions regarding the prospectus of May 25, 2015 or the financial statements, all as detailed in the indemnification letter.

According to the letter of indemnification, the cumulative indemnification sum the Company might have to pay all the officeholders, pursuant to the letter of indemnification and pursuant to any obligation and other letter of indemnification for officeholders which was given or insofar as will be given in future, will not exceed an amount constituting 25% of the Company's equity as of the date of payment, according to the Company's latest financial statements which were approved before the actual payment date, according to the lowest among them.
Additionally, it was determined in the letter of indemnification that except in the event that the Companies Authority publishes a policy document with regard to indemnification of officeholders, which would benefit the officeholders in the issues arranged in this paragraph (in which case the provisions of the stated policy with respect to this issue will apply), executing any payment pursuant to the letter of undertaking to indemnify is dependent on the approval of a committee of the Board of Directors, consisting of at least two members, when none of its members have a personal interest, direct or indirect, in the execution of the payment, and most of its members are independent or external directors, that the terms set in the letter of undertaking to indemnify for executing the payment are fulfilled. If the Company does not have a committee of the Board of Directors as detailed in this paragraph, the payment will be dependent pursuant to the letter of undertaking to indemnify on the approval of the general meeting, that the terms set in the letter of undertaking to indemnify for executing the payment are fulfilled.

c) On December 21, 2015, the General Meeting of shareholders approved the granting of letters of indemnification to directors and office holders serving in the Company and/or who served in the Company, even if the date of occurrence of the event for which indemnification is possible occurred prior to the date of granting the indemnification letter, for actions regarding the shelf prospectus of November 27, 2015 or the financial statements, all as detailed in the indemnification letter.

As stated in the indemnification letter, the indemnification sum the Company might pay for all the officers, cumulatively, pursuant to the indemnification, will not exceed NIS 2 billion and will be set in stages as follows:

1) as of the date of execution of the Company's first raising on the basis of the shelf prospectus, and until the date on which the Company will raise, on the basis of the shelf prospectus, a sum of NIS 1.25 billion, the maximum indemnification amount will be NIS 0.5 billion. For the avoidance of doubt, as of the date of execution of the first raising as stated, the indemnification will apply to all the actions with respect to a prospectus or financial statement (as their definition in the letter of indemnification), including actions which were executed by the Company before the date of execution of the issue on the basis of the shelf prospectus.

2) to the extent that the Company will raise, on the basis of the shelf prospectus, securities in an amount exceeding NIS 1.25 billion and up to a total amount of NIS 5 billion, the maximum indemnification amount will be determined as the multiplication of the total amount raised by the Company on the basis of the shelf prospectus by 0.4.

3) to the extent that the Company will raise, on the basis of the shelf prospectus, securities in an amount of NIS 5 billion and more, the maximum indemnification amount will be NIS 2 billion.

It is clarified that despite the above mentioned, in any case the total indemnification amount which will be paid by the Company with respect to all the indemnification letters issued or that will be issued to officers will not exceed 25% of the Company's equity according to the Company's latest financial statements before the date of the actual payment of any indemnification.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

e. Several Indemnification Letters furnished by the Company: (continued)

1. Indemnification of Directors and Officers of the Company (continued)

d) On December 13, 2018 the Board of Directors of the Company, and on January 24, 2019, the General Meeting of shareholders, approved the granting of letters of indemnification to directors, the Company's CEO and Office Holders serving in the Company and/or who served in the Company, even if the date of occurrence of the indemnifiable event occurred prior to the date of granting the indemnification letter, for actions regarding the Offering Circular within the framework of the GMTN plan, all as stated in the indemnification letter.

According to the indemnification letter, as of the effective date (as defined in the indemnification letter), the amount of indemnification that the Company may pay to all the officers, cumulatively, according to the letter of indemnity, will not exceed NIS 2 billion, in levels that will be determined as follows:

1) If the Company will raise, on the basis of offering circulars within the GMTN plan, securities exceeding NIS 1.25 billion and up to a total sum of NIS 5 billion, then the maximum indemnification amount will be determined as a multiplication of the total amount raised by the Company on the basis of the offering circular by 0.4.
2) If the Company raises, on the basis of offering circulars within the GMTN plan, securities in the amount of NIS 5 billion or more, the maximum indemnification amount will be NIS 2 billion.

It is clarified that in spite of the aforesaid, in any event, the total amount of indemnity to be paid by the Company with respect to all indemnification letters issued or to be issued by it to officers will not exceed 25% of the Company's equity according to the Company's most recent financial statements, approved prior to the date of actual payment of any indemnification, and less any indemnification granted or that will be granted in subsidiary companies and associate companies according to the rate of the Company's holding therein, and that in any event, the total amount of the indemnification to be paid by the Company with respect to a letter of indemnity and with respect to letters of indemnification granted by the Company to its officers in accordance with the resolution of the general meeting of the Company of December 21, 2015, and the letters of indemnification to be granted by it the company to its officers in connection with the shelf prospectus published by the Company in April 2018, will not exceed NIS 2 billion.

Since the indemnification letter was limited to a term of 3 years as of the effective date, it remained in effect until February 7, 2021. On December 29, 2020, the General Assembly of Shareholders approved the renewal of the indemnification letter with for directors and senior officers, serving in the Company and/or who served in the Company, for an additional period of 3 years, i.e. until February 7, 2024.

e) On January 24, 2019, the General Meeting of shareholders, approved the granting of letters of indemnification to directors, the Company's CEO and office holders serving in the Company and/or who served in the Company, even if the date of occurrence of the indemnifiable event occurred prior to the date of granting the indemnification letter, for actions regarding the shelf offering published by the Company in April 2018 or the financial statements, all as stated in the indemnification letter.

According to the indemnification letter, as of the effective date (as defined in the indemnification letter), the amount of indemnification that the Company may pay to all the officers, cumulatively, according to the letter of indemnity, will not exceed NIS 2 billion, in levels that will be determined as follows:

1) As of the date of the Company's initial raising on the basis of the shelf prospectus, and up to the date on which the Company will raise, on the basis of the shelf prospectus, a sum of NIS 1.25 billion, the maximum indemnification amount will be NIS 0.5 billion.
2) If the Company raises, on the basis of the shelf prospectus, securities amounting to more than NIS 1.25 billion and up to a total amount of NIS 5 billion, then the maximum Indemnification amount will be determined as the multiplication of the total amount raised by the Company on the basis of the shelf prospectus by 0.4.
3) If the Company raises, on the basis of the shelf prospectus, securities in the amount of NIS 5 billion or more, the maximum indemnification amount will be NIS 2 billion.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

e. Several Indemnification Letters furnished by the Company: (continued)

1. Indemnification of Directors and Officers of the Company (continued)

e) (continued)

It is clarified that in spite of the aforesaid, in any event, the total amount of indemnity to be paid by the Company with respect to all indemnification letters issued or to be issued by it to officers will not exceed 25% of the Company's equity according to the Company's most recent financial statements, approved prior to the date of actual payment of any indemnification, and less any indemnification granted or that will be granted in subsidiary companies and associate companies according to the rate of the Company's holding therein, and that in any event, the total amount of the indemnification to be paid by the Company with respect to a letter of indemnification and with respect to letters of indemnification granted by the Company to its officers in accordance with the resolution of the general meeting of the Company of December 21, 2015, and the letters of indemnification to be granted by it the Company to its officers in connection with the issuance under the GMTN plan, will not exceed NIS 2 billion.

f) On January 24, 2019, the General Meeting of shareholders, approved the granting of letters of indemnification to Directors, the Company's CEO and Office Holders serving in the Company and/or who served in the Company, even if the date of occurrence of the indemnifiable event occurred prior to the date of granting the indemnification letter, for actions regarding the implementation of the Structural Change, all as stated in the indemnification letter.

According to the indemnification letter, as of the effective date (as defined in the indemnification letter), the amount of the indemnification that the Company may pay to all the officers, cumulatively, according to the letter of indemnity will not exceed NIS 2 billion.

It is clarified that in spite of the abovementioned, in any event, the total amount of indemnity to be paid by the Company with respect to all the letters of indemnification issued or to be issued by it to officers will not exceed 25% of the Company's equity according to the Company's latest consolidated financial statements approved prior to the date of payment In practice according to the letter of indemnity and less indemnification granted or to be granted in subsidiaries and associated companies according to the rate of the Company's holding therein.

Since the indemnification letter was limited to a term of 3 years as of the effective date, it remains in effect until May 10, 2021. On December 29, 2020, the General Assembly of Shareholders approved the renewal of the indemnification letter with for directors and senior officers, serving in the Company and/or who served in the Company, for an additional period of 3 years, i.e. until May 10, 2024.

g) On January 24, 2019, the general meeting of the shareholders approved the granting of a letter of indemnification to the directors, the Company's CEO and officers serving in the Company and/or that served in the Company, even if the date of occurrence of the indemnifiable event was prior to the date of granting the letter of indemnification, for actions regarding the implementation of the Assets Arrangement, all as stated in the indemnification letter.

According to the indemnification letter, as of the effective date (as defined in the indemnification letter), the amount of the indemnification that the Company may pay to all the officers, cumulatively, will not exceed NIS 1 billion.

It is clarified that in spite of the abovementioned, in any event, the total amount of indemnity to be paid by the Company with respect to all the letters of indemnification issued or to be issued by it to officers will not exceed 25% of the Company's equity according to the Company's latest consolidated financial statements approved prior to the date of payment In practice according to the letter of indemnity and less indemnification granted or to be granted in subsidiaries and associated companies according to the rate of the Company's holding therein.

Since the indemnification letter was limited to a term of 3 years as of the effective date, it remained in effect until January 3, 2021. On December 29, 2020, the General Assembly of Shareholders approved the renewal of the indemnification letter with for directors and senior officers, serving in the Company and/or who served in the Company, for an additional period of 3 years, i.e. until January 3, 2024.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

e. Several Indemnification Letters furnished by the Company: (continued)

1. Indemnification of Directors and Officers of the Company (continued)

h) On July 4, 2019, the General Meeting of shareholders, approved granting a letter of indemnity to Directors, to the Company CEO, and to Officers serving in the Company and/or that served in the Company from the effective date, even if the date of occurrence of the indemnifiable event was prior to the date of granting the letter of indemnity, for actions regarding the compromise agreement with the Egyptian Gas Companies, all as stated in the indemnification letter.

According to the indemnification letter, as of the effective date (as defined in the indemnification letter), the amount of the indemnification that the Company may pay to all the Officers, cumulatively, according to the letter of indemnity, will not exceed NIS 2 billion.

It is hereby clarified that in spite of the aforesaid, in any event, the total amount of indemnity to be paid by the Company with respect to all the letters of indemnity issued or that will be issued by it to Officers will not exceed 25% of the Company's equity according to the Company's most recent financial statements approved prior to the date of actual payment according to the letter of indemnity and less indemnities granted or that will be granted in subsidiaries and associated companies according to the rate of the Company's holding therein.

Since the indemnification letter was limited to a term of 3 years as of the effective date, it remained in effect until July 3, 2022. On April 18, 2024, the General Assembly of Shareholders approved the renewal of the indemnification letter for directors and senior officers, serving in the Company and/or who served in the Company, for an additional period of 3 years, i.e. from July 3, 2022 until July 3, 2025.

After the Statement of Financial Position date, on January 27, 2026, the Shareholders' General Meeting approved the renewal of the indemnity letter for Directors and Officers who serve in the Company and/or who served in the Company, for an additional period of 3 years, starting on July 3, 2025 and ending on July 3, 2028.

In accordance with this indemnity letter, the amount of indemnity that the Company may pay to all Officers, or to the Company's employees who are not Officers of the Company, in aggregate, shall not exceed NIS 600,000,000 (six hundred million New Shekels), while the amount of indemnity that the Company may pay to all Officers, or to the Company's employees who are not Officers of the Company, in aggregate, pursuant to commitment letters for indemnity for similar causes, given or to the extent that they may be given by the Company in the future, shall not exceed NIS 2 billion.

It is clarified that, notwithstanding the aforementioned, in any case, the total indemnity amount to be paid by the Company in respect of all indemnity letters issued or to be issued by it to its Officers or to the Company's employees who are not Officers, will not exceed 25% of the Company's equity according to the Company's most recent financial statements approved before the actual payment date according to the indemnity letter, less indemnities that have been or will be given in subsidiaries and associates in accordance with the Company's holding in such companies.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

e. Several Indemnification Letters furnished by the Company: (continued)

1. Indemnification of Directors and Officers of the Company (continued)

i) On February 3, 2022 the General Meeting of shareholders, approved granting a letter of indemnity to the Company's CEO, to each of the directors and officers serving in the Company and/or that served in the Company, even if the date of occurrence of the indemnifiable event was prior to the date of granting the letter of indemnity, for actions regarding the shelf prospectus published by the Company in May 2021 or the financial statements, all as stated in the indemnification letter.

According to the indemnification letter, the indemnification sum the Company might pay for all the Officers, or for Company employees who are not Officers of the Company, cumulatively, pursuant to the letter of indemnification, or with respect to letters of undertaking to indemnify for similar causes, given or insofar as will be given by the Company in future, will not exceed NIS 2 billion in stages that will be set as follows:

1) as of the date of execution of the Company's first raising on the basis of the shelf prospectus, and until the date on which the Company will raise, on the basis of the shelf prospectus, a sum of NIS 1.25 billion, the maximum indemnification amount will be NIS 0.5 billion.

2) to the extent that the Company will raise, on the basis of the shelf prospectus, securities in an amount exceeding NIS 1.25 billion and up to a total amount of NIS 5 billion, the maximum indemnification amount will be determined as the multiplication of the total amount raised by the Company on the basis of the shelf prospectus by 0.4.

3) to the extent that the Company will raise, on the basis of the shelf prospectus, securities in an amount of NIS 5 billion and more, the maximum indemnification amount will be NIS 2 billion.

It is clarified that despite the above mentioned, in any event, the total indemnification amount which will be paid by the Company with respect to all the indemnification letters issued or that will be issued by it to Officers and to Company employees who are not Officers of the Company will not exceed 25% of the Company's equity (neutralizing minority rights) according to the Company's latest consolidated audited or reviewed financial statements that were approved before the date of the actual payment under the letter of indemnification and less indemnification that was given or will be given in subsidiaries and associated companies according to the Company's holding rate therein and that in any event, the total indemnification amount that will be paid by the Company with respect to: letter of indemnification and with respect to other letters of indemnification given by the Company to its Officers or to Company employees who are not Officers of the Company in accordance with the decision of the Company's General Meeting of December 21, 2015, and the letters of indemnification given by the Company to its Officers regarding issuances pursuant to the GMTN plan in accordance with the decision of the Company's General Meeting of January 24, 2019, will not exceed NIS 2 billion.

NOTE 33:- RELATED AND INTERESTED PARTIES (continued)

e. Several Indemnification Letters furnished by the Company: (continued)

1. Indemnification of Directors and Officers of the Company (continued)

j) On December 4, 2024, the shareholders' General Meeting approved granting a letter of indemnity to the Company's CEO, to each of the Directors and Officers serving in the Company and/or that served in the Company, even if the date of occurrence of the indemnifiable event was prior to the date of granting the letter of indemnity, for actions regarding the Shelf Prospectus published by the Company in April 2024 or the Financial Statements, all as stated in the indemnification letter.

According to the indemnification letter, the indemnification sum the Company might pay for all the Officers, or for Company employees who are not Officers of the Company, cumulatively, pursuant to the letter of indemnification, or with respect to letters of undertaking to indemnify for similar causes, given or insofar as will be given by the Company in future, will not exceed what is determined in the following stages:

1) as of the date of execution of the Company's first raising on the basis of the shelf prospectus, and until the date on which the Company will raise, on the basis of the shelf prospectus, a sum of NIS 1.25 billion, the maximum indemnification amount will be NIS 0.5 billion.

2) to the extent that the Company will raise, on the basis of the shelf prospectus, securities in an amount exceeding NIS 1.25 billion and up to a total amount of NIS 5 billion, the maximum indemnification amount will be determined as the multiplication of the total amount raised by the Company on the basis of the shelf prospectus by 0.4.

3) to the extent that the Company will raise, on the basis of the shelf prospectus, securities in an amount of NIS 5 billion and more, the maximum indemnification amount will be NIS 2 billion.

It is clarified that despite the above mentioned, in any event, the total indemnification amount which will be paid by the Company with respect to all the indemnification letters issued or that will be issued by it to Officers and to Company employees who are not Officers of the Company will not exceed 25% of the Company's equity (neutralizing minority rights) according to the Company's latest consolidated audited or reviewed financial statements that were approved before the date of the actual payment under the letter of indemnification and less indemnification that was given or will be given in subsidiaries and associated companies according to the Company's holding rate therein and that in any event, the total indemnification amount that will be paid by the Company with respect to letter of indemnification and with respect to other letters of indemnification given by the Company to its Officers or to Company employees who are not Officers of the Company in connection with offering securities to the public publication of financial statements or publication of shelf prospectus in the past and for indemnification letters the Company issued to its office holders in connection with offerings under GMTN plan will not exceed NIS 2 billion.

2. Other Indemnification Letters Provided by the Company

As of the year ended December 31, 2025, the Company has provided 7 commitment letters for indemnification for impairment claims under Section 197 of the Planning and Building Law – 1965 to various planning entities, including district planning and building committees, local building and planning committees, and Noga - Israel Independent System Operator Ltd.

After the Statement of Financial Position date, the Company submitted two additional indemnification letters in respect of claims, as stated in Section 197 of the Planning and Building Law, -1965.

In addition, 9 indemnity letters were delivered to related parties and interested parties, among others, for damages, to the extent that they may be caused as a result of the execution of works.

f. Central Provident Fund

For additional information see Note 11j above.

g. Structural Change Outline and the Asset Arrangement

For details regarding transactions and balances in relation to the Structural Change Outline and the Asset Arrangement, see Notes 1e and 1f above, respectively.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES

a. Agreements

1) Agreement on the Supply of Gas from the Tamar Field

a) In March 2012, the Company signed an agreement with the holders of the rights of the "Tamar" license (in this section hereinafter: the "Tamar Partners" or "Tamar Partnership") under which the Company undertook to purchase natural gas at a total minimal volume of approximately 42.5 Billion Cubic Meters ("BCM") natural gas (hereinafter in this Section: the "Agreement" or the "Tamar Agreement").

b) The gas price in the agreement is determined according to a formula that includes a base price and linkage to the US Consumer Price Index, with an addition of 1% in each of the years 2012 to 2019 and a deduction of 1% each year starting in 2020 until the end of the agreement period.

The agreement includes a mechanism of "Take or Pay" (hereinafter: the "TOP Mechanism") within which the Company undertook to pay for a minimal amount of natural gas, even if it did not use it, at an amount of 3.5 BCM a year in the first five years and afterwards at an amount of 2.5 BCM a year, and during the option period, if actually exercised, the annual quantity will increase to 5 BCM a year (subject to adjustments of the sale of the gas of the Tamar Partnership to private electricity producers and volume of electricity production of the Company). For details of the minimal amount of natural gas the Company will be required to purchase in view of the Board of Directors' decision to exercise the options including their amendments, see sections below.

Moreover, two dates were set in the agreement, on which each side will be permitted to demand, in case it thinks the purchase price does not appropriately reflect the gas purchase price in the Israeli market for an anchor customer, the adjustment of the purchase price "Price Re-Opener" as follows: after eight years have passed from the date of commencement of supply of gas from the "Tamar" field, the parties will discuss (at the request of either of the parties) the adjustment of the purchase price at a rate of up to 25% (addition or reduction) (the "Date of the first window for updating the contractual price"), after eleven years have passed from the date of commencement of supply of gas from the "Tamar Field", the parties will discuss (at the request of either of the parties) the adjustment of the purchase price at a rate of up to 10% (addition or reduction). In case of lack of agreement as to the rate of adjustment of the stated purchase price, the issue will be decided in an arbitration proceeding that will be held in accordance with the rules of the Israeli Institute of Arbitration if the amount in dispute is less than the amount set in the agreement, and in accordance with the rules of the London Court of International Arbitration if the amount in dispute exceeds the amount set in the agreement.

c) Upon arrival of the first date for the purchase price adjustment (July 1, 2021), on January 24, 2022, the amendment to the Tamar agreement was signed between the Company and all the Tamar partners (the "Amendment to the Agreement"), including Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited, which purchased all the rights of Delek Drilling – Limited Partnership in the Tamar reserve, whose main points are as follows:

1) The price of gas for the minimum quantity of natural gas the Company is required to purchase under the Tamar agreement (the TOP mechanism) will be reduced at a rate which is several percent higher than the maximum rate set in the agreement.
2) In accordance with the original agreement, the price of gas for the minimum quantity to be charged is linked to the rate of increase in the US Consumer Price Index (US.CPI) (hereinafter: the "Index") less 1% per year. The amendment to the agreement set limits for indexation as follows: an increase rate of up to 2.25% will be taken into account in full; the rate of increase between 2.25% and 3.75% will not be taken into account in the relevant year, and may be accumulated and taken into account in subsequent years only as long as the rate of increase in the index in those years is less than 2.25% and in any case the linkage in those years will not exceed 2.25%; an increase rate of over 3.75% will be taken into account in full (i.e.: the rate exceeding 3.75% will be fully taken into account). It will be clarified that in all those cases, less 1% as stated above.
3) In addition, the parties' entitlement for an additional date for opening a price for the minimum quantity was maintained, at rates set in the agreement (in the range of up to 10%, addition or reduction), and this date will apply on December 31, 2024 (in lieu of the second date for adjusting the purchase price set in the agreement to July 1, 2024).
4) The period of the agreement will be extended for another two and a half years and will end on December 31, 2030. During the period of extension of the agreement, the Company will not be obligated to purchase the minimum quantity, and only the commitment to the operating quantity will apply, as detailed below.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

a. Agreements (continued)

1) Agreement on the Supply of Gas from the Tamar Field (continued)

c) (continued)

5) In addition, the Company will undertake to purchase another 16 BCM (from the contractual amount promised to the Company under the Tamar Agreement), with the amount divided over the agreement period according to the Company's expected needs, and only to the extent that this amount will be required by the Company in practice according to its operating needs (hereinafter: the "total amount of the operating liability") for the period from July 1, 2021 until the end of the Tamar Agreement period. If the Company does not consume the total amount of the operating liability by December 31, 2030, the agreement will be automatically extended until the full amount of the operating liability is consumed.
6) The Company will undertake to order a minimum daily quantity on an operating basis throughout the period of the agreement in quantities that will be specified in the detailed agreement to be signed.
7) A price is set for the operating quantity ,insofar as will be purchased, beyond the minimum annual quantity (Take or Pay), up to the maximum daily quantity for an amount lower than USD 4 per MMBTU, without linkage (hereinafter: the "operating price").
8) A price opening date has been added which will relate to the operating quantity, so that on July 1, 2028, each party will be entitled to demand the adjustment of the operating price in the range of up to 10% increase or reduction, according to the mechanism set forth in the Tamar Agreement.

On July 24, 2025, the Company entered into a non-binding memorandum of understanding with most of the Tamar Partners regarding the second date for opening the price for the minimum quantity, as stipulated in the agreement in section 3 above. As part of the Memorandum of Understanding, the parties were set a period of 60 days to reach agreement on the wording of the amendment to the agreement based on the main points of the Memorandum of Understanding.

On September 9, 2025, the Company learned that the Board of Directors of the general partner in Isramco Negev 2, Limited Partnership (Isramco) decided that it would not be in the best interest of the partners to advance the amendment to the agreement at this time.

On October 26, 2025, the Company learned that Tamar Petroleum decided that it would not be in the best interest of Tamar Petroleum to join the Memorandum of Understanding.

Since a final agreement was not signed, the MOU expired on October 23, 2025.

In accordance with the terms of the agreement, which states that if the parties fail to reach an agreement on the opening price, the matter will be referred to arbitration in view of the disagreements, the Company filed a request for arbitration against all Tamar partners on December 9, 2025. The arbitration will be conducted in London, England, in accordance with the rules of LCIA. The arbitration process is in its early stages and is expected to last approximately one and a half to two years.

In light of the aforementioned, in the absence of certainty for price reduction in the arbitration process gas expenses in the year ended December 31, 2025 were recorded in accordance with the binding agreement in effect as of the Financial Statement date.

d) Volume of gas purchases from the Tamar field

In 2025, the purchase of gas amounted to 2.84 BCM under the Company's TOP and the purchase of 1.84 BCM under the operational quantity commitment. (In 2024 – 2.88 BCM and 1.51 BCM respectively)

In total, since the beginning of the agreement and until the end of 2025, the total quantity of gas purchased by the Company under the agreement is 54.01 BCM.

As of the end of 2025, the total quantity of gas available to the Company from the Tamar field until the end of the agreement period is approximately 32.99 BCM (7.5 under the TOP and 25.49 under the operational quantity including options).

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

a. Agreements (continued)

2) Agreement for purchase of natural gas on SPOT basis from the "Leviathan" field

On July 4, 2021, the Company entered a SPOT agreement with the Leviathan reserve partners for the purchase of natural gas from the reserve, which is in force for a year. Under the agreement it was stipulated that the price of gas will be determined every month and the parties have no obligation as to the quantities purchased. Several updates to the agreement were signed to extend the term of the agreement by an additional year the last of which in effect is until July 2, 2026, without changing the terms of the agreement.

On January 28, 2026, the Company approved the termination of the agreement by mutual consent of the parties, following a proposal received from Leviathan to sign a new framework agreement for the purchase of gas on a SPOT basis, in which the determination of the gas price is in accordance with the terms defined in the export license granted to "Leviathan" partners by the Commissioner of Petroleum Affairs at the Ministry of Energy, for the sale of gas in the local market.

The new agreement was signed on February 12, 2026, and is valid for one year from the date of its signing. Under the agreement, the parties have no obligation regarding the quantities purchased and the Company is entitled to choose each month a price alternative from among four alternatives defined in the agreement for the following month.

3) Entering a SPOT agreement for the purchase of natural gas from the Karish reserve

On March 14, 2022, the Company entered a SPOT agreement with Energean Israel Limited for the purchase of natural gas from the Karish reserve, which is in effect for a year, starting from the date of commencement of production of the Karish reserve. Under the agreement it was agreed that the price of gas would be determined every month, and the parties have no obligation as to the quantities purchased. On October 29, 2022, natural gas delivery began from the Karish reserve, and accordingly, the natural gas supply period began according to the agreement. Several updates to the agreement were signed that extend the term of the agreement by an additional year the last of which in effect is until October 17, 2026, without changing the terms of the agreement.

4) The Company's agreements with private producers

As of the date of the system management unit's departure from the Company on November 1, 2021, the management of the agreements with private electricity producers at extra-high voltage has been transferred to Noga's responsibility. For further details regarding the sale of the system management activity to Noga, see Note 1e9 above.

The Company enters into agreements with private electricity producers in the distribution segment only. As of the date of the financial statements, the scope of production capacity of the private electricity producers with whom the Company contracted is approximately 4,267 megawatts, most of them electricity producers with renewable energies.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

a. Agreements (continued)

5) Contractual Engagements by the Subsidiaries

a) The Coal Company

1. The Coal Company entered into long-term agreements with suppliers and international shipping companies for the purchase and transportation of coal consignments. The commitment to purchase coal is made according to the same long-term agreements with coal suppliers, where the price of the major quantity of coal is linked to international indices of the coal price plus a fixed premium. The quantity of coal purchased by the subsidiary is based on the Electric Company's consumption forecast which is updated from time to time in accordance with the Minister's instructions and other parties.
   Some of the coal purchasing and marine shipping agreements are at fixed prices, in accordance with the Coal Company's policy. In coal purchasing agreements, fixed prices are determined for a maximum period of 12 months in advance while marine shipping agreements are for various periods, and as to periodic leasing agreements, even for several years in advance. As of the date of approval of the Financial Statements, shipping prices in the market are lower than the prices of shipping agreements at fixed prices entered into by the Coal Company and most of the coal purchasing agreements entered by the Coal Company are linked to international coal price indices such that the market prices of coal are similar or equal to the prices of the aforementioned coal purchasing agreements and differences between the market prices and the agreements prices, if existing, are relatively small.

2. The Coal Company entered into agreements with suppliers to purchase coal for 2026 in the amount of 500 thousand tons.

3. In the first quarter of 2025, the Coal Company chose not to exercise the extension option and returned the leased ship that was in its possession.

4. Leasing tugboats

   The Coal Company has Bare Boat Charter agreements for 2 tugboats in Ashkelon Port for a period of 22 years from November 2019 with EAPC (a related party) for its activity of unloading the coal ships that visit the "Rutenberg" power station in Ashkelon, and all as part of the agreements between the Company, the Coal Company, and EAPC.
   The Coal Company has Bare Boat Charter agreements for 2 tugboats in Hadera Port with the Government of Israel (the Ministry of Transport) for docking coal ships to the coal pier in Orot Rabin power station in Hadera. One tugboat for a five-year period from 2013 and an additional period of one year each time up to a cumulative period not exceeding 15 years. A second tugboat for a four-year period from 2020 and an additional period of one year each time up to a cumulative period not exceeding 16 years.
   The leases are included in the Coal Company's books as finance leases.
   The total investment in the tugboat leases as of December 31, 2025 - NIS 48 million (as of December 31, 2024 - NIS 57 million).

5. Phasing out of coal use and conversion of coal-fired units to natural gas

   Regarding the phasing out of coal use and conversion of coal-fired units to natural gas, see Note 1g above.
   Due to the expected decline in the Coal Company's activity in coal procurement, and following the government resolution as stated in Note 1e7 above, to impose on the Minister of Energy and the Minister of Finance to submit a resolution proposal to the government to approve the Company's decision to establish a subsidiary for business development abroad, the Coal Company formulated a detailed outline combining the Company's overseas business development activity and the Coal Company's ongoing operations.
   The Board of Directors of the Coal Company instructed the management of the Coal Company to apply to the Government Companies Authority regarding the amendment of the Coal Company's Articles of Association, in order to turn it into the Company's business development subsidiary. As of the Financial Statements signing date, the aforementioned outline has not yet been implemented.

b) The Netiv Ha'Or Company

For details regarding agreements signed between the Company and Netiv Ha'Or see Note 1e9 above.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

a. Agreements (continued)

6) Contractual engagements which are not reflected in the Financial Statements

As of December 31, 2025, the Company has contractual engagements which are not reflected in the Financial Statements to procure fuels, purchase and ship raw materials, purchase equipment and services, construct facilities and leasing diesel tanks, as follows:

a) Ordering planning, consulting and equipment from suppliers in various currencies which, at their exchange rates as of the Statement of Financial Position date amount to approximately USD 381 million, approximately EUR 345 million, and approximately Swiss Franc 9 million. These orders will be financed, among others, by existing long-term credit lines from banks and foreign suppliers.

b) Contracts regarding construction, equipment supply, and current activities with local suppliers amounting to approximately NIS 4,700 million.

c) The contractual engagements of the Company with respect to fuels purchase and transmission costs (mainly natural gas) and lease of diesel oil tanks in different currencies under their rates of exchange as of the Statement of Financial Position date in the amount of approximately USD 2,494 million and NIS 3,997 million.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities:

1) The following are details of the applications filed with the Courts against the Company for their recognition as class actions. Based on the opinion of its legal advisors, the Company management foresees that it is more likely than not that the applications for their recognition as class actions will not be accepted, or if they are accepted, then the exposure caused by them will not be material.

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
a)	February 2018	Haifa District Court	The Company and the State of Israel	Claim of discrimination against minority shareholders under the Companies Law. According to the applicants, the discrimination is expressed by the non-distribution of dividends, the prohibited distribution of benefits to the State, while prioritizing it above the Company's shareholders, management of the Company for political reasons, and more. The application is submitted on behalf of "all the Company's shareholders from the public". On May 16, 2022, a judgment was rendered, within which the application to approve was rejected. On September 8, 2022, an appeal was filed against the decision. In a hearing held on February 23, 2025, dates were determined for filing the parties' arguments, regarding the settlement amount and after the Court will propose a settlement amount at its discretion. On June 26, 2025, the State and the appellants submitted their arguments regarding the purchase value. Responses to arguments were filed after the Statement of Financial Position date, on January 1, 2026. The Company's legal advisors estimate is that with regard to the appeal against the Company, it is more likely than not that the appeal will be dismissed.	No amount stated
b)	July 2019	Haifa District Court	The Company and 29 additional defendants	Claims of excess morbidity among those who resided in Haifa Bay for more than two years during their lifetime and were diagnosed with cancer, which was supposedly caused by exposure to pollution created by the respondents to the application. Evidentiary hearings in the case, which began on February 12, 2023, ended on July 20, 2023. On December 12, 2024, completed arguments were filed by the Company and most of the Respondents. Response summaries on behalf of the Applicants were filed on January 12, 2025. In the assessment of the Company's legal advisors, upon completion of the evidence hearing phase at the approval stage, it is more likely than not that the application for approval against the Company will be rejected.	No amount stated
c)	October 2019	Central District Court	The Company	Payments to private electricity producers passed onto the electricity consumers. A hearing in the Supreme Court on the appeal filed by the Company regarding the addition of third parties was scheduled for June 29, 2026. An update notice to the Court regarding the status of the appeal in the Supreme Court was filed after the Statement of Financial Position date, on January 7, 2026. In accordance with the Court's decision of January 8, 2026, the parties must file an additional update notice within 7 days of the date of the decision on the appeal and no later than July 15, 2026. At this preliminary stage of the process, before the evidentiary process began and before a decision has been made on the IEC's appeal against the decision preventing the filing of third-party notices, the assessment of the Company's legal advisors is that it is more likely than not that the application for approval will be rejected or that it will be determined in the course of the process that third parties must indemnify the Company for any payment it will incur.	330

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

1) The following are details of the applications filed with the Courts against the Company for their recognition as class actions. Based on the opinion of its legal advisors, the Company management foresees that it is more likely than not that the applications for their recognition as class actions will not be accepted, or if they are accepted, then the exposure caused by them will not be material. (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
d)	October 2019	Jerusalem District Court	The Company	Claim of artificially and deliberately inflating the costs of projects carried out by the Company as part of its ongoing work, while passing these costs on to electricity consumers and an allegation of inflated costs and negligence in carrying out the emissions reduction project (the scrubbers project). The parties conducted a mediation process without reaching agreements, and in a decision dated December 3, 2025, they were requested to provide agreed dates for a pre-trial hearing. In accordance with the decision dated May 8, 2025, from the time the mediation process has ended, the petitioner must submit a new and updated application for approval and an agreed application to strike the current application for approval by March 25, 2026. At this preliminary stage of the process, before the evidentiary process begins, it can be assessed with all the necessary caution that it is more likely than not that the application for approval will be rejected.	2,000
e)	May 2020 March 2024	Central District Court Central District Court	The Company	Petition for approval of a class action on the subject of a claim of violation of the provisions of the collection proceedings criteria taken by the Company unlawfully. On September 21, 2025, an application for approval of a compromise arrangement was filed. On March 12, 2026, the Company filed a supplementary notice and on the same day the Court ordered the publication of a notice regarding the filing of the application and determined that the parties must update the Court regarding the publication by March 29, 2026. In addition, on March 31, 2024, a motion was filed to approve an additional class action regarding the collection procedures in the amount of approximately NIS 39 million, together with a motion to consolidate the proceedings, alleging that the two proceedings raise similar common questions of law and fact regarding the Company's obligations. On June 6, 2024, the Company filed a response to the motion to consolidate the hearings in which the Court was requested to reject the consolidation motion and order to strike this motion for approval, alleging that the cause of action and the remedies in both motions are identical. A preliminary hearing on this application was held after the Statement of Financial Position date, on January 8, 2026. The hearing determined that the applicant may file a motion to amend the request for approval by February 8, 2026. On February 4, 2026, the Court approved an extension for filing the motion to amend the request for approval until March 8, 2026. The motion for amendment has not yet been filed, however, due to the special state of emergency (which has been extended until March 19, 2026), it is likely that it will be filed after its conclusion. In the opinion of the Company's legal advisors, it is more likely than not that the compromise arrangement between the parties in the first application, for an immaterial amount for which a provision was made in the Financial Statements, will be approved by the Court, and it is also more likely than not that the second request for approval will be rejected.	29.6 39

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

1) The following are details of the applications filed with the Courts against the Company for their recognition as class actions. Based on the opinion of its legal advisors, the Company management foresees that it is more likely than not that the applications for their recognition as class actions will not be accepted, or if they are accepted, then the exposure caused by them will not be material. (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
f)	September 2023	Haifa District Court Tel Aviv District Court	The Company	An application for approval of a class action concerning the claim that, in the absence of the possibility for people with disabilities to perform their own meter reading, since, according to the applicant, the electrical cabinet and the meter are not accessible, people with disabilities are denied the opportunity to report a self-reading in situations where the Company has performed an assessment (the first application) and an additional application for approval of a class action concerning the claim that the electricity meters are not accessible to people with disabilities and therefore they cannot benefit from the self-meter reading service (the second application), on August 17, 2025, the Court issued a decision ordering to strike the first application for approval. The applicant filed an appeal against this decision to the Supreme Court. After the Statement of Financial of Position date, on January 15, 2026, a hearing on the appeal was held in the Supreme Court and the Company was given a period of 14 days to submit a notice if the parties manage to reach an outline of a compromise with all parties or alternatively agree that the District Court's decision that has stricken off the first application for approval will be cancelled and the case will be returned to the District Court for hearing. Since then, the period for submitting the outline for a settlement agreement has been extended several times and the parties are still trying to formulate an agreement that will be agreed upon on both the first and second applications. The Company's legal advisors believe that the prospect of the settlement agreement being approved in an immaterial amount is higher than the prospect that will be rejected.	6.5 39.3
g)	October 2023	Central District Court	The Company	Application for approval of a class action regarding the claim that the Company does not fulfill its obligation according to the criteria regarding the installation of a smart meter within 60 days from the date of referral. On July 10, 2025, the Company advised that the negotiations held between the parties ended with no agreements. An evidentiary hearing was scheduled for November 23, 2025. On November 10, 2025, a notice of resumption of negotiations between the parties was filed with the Court, and therefore the evidentiary hearing date was canceled and an alternative date has not yet been set. On December 11, 2025, the parties submitted an additional update notice regarding the discussions between the parties and agreed dates, and in a decision dated December 12, 2025, an evidentiary hearing was scheduled for May 25, 2026. At this early stage of the process, the Company's legal advisors estimates that it is more likely than not that the request for approval will be denied, and in any event, even if approved, the amount of exposure is not material.	2.5

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

1) The following are details of the applications filed with the Courts against the Company for their recognition as class actions. Based on the opinion of its legal advisors, the Company management foresees that it is more likely than not that the applications for their recognition as class actions will not be accepted, or if they are accepted, then the exposure caused by them will not be material. (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
h)	December 2023	Haifa District Court	The Company	Application for approval of a class action regarding concerning the claim that the Company collects from electricity producers with whom the accounting is done according to the flow-through method, unlawful charges for "systemic-domestic cost charging" as a result of an incorrect calculation that does not comply with the Electricity Authority's decision. A first pre-trial meeting was held on March 20, 2025, during which it was proposed by the Court that the Company examine whether it is possible to transfer initial data to the applicant regarding the size of the group and on the basis of this data, the parties will consider how to continue the proceedings. In light of the court's proposal, the parties are conducting negotiations between themselves that have not yet matured into agreements. In the assessment of the Company's advisors, it is more likely than not that the application for approval will be rejected.	5
i)	January 2024	Tel Aviv District Court	The Company	Application for approval of a class action regarding the charging of in arrears interest as part of the electricity bills. On September 1, 2024, the parties submitted to the Court a settlement agreement according to which the procedure will be referred to mediation. The first pre-trial meeting was set for September 29, 2025. On August 10, 2025, the parties submitted a settlement agreement for Court approval. On October 29, 2025, an objection to the approval of the settlement agreement was filed by Yesh Tzedek Le'am Ltd. At the Court's request, the position of the Attorney General regarding the application has not yet been submitted. The compromise amount was provided for in the Financial Statements and is an immaterial amount.	Over 2.6
j)	October 2024	Central District Court	The Company	Application for approval of a class action regarding the claim that the Company charges meter reading fees in cases where a smart meter is installed and the Company does not perform meter reading. The Company filed its response to the motion for approval on March 12, 2025. A pre-trial hearing was held on July 10, 2025. On July 24, 2025, a notice was filed on behalf of the applicants stating that they stand by their claims and wish for the Court to hear the application for approval, hear and decide the case at this preliminary stage of the proceedings, and noting that a motion for approval of a similar class action filed against the Company ended with the applicants withdrawing from the application for approval after two pre-trial hearings were held and after receiving the position of the Electricity Authority. After the Statement of Financial Position date, on January 28, 2026, the Company filed a supplementary response. On February 8, 2026, the applicants filed a motion for leave of filing a response to the supplementary response and the Court granted the motion on that day. According to a further decision dated February 26, 2026, and agreed by the parties it was determined that the applicants' response will be filed by March 22, 2026. In the opinion of the Company's legal advisors, it is more likely than not that the application for approval will be rejected.	510.6

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

1) The following are details of the applications filed with the Courts against the Company for their recognition as class actions. Based on the opinion of its legal advisors, the Company management foresees that it is more likely than not that the applications for their recognition as class actions will not be accepted, or if they are accepted, then the exposure caused by them will not be material. (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
k)	February 2025	Haifa District Court	The Company	Application for approval of a class action lawsuit alleging that the Company is not careful to provide compensation that reflects the real value of the damages caused to the consumer in a request for compensation for damage to an electrical appliance, by delaying in providing a satisfactory response, transferring the compensation by check in the mail and not by the consumer's means of payment known to it and in its possession, and causing financial damage to consumers when the compensation is eroded in the absence of linkage to the consumer price index and without payment of additional interest from the date the consumer applied for compensation. On August 15, 2025, the Company submitted its response to the application for approval. On September 30, 2025, the applicant submitted his response to the Company's response. On October 20, 2025, a pre-trial hearing was held, in which, in light of the Court's comments, the applicant withdrew the claims that the Company is delaying providing a satisfactory response. In its decision of November 17, 2025, the Court ordered the parties to submit written briefs (without examination of affiants) with respect to two legal questions that remain to be decided. The applicant submitted his briefs on these questions on December 31, 2025, the Company must submit its briefs by April 26, 2026, and the applicant will be entitled to submit response briefs on its behalf by April 26, 2026. In a cautious assessment, the Company estimates that the chances of application for approval being granted, certainly with regard to the financial relief sought therein, are less than 50%.	11.7
	Total				**2,976.8**

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

2) Following are details of claims that were submitted against the Company to the courts for their recognition as class actions. As of the date of approval of the financial statements, the Company cannot, at this preliminary stage, estimate the prospects of the applications to be accepted.

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
a)	June 2023	Haifa District Court	The Company	Application for approval of a class action regarding a claim that the Company causes long and unreasonable delays in sending account recommendations and/or transferring payments due to private electricity producers for the generation of electricity transferred by them to the national electricity grid, as well as a claim regarding the failure to pay arrears interest due to these producers for such delays, contrary to the agreement between the parties submitted and/or the binding criteria on the Company and/or the provisions of the law. Mediation meetings were held and the mediation process is still in progress. The Company will file a response to the request for approval if the mediation process is unsuccessful. In light of the preliminary stage of the proceedings and considering the fact that response to the application for approval was not yet filed and the mediation process was not yet exhausted, the Company's legal advisors are unable to assess the chances of the request being accepted.	10
b)	May 2025	Tel Aviv District Court	The Company	On May 11, 2025, application for approval of a class action was filed against the Company in the amount of NIS 21 million alleging that the Company charges its customers excess amounts for credit card transactions. After the Statement of Financial Position date, on January 4, 2026, the Company filed its response to the application. On January 20, 2026, the applicant's response to the Company's response to the application for approval was filed. A pretrial hearing was held on February 25, 2026, at the conclusion of which the Court ordered that the parties will file an update notice by March 29, 2026, in which the parties will notify how they wish to go forward in the proceeding while taking into account the Court's comments in the pretrial. In light of the preliminary stage of the proceedings, the Company's legal advisors are unable to assess the chances of the request being accepted.	21.2
c)	September 2025	Haifa District Court	The Company	On September 7, 2025, a class action was filed against the Company to approve a class action regarding the consumption estimation method that the Company uses to charge consumers with basic meters who request to switch to a private supplier, in the amount of NIS 15.8 million. The Company's response to the application was filed on January 22, 2026. The response to the response was filed on March 8, 2026. After the Statement of Financial Position date, on March 15, 2026, a list of requests was filed on behalf of the Company, which included a request for disclosure of documents and a request to allow the Company to file a brief supplementary response in relation to the response to the response to the application for approval. A pre-trial hearing in the case was held on March 17, 2026. In the opinion of the Company's legal advisors, given the preliminary stage of the application for approval and as the Company's response has not yet submitted been and a preliminary hearing in the proceedings has not yet been held, it is not possible to assess the chances of the application at this stage.	15.8

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

2) Following are details of claims that were submitted against the Company to the courts for their recognition as class actions. As of the date of approval of the financial statements, the Company cannot, at this preliminary stage, estimate the prospects of the applications to be accepted. (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
d)	November 2025	Lod District Court	The Company	On November 11, 2025, an application for a class action was filed against the Company in an amount exceeding NIS 2.5 million, alleging that the Company continues to collect fixed monthly payments for night meters, the use of which has long ceased. The Company must submit its response to the application for approval by April 12, 2026. A pre-trial hearing in the case is scheduled for June 28, 2026. At this preliminary stage of the proceedings, the Company's legal advisors are unable to assess the prospects of the application being accepted.	2.5
e)	January 2026	Tel Aviv District Court	The Company	After the Statement of Financial Position date, on January 6, 2026, an application for a class action was filed against the Company regarding a claim that the Company is not compensating customers for significant disruptions in the electricity grid, in the amount of NIS 87 million. Given the preliminary stage of the proceedings, the Company's legal advisors are unable to assess the chances of the lawsuit being accepted.	87
f)	February 2026	Central District Court	The Company	After the Statement of Financial Position date, on February 11, 2026, a class action was filed against the Company alleging that the Company overcharges amounts from its consumers and does not reevaluate amounts upon their return, in the amount of NIS 2.5 million. Given the preliminary stage of the proceeding the Company is unable to assess the chances of the application being accepted.	2.5
	Total				**139**

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

3) a) Following are details of applications that have been filed with the Courts against the Company and have been recognized as class actions as of the date of approval of these Financial Statements:

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
a)	July 2009	District Court, Tel Aviv	The Company	A claim of illegal salary payments. The claimant alleges that the Company collects through electricity bills illegal amounts from electricity consumers, as part of the price of the electricity it supplies, to cover excessive, illegal and invalid salary (according to the claimant's claim) of Company employees. The management of the Company, based on its legal counsel, estimates that insofar as the District Court will oblige the Company to pay consumers with respect to the claimed salary irregularities, then it is more likely than not that the Court will determine that aforesaid payment sum, and the payment to the consumers will be executed in practice, through the electricity rates pursuant to the decision of the Electricity Authority, or in any other framework that will be determined by the Electricity Authority. On June 1, 2020, the judgment of the Supreme Court was given, in which it was determined, among other things, that the plaintiff has the burden of showing that each of the wage benefits he claims is exceptional, is not legally approved, and is financed by the consumers within the Electricity Tariff. After the verdict, the plaintiff filed an amended class action. On December 30, 2021, the position of the Electricity Authority was submitted, which clarified that when the 2002 tariffs were set, it knew about the disputes in connection with the salary payments, and was not misled, and that it does not believe that there is any reason to amend the electricity tariffs. The Authority also clarified that if the claim is accepted, there is a possibility that the Authority will include the restitution amount or part of it in the future electricity rates. As of February 25, 2024, a mediation process is taking place among the parties. After the Statement of Financial Position date, on January 4, 2026, the plaintiff filed an update notice on the progress of the mediation process with the Court and an application to file another update notice by March 1, 2026. On March 5, 2026, the Court granted the parties' request and determined that they must submit an update notice regarding the settlement, which would allow the continuation of the proceedings until April 5, 2026. In light of the ruling of June 1, 2020, and, the position of the Electricity Authority, the Company's legal advisors estimate, that the likelihood is no more than 70% that the District Court will decide that the Company is required to return to the consumers the payments with regards to which the application for approval, recognized as a class action, concerning salary payments, was submitted, and that the likelihood is no more than 70% that the District Court will decide (following the approval of the additional application to approve, if approved) that the Company is required to return to the consumers the payments with regards to which the additional application for approval was submitted.	5,000

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

3) a) Following are details of applications that have been filed with the Courts against the Company and have been recognized as class actions as of the date of approval of these Financial Statements: (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
b)	January 2023	Haifa District Court	The Company	A claim of discrepancies between the rate and the method of calculating meter reading and the amount of the credit for not reading the meter. The position of the Electricity Authority was submitted on June 20, 2024, explaining that the method used by the Company to credit the customers for not reading the meters in case of initiated skipping is acceptable to the Electricity Authority. Following the submission of the Electricity Authority's position on July 14, 2024, a hearing was held at the end of which dates were determined for submitting written summations. The petitioner's summations were filed on September 22, 2024, and the summations of the Company were filed on December 29, 2024. A decision approving the class action was issued on March 6, 2025. On June 3, 2025, the Company filed a statement of defense in the case. Pre-trial hearing was held on September 29, 2025. The case was forwarded to a mediation process. In this preliminary stage, the Company's legal advisors are unable to assess the scope of exposure in the claim.	2.5
	Total				**5,002.5**

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

3) b) Following are details of an application for recognition as a class action which the applicants claim was only submitted for the sake of caution, and is connected to the claim detailed in section a) above:

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
a)	October 2013	District Court, Tel Aviv	The Company	A claim of illegal salary payments. The applicants claim that the Company collects through electricity bills illegal payments from electricity consumers, as part of the price of the electricity it supplies, to cover excessive, illegal and invalid salary (according to the applicants' claim) of Company employees. The case currently awaits the continued hearing of the primary case as detailed in Section b3aa In any event, in the opinion of the Company's legal counsel, there is no likelihood exceeding 70% that the District Court will determine (after approval of the application to approve, if approved) that the Company is required to return to consumers the payments with respect to which the application for approval was filed.	2,000-3,000

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

4) Following are details of material legal proceedings including applications for their recognition as class actions that have been filed with the Courts against the Company, and the legal proceedings with respect to them have ended during the report period and up to the Financial Statements approval date:

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
a)	May 2019	Tel Aviv District Court	The Company and office holders	Application for approval of a class action against the Company concerning environmental hazards caused by coal dust and coal ash at the Orot Rabin Power station in Hadera. After the Statement of Financial Position date, on February 1, 2026, the Court's ruling was issued following the settlement agreement reached between the parties in which the Company will pay an immaterial amount for which a provision has already been made in the books.	Hundreds of Millions NIS
b)	May 2020	Tel Aviv District Court	The Company and Israel Railways	Application for approval of a class action regarding a claim on the publication of the privacy policy on the Company's website and a claim regarding the gathering of identifying information about customers and its transfer to third parties without the customers' informed consent. On September 22, 2024, the professional parties in the country submitted their comments on a compromise arrangement in the case. In accordance with the latest decision, the Court requested to accept the comments of the Company and applicant on the position of the Attorney General. On May 26, 2025, the Court approved the compromise arrangement submitted to it by the parties, the outcome of which is not material and validated it as a judgment.	2.5
c)	August 2021	Lod District Court	The Company	Application for approval of a class action regarding the consideration paid by the Company to its customers who request to connect to the electricity grid for the construction of transformer rooms. According to the claim, the consideration paid by the Company to the connection applicants is not fair and realistic consideration and results in the Company's unlawful enrichment at the expense of the connection applicants. On December 4, 2025, the Court approved the applicant's request to withdraw. The Court did not approve the payment of compensation and fees based on the Court's determination that no benefit was obtained for the group and that the withdrawal is correct also taking into account the difficulties in the cause of action, the position of the regulator and the question of whether a class action is the correct way to discuss this issue.	502

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

4) Following are details of material legal proceedings including applications for their recognition as class actions that have been filed with the Courts against the Company, and the legal proceedings with respect to them have ended during the report period and up to the Financial Statements approval date: (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
d)	November 2022	Central District Court	The Company	Application for approval of a class action against the Company regarding the issuance of a declaratory order according to which the Company acted contrary to the provisions of the Law and the issuance of an injunction instructing the Company to amend the "call back" service. In February 2024, the parties submitted a joint statement that they had been able to reach a settlement arrangement in the case, the results of which were not material. On July 21, 2024, the Attorney General's Office's response to the proposed settlement was submitted, in which it announced that it did not object to the proposed settlement but added a comment regarding the future arrangement of a callback mechanism and also expressed its opposition to the request to be exempted from paying the second part of the fee. On September 8, 2024, the parties' response to the position of the professional parties was submitted, in which the parties argued that since the professional parties do not object to the merit of the settlement, this indicates that the arrangement that was formulated is appropriate and reasonable under the circumstances, and accordingly, the Court was requested to validate the settlement as judgment. On April 23, 2025, a ruling was issued confirming the settlement agreement reached between the parties, whereby the Company will pay an immaterial amount to the fund for management and distribution of funds established by virtue of the Class Actions Law. As for the future arrangement, it was ruled that Call Back will be answered without delay by a representative available for the call, with the call itself possibly being routed via an automated mechanism. This concluded the proceedings. The amounts were paid by the Company.	3
e)	October 2023	Tel Aviv District Court	The Company	Application for approval of a class action lawsuit alleging that the Company does not credit anyone who was billed by the Company for the cost of a pre-disconnection notification service (bill payment notification) despite receiving the notification via email in accordance with the criteria. On March 19, 2024, the parties filed an agreed-upon motion for withdrawal. In the motion for withdrawal, the Company undertook to return and has already completed returning to its customers the full amounts of the credit that were not given to them, plus interest on arrears, in a total amount that is not material. On May 28, 2025, the District Court issued a ruling approving the motion for withdrawal and concluded the case in immaterial amount, which has already been returned by the Company to consumers.	2.5
f)	November 2023	Lod district Court	The Company	Application for approval of a class action regarding the claim that two payment components, within the fixed payment that the Company collects from consumers, are prohibited components that constitute fees the collection of which is prohibited under the Consumer Protection Law. A pre-trial hearing was held on July 14, 2024. On August 28, 2025, a ruling was rendered under which the application to approve a class action was rejected and the Company was awarded an order for costs. This concluded the proceeding.	384.3

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

4) Following are details of material legal proceedings including applications for their recognition as class actions that have been filed with the Courts against the Company, and the legal proceedings with respect to them have ended during the report period and up to the Financial Statements approval date: (continued)

	Date of filing the claim	Court in which the claim is conducted	Defendant	Subject of the claim and status of the proceeding	Amount of the claim (NIS in millions)
g)	April 2024	Central District Court	The Company Sytech Ltd. Ariel Properties Ltd.	Application for approval of a class action regarding the claim of unlawfully overcharging for a fixed payment in distribution and a fixed payment in supply at an incorrect rate and with an incorrect billing frequency. On September 3, 2024, a motion to strike in limine was filed on behalf of the Company and a motion to extend the deadline for filing a response to the motion to 30 days after a decision is made on the motion to dismiss. Similar motions were also filed by another respondent in the case. On February 12, 2025, a pre-trial hearing was held in which it was determined that the petitioners would notify by April 8, 2025 whether they still insist on pursuing the motion for approval, and if so, the Court would issue a decision on the motions for dismissal. Another pre-trial date was set for June 29, 2025. On July 21, 2025, the applicant filed with the court a motion for an agreed dismissal without an award of compensation and fees. On August 11, 2025, the court approved the motion for an agreed dismissal.	2.5
h)	March 2025	Be'er Sheva District Court	The Company	On March 24, 2025, a request for permission to send a notice to third parties was filed against the Company and additional parties in the Be'er Sheva District Court as part of an application to approve a class action for delays in the delivery of apartments in a project established by the petitioner in Bnei Brak in the amount of NIS 79.4 million. On May 27, 2025, the Company submitted its response to the request. On September 1, 2025, an agreed request was filed to strike off the request for leave to send a third-party notice against the Company. On the same day, the Court accepted the request and ordered the Company to be struck off from the proceedings, without an order for costs. This concluded the Company's part in the class action.	79.4
	Total				**976.2**

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

5) Other material claims and contingent liabilities

a) The total legal claims not mentioned in the previous sections amount to approximately NIS 476 million (including claims included in section b and 6d below) as of December 31, 2025, with respect to which no provision has been made for NIS 216 million of this. The estimate of the Company, which is based on the opinion of its legal advisors, is that the Company included provisions which adequately reflect the costs with respect to the said claims that it is more likely than not that they will be paid.

b) The Planning and Building Law states that owners of real estate rights who have been harmed by an outline plan are entitled to compensation from the local committees to whom the outline plan applies. For the construction of new 400 kV lines and 161 kV lines (except for a list of excluded lines as well as maintenance and upgrading to 161 kV lines), outline plans are required. The Company has undertaken to indemnify the local committees in whose area certain approved plans apply for the construction of 400 kV and 161 kV lines with the full amounts which the committees will be forced to pay to the owners of the real estate that will be harmed, (except for one plan in which the compensation burden will be divided among the institutional entities involved in the plan). These undertakings to indemnify were delivered as it was made clear to the Company that non-delivery would result in the non-approval or suspension of the plans.

Regarding remaining claims outstanding under section 197 of the Planning and Building Law, the estimate of the Company, based on the opinion of its legal counsel, which takes into account the opinion of the real estate appraisers who accompany the Company in some of the aforesaid claims, if all its claims are rejected and the Company will indeed be forced to pay monies with respect to these claims, then the Company included a provision which adequately reflects the costs with respect to the said claims where it is more likely than not that they will be paid. The Company is of the opinion that if any amounts are paid, these amounts will be part of the cost of constructing the relevant transmission lines, and due to the essentiality of the transmission lines and based on the opinion of its legal counsel, if and when the Company pays compensation with respect to the letters of indemnity, the Electricity Authority will be obliged to recognize them in the electricity rate.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

6) Other financial demands

a) Claims for payment of municipal taxes

After the Statement of Financial Position date, on February 3, 2026, a revised property tax assessment was received at the Company's offices for the "Orot Rabin" power station. This assessment increases the current property tax charge for 2026 by approximately NIS 20.5 million per year.

In addition, the municipality imposed a retroactive charge of approximately NIS 98 million for additional areas that were claimed to have been found on the property and were not reported, amounting to 86,502 square meters of built area and 138,525 square meters of land. With the addition of linkage differences and interest in the amount of approximately NIS 40 million, the charge amounts to a total of approximately NIS 156 million.

At this preliminary stage, before the assessment has been examined by the law firm that is consulting the Company and before the power station has been measured by the Company, but from only a preliminary analysis of the assessment, according to the Company's initial estimate (which is still subject to the completion of the required tests and to changes that may occur upon their completion), it is likely that the final charge for the years up to and including 2025, after the completion of the legal proceedings will not be material.

As of the Statement of Financial Position date, there are additional demands against the Company for municipal taxes in amounts exceeding the provision by about NIS 191 million, in Management's estimate, the provision adequately reflects the costs with respect to the said claims where it is more likely than not that they will be paid (as of December 31, 2024 – NIS 338 million). The decrease in the amounts of demands is primarily due to the payment of a settlement agreement with Ashkelon Municipality in the amount of NIS 29 million that was paid in the reported period for a final settlement of all municipal taxes until the end of 2024 for the power stations in the city and from the payment of a compromise agreement with the Gezer Regional Council, which was paid during the reporting period for the final settlement of all property tax liabilities until the end of 2025 for the power stations in the Regional Council.

b) The Israel Land Authority

The Company held and is holding discussions and clarifications with the Israel Land Authority from time to time, as needed, with respect to the lease fees for certain real estate properties at different sites.
As of the Financial Statements approval date, the Company is unable to estimate if it will be required to pay the usage fees for these sites and, if required, what amounts will be demanded. However, if the Company is eventually required to pay with respect to all these sites, it is probable that the total amount will not exceed NIS 15 million. The Company did not record any provision with respect to these demands in its Financial Statements.

c) Fees, Betterment Levies and Others

1. As of the Statement of Financial Position date, the Company has no demands with respect to fees and other levies in amounts exceeding the provision in the financial statements adequately reflecting, according to Management’s estimate based on the opinion of its legal counsel, the costs with respect to the said demands which are more likely than not to be paid. In addition, there are demands for which provisions were not included in the Financial Statements, in an amount of approximately NIS 814 million (of which NIS 575 million are for the two CCGTs under construction for the Netiv HaOr Company – see section 2 below and NIS 117 million for the Rutenberg site for the plans to convert the units to natural gas and connect the site to the gas system – see Section 4 below and the balance for other sites) as of the Financial Statements approval date, the legal advisors of the Company do not have the ability to estimate the exposure in their respect, and this is, inter alia, as a result of lack of material factual information regarding these cases, in view of their legal complexity and non-receipt of response from the relevant local authority to the claims raised by the Company.
   In the event that the Company is required to pay any sums, they will be included within the fixed assets, and the Company will apply to the Electricity Authority and demand that these sums be recognized in the electricity rate.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

6) Other financial demands: (continued)

c) Fees, Betterment Levies and Others (continued)

2. On April 27, 2021, the Company received a land betterment tax assessment in a nominal amount of NIS 592 million, out of which a demand for payment in an amount of NIS 575 million (net of the advance), with respect to the two CCGTs constructed at the Orot Rabin site by the Company for Netiv HaOr company, due to partial exercise of rights pursuant to NOP 10/a/1/13.
In October 2021, the Company submitted an appeal to the appeal committee against the land betterment tax charge, which was also attached with a counter-assessment. According to the appeal and the counter-assessment, no land betterment took place under the aforesaid outline, and alternatively, the applicable land betterment tax is lower than the amount of the advance paid by the Company and recorded as part of the building cost of the CCGTs. On May 1, 2023, the decision of the appeal committee was given, which accepted the appeal, canceled the improvement assessment and ordered the Local Authority to pay legal expenses. The Local Authority filed an appeal against the decision. On March 24, 2024, a ruling was issued in which the Administrative Court dismissed the local authority's appeal, with costs. On June 2, 2024, a request for leave of appeal was filed with the Supreme Court. On June 19, 2024, the Supreme Court ruled that the request for leave of appeal requires a response. The Company submitted its response on October 31, 2024. On December 2, 2024, the Court decided to schedule the case for a hearing and also ordered the Attorney General to consider presenting her position and submit it.
After the Statement of Financial Position date, on January 27, 2026, the position of the Attorney General was submitted, according to which an order should be issued to grant leave of appeal and to accept the appeal, by returning the hearing on the assessment and the manner of correcting the defect therein to the Appeals Committee. On February 3, 2026, a hearing was held before the Supreme Court on the proceedings. On February 11, 2026, the Supreme Court issued a ruling according to which the appeal was accepted in the sense that the judgment of the District Court and the decision of the Appeals Committee, the subject of the appeal, were dismissed and the hearing was returned to the Appeals Committee, which will hold another hearing on the appeal, after allowing the Local Authority to submit an opinion on its behalf. The Supreme Court noted that the ruling does not express a position on the substance of the matter, with respect to the alleged improvement or its rate. The Court also charged the Company to pay the expenses of the Local Authority.
In the event that the Company is required by the Appeals Committee and/or Court to pay any amounts with respect to the assessment, these will constitute part of the CCGT construction costs, and the Company will demand the Electricity Authority to recognize these amounts as part of the electricity rate.
For further details regarding the construction of power stations with combined cycle technology, see Note 1e above.

3. Further to discussions in the appeals committees regarding the sale of “Alon Tavor” station and “Ramat Hovav” and further to betterment assessments received by the Company regarding the sale of the “Hagit East” power station and “Eshkol”, on January 9, 2025, a settlement agreement was signed between the Company and the Haifa Tax Assessment officer and the Land Tax Offices of Nazareth, Beer Sheva, Hadera and Rehovot in which the betterment files were dealt which concludes the litigation for the power stations “Alon Tavor”, “Ramat Hovav”, “Hagit East” and the principles outline for the sale of the “Eshkol” power station.
In accordance with this agreement, there is no impact on the total tax expenses included in the Company's Financial Statements. The agreement resulted in an impact on the timing of the Company's utilization of tax losses, which did not result in an impact on its cash flow. Regarding the sale of the "Eshkol" station, litigation was concluded with the Rehovot Land Tax Office and final agreements have been anchored. The Company submitted in accordance with the agreements four revised betterment tax assessments for the sale of four stations. As of the Financial Statements approval date, these assessments have not yet been approved by the Land Tax Office. Based on the agreements that were signed, the assessments that were filed will not have material impacts on the tax expense and cash flows.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

6) Other financial demands: (continued)

c) Fees, Betterment Levies and Others (continued)

4. On April 23, 2025, a betterment levy assessment of NIS 117 million was received by the Company for the Rutenberg site for plans for converting the units to natural gas (NOP 37) and a work plan approved regarding the connection of the site to the gas network. On November 16, 2025, the Company filed an appeal against this assessment. The deadline for submitting a response to the appeal on behalf of the Local Authority was set for March 19, 2026.
   As of the Financial Statements approval date, the Company's legal advisors are unable to assess the exposure in respect of this demand for payment.

   In the event that the Company is required to pay any amounts as a result of betterment levy, these will be included in fixed assets and the Company will request that the Electricity Authority recognize these amounts as part of the electricity rate.

d) Financial demands by fixed assets contractors:

As of the Statement of Financial Position date, the Company has received financial demands from various contractors, mainly with respect to disputes relating to construction of fixed assets, in amounts exceeding the amount of the provision included in the financial statements by approximately NIS 4 million. The management of the Company estimates that the provision adequately reflects the costs with respect to the said claims that it is more likely than not that they will be paid.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued

b. Contingent Claims and Liabilities (continued)

7) The compromise agreement with the Egyptian Gas Companies

In August 2005, the Company entered an agreement with EMG (the Company's Egyptian supplier of natural gas) for the supply of natural gas. Additionally, the Company had signed a tripartite agreement with EMG and the gas owners, the national Egyptian gas companies EGAS and EGPC (the two latter to be referred to jointly hereinafter: the "Egyptian Gas Companies"), under which the Egyptian companies have undertaken towards the Company to place the gas it has undertaken to supply to the Company at the disposal of EMG.

Due to the continuing disruptions in the supply, the Company's Board of Directors decided in September 2011, that the Company will enter an international arbitration process versus the Egyptian gas supply companies and EMG, to receive compensation for the heavy damages incurred and that will be incurred by the Company by non-delivery of the gas from Egypt due to their breach of the agreements with the Company. The sum claimed by the Company was approximately USD 4.15 billion.

On December 4, 2015, the Company received the arbitration award, within which it was ruled, inter alia, that the Egyptian gas companies breached their obligation in the tripartite agreement and they were ordered to pay the Company approximately USD 1.76 billion plus interest and plus legal costs.

The Company is examining various possible options to collect the amounts to which it is entitled under the Arbitration Award, including the use of various collection methods and/or agreement alternatives.

On June 16, 2019, the Company and the Egyptian Gas Companies signed the compromise agreement and accompanying documents.

Following are the main points of the compromise agreement:

a) The compromise amount – USD 500 million spread across approximately eight and a half years: USD 60 million will be paid upon closing of the agreement. Half a year later – an additional payment of USD 40 million, and later – 16 semiannual payments of USD 25 million each.

b) Guarantee by the National Bank of Egypt - a bank controlled by the Government of Egypt with an international debt rating that will provide a guarantee (Letter of Credit) to guarantee all payments determined under the compromise agreement (except for the payment determined at the closing of the agreement). In any case of non-payment to the Company of any amount under the compromise agreement (hereinafter: the "amount in arrears"), the Company may demand the realization of the guarantee up to the amount of the arrears. The guarantee is subject to Egyptian Law. Any dispute relating to the guarantee will be adjudicated in arbitration in accordance with the rules of the ICC in London.

c) Acceleration - the Company has the right to accelerate and demand immediate repayment of the entire balance of the compromise amount, insofar as there are two payments that have not been repaid under the compromise agreement and the Company fails to realize the guarantee with respect to the amounts in arrears. In this case, the Company will have the right to demand that the Egyptian Gas Companies pay the full balance of the compromise amount that has not yet been paid to the Company. Insofar as the Egyptian Gas Companies do not pay the Company the full balance of the compromise amount, the Company will have the right to exercise the full amount of the guarantee.

d) Cancellation of the agreement and enforcement of the arbitration award – insofar as even after the acceleration of the payments by the Company as detailed in the preceding paragraph, the Company will not be repaid the balance of the compromise amount by the Bank or the Egyptian companies, on the basis of the aforementioned actions, the Company will have the right to cancel the agreement, repay the amounts received by virtue thereof and demand the enforcement of the entire arbitration award, including interest and linkage.

e) Conditional term - the entry into force of the compromise agreement is contingent upon receipt of the unconditional approval of the compromise agreement by the Electricity Authority after holding a public hearing on the matter by the end of six months from the date of signing the compromise agreement. In addition, if the Company informs the Egyptian Gas Companies, during the six months or later, that the Electricity Authority has not approved the compromise agreement and that accordingly, the conditional term has not been fulfilled, the compromise agreement will be canceled upon receipt of the notification by the Egyptian Gas Companies from the Company.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities (continued)

7) The compromise agreement with the Egyptian Gas Companies (continued)
Following are the main points of the compromise agreement: (continued)

On December 12, 2019, after the Electricity Authority held an oral hearing, in order to hear the arguments of the Company as well as third parties, the hearing procedure was concluded and the Electricity Authority reached a decision, and the Electricity Authority granted an unconditional approval of the compromise agreement, as specified in the resolution published on December 15, 2019, and thus the conditional term for the validation of the compromise agreement was fulfilled.

Accordingly, on December 16, 2019, the compromise agreement was completed and executed , and the Company received, by virtue of the agreement, an executed transfer instruction for the performance of the first payment pursuant to the compromise agreement, in an amount of USD 60 million, and in addition, received the letter of credit from the National Bank of Egypt, for the guarantee of all payments set within the compromise agreement, as well as a legal opinion as required pursuant to the compromise agreement.

As of the date of approval of the Financial Statements, all payments were transferred to the Company pursuant to the amounts and schedules as set in the compromise agreement as aforesaid, and this is with the exception of the seventh payment, which was due on December 16, 2023 and was paid on February 28, 2024.
In addition, in March 2024, the Company received an additional payment from the Egyptian Gas Companies in the amount of approximately $25 million. The Company forwarded a request to the Chairman of the Egyptian Gas Company - Egas, under which the Company confirmed receipt of the amount and that it considers it the eighth payment in accordance with the agreement, which should have been received during June 2024. The Chairman of Egas responded that the Company's notification had been received. In August 2024, additional payments were received from the Egyptian Gas Companies in a total amount of approximately USD 50 million, which constitute advanced payments to the ninth and tenth payments, which should have been received during December 2024 and June 2025.

NOTE 34:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES AND LABOR DISPUTES (continued)

c. Labor disputes

1. On August 1, 2021, a labor dispute was declared by the Chairman of the Trade Union Division of the Histadrut, regarding the following matters:
   Continued unilateral conduct, which means a new creeping reform in the electricity sector and IEC, by promoting new decisions and arrangements in the electricity sector, including in the supply and distribution segment, which have implications for the rights of the Company's employees, including concerns about harming their wage conditions and job security, and even leading to layoffs, and are being adopted on a systematic and permanent basis. The aforementioned was done while placing the employees organization's representatives with established facts and without conducting negotiations with them.
   According to the Chairman, a large-scale reform that was signed in 2018 is not being promoted and implemented while the Company is dragging its feet, delays in implementing various provisions, and avoiding taking action to implement it. The Company is acting in bad faith and continues to carry out the parts of the reform that are convenient for it, including structural change and a massive reduction in the Company's workforce, ignoring repeated demands from employee representatives for transparency regarding the steps being taken and the implementation on the ground of the reform signed in 2018.
   Conducting in bad faith and in a manner that is unacceptable in collective labor relations, an action to thwart the reform that was agreed upon with employee representatives and to de facto promote a new unilateral reform.

2. On July 16, 2024, another labor dispute was announced by the Chairman of the Professional Union Division of the Histadrut, regarding the following matters: a significant deterioration in the financial position of the Electric Company, which continues to deteriorate, which will inevitably harm the working conditions and wages of the employees and their occupational security. As part of the collective agreement regarding the reform, the employees' representative agreed, inter alia, to the retirement of about two thousand employees and to an extensive organizational change in the Company, based on a Government decision that stated that strengthening the financial strength of the Company is an integral part of the reform in the Electric Company. The Electric Company and the relevant parties in the State are not acting in accordance with the mechanism set forth in the Government's decision to meet the financial stability goals, despite the significant deterioration in the Company's financial position. A dedicated committee appointed to monitor compliance with the goals set for the Company's financial strength has only been convened once, and no actions have been taken. Recently, decisions were made by the Electricity Authority that contradict the assumptions underlying the basis of which the goals of the financial stability of the Electric Company were formulated within the framework of the reform arrangement, and which lead to serious damage to the financial stability of the Company. For details regarding the financial stability see Note 1e6 above.
   It is also alleged in the labor dispute that conduct in bad faith was carried out and in a way that is not acceptable in collective labor relations, and in particular in a place where negotiations were conducted for many years to sign a reform agreement, following which, in practice, the employees' representatives have already fulfilled their part in the agreement, in the framework of which drastic changes were made in the Company and the electricity sector and thousands of workers retired.

   The Company is acting by negotiations with the employees' union and State Authorities for the continued implementation of the reform and for settling differences and disputes.

3. On April 6, 2025, a labor dispute notice was received directed at the purchasers of the Ramat Hovav power station and the Electric Company, alleging a refusal to negotiate a collective agreement and a violation of the right to unionize of the station's employees. The dispute focuses on labor relations at the station after the end of the lending period of the Electric Company's employees in December 2025. In light of the end of the lending period and the absence of material demands against the Electric Company, the Company's position as of this date is that the dispute has no operational significance for it.

NOTE 35:- SEGMENTAL REPORTING

a. General

1. The Company implements International Financial Reporting Standard 8 (hereinafter: "IFRS 8").

2. Pursuant to Government Resolution 3859 of June 3, 2018, a team headed by the Government Companies Authority and the Electricity Authority was established, and it will determine, in consultation with the Company, the model for reporting on the activity in separate profit centers in the generation, transmission, distribution, supply segments and activity that is not within the framework of the electricity chain, in a manner that will allow transparency and attribution of costs.
   Accordingly, the Company changed the format of reporting to the Chief Operating Decision Maker (Company CEO) effective from the fourth quarter of 2021.

b. Detailed Reportable Operation Segments

The operations of the Company, according to the reports to the Chief Operating Decision Maker of 2025, are comprised of six main operational segments making up the entire electricity chain. Following are the operating segments:

- Electricity generation and purchases - includes the operations at the electricity generating power stations and electricity purchases at extra-high voltage after the sale of the system management activity to the Noga Company.
- Transmission - includes the transmission and transformation system of the high and ultra-high long-distance electricity.
- Distribution– includes the electricity grids system and the transformation stations which supply the electricity to the end consumers, except a limited number of customers that purchase extra-high voltage electricity directly from the transmission systems, as well as meter reading services (the cost of the meters and the reading of them) and costs and services related to communication with distribution consumers. In addition, this segment includes the costs of purchasing electricity from high voltage and low voltage private producers, including high-voltage and low-voltage renewable energy facilities.
- Consumer services - supply segment – includes the customer service and collection system of the Company.
- Storage segment - includes storage facilities under construction. As of the Financial Statements date, the storage segment has no profit and loss activity. For more details regarding the Electricity Authority's decision on the principles and scope in which the Company will build storage facilities, see Note 3u. For more details regarding the balances of fixed assets under construction in the storage segment, see Section e below.
- Operation that is not part of the electricity chain operation – includes the Company's operation within the framework of business development, the Company's operation within the communications enterprise, and investment in the CyberGym Company.

c. Income and Results according to Operational Segments

Segmental revenues are calculated based on a price model that serves the Electricity Authority to determine the electricity rates for the Company.
Segment revenues are calculated by multiplying these rates by the sold quantity (kW/h) to the end consumer, while making the required adjustments based on the activities defined by the Company for each of the segments: generation, transmission, distribution and consumer services-supply.

Segmental expenses that can be specifically identified are charged directly to the appropriate segments. In addition, certain indirect expenses are recorded according to a specific allocation, which serves as a reasonable estimate for attributing these expenses. The other indirect expenses are recorded mainly according to the ratio of direct operating expenses in each sector.
The CODM receives the operational results of each segment up to the profit (loss) level before financing, taxes, after movements in regulatory deferral account balances gross before tax and neutralizing movements as aforesaid relating to financing expenses and revenues/expenses that are not reviewed.

A segment's results include items that can be directly and indirectly allocated to a segment and are reviewed by the Chief Operating Decision Maker. Revenues and expenses not allocated are such that are not reviewed by the Chief Operating Decision Maker by operating segments and include other revenues, revenues from liabilities to pensioners, results of the reform agreement, financing expenses, tax expenses and movements in regulatory deferral account balances attributed to these components.

For additional segmental information, see section d-f below.

NOTE 35:- SEGMENTAL REPORTING (continued)

d. Income and Results according to operating segments

1. Income and Results according to Operating segments

	For the Year ended December 31, 2025					
	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions)					
Revenues from electricity	15,044	2,908	7,972	507	-	26,431
Other income	33	2	168	60	51	314
Total revenues	**15,077**	**2,910**	**8,140**	**567**	**51**	**26,745**
Cost of operating the electricity system:						
Fuels	5,632	-	-	-	-	5,632
Purchases of Electricity:						
Purchases of Electricity	17	-	4,343	-	-	4,360
Purchasing and accounting with Noga, net	5,742	(36)	(1,289)	-	-	4,417
	5,759	(36)	3,054	-	-	8,777
Operation of the generation system	3,361	-	-	-	-	3,361
Operation of the transmission, distribution system and others	-	1,033	2,131	-	67	3,231
Total cost of operating the electricity system	14,752	997	5,185	-	67	21,001
Profit (loss) from operating the electricity system	**325**	**1,913**	**2,955**	**567**	**(16)**	**5,744**
Other revenues, net	(344)	-	(11)	-	-	(355)
Sales and marketing expenses	-	-	455	504	-	959
Administrative and general expenses	380	114	277	93	-	864
	36	114	721	597	-	1,468
Profit (loss) from regular operations	**289**	**1,799**	**2,234**	**(30)**	**(16)**	**4,276**
Company's share of the losses of associated companies	-	-	-	-	(15)	(15)
Profit (loss) before regulatory deferral accounts	**289**	**1,799**	**2,234**	**(30)**	**(31)**	**4,261**
Movements in regulatory deferral accounts balances, gross	1,632	(860)	(312)	(54)	-	406
Segmental profit (loss)	**1,921**	**939**	**1,922**	**(84)**	**(31)**	**4,667**

Unallocated revenues (expenses)	
Other income, net	221
Income from liabilities to pensioners	252
Reform agreement and other agreements results	(149)
Financial expenses, net	(883)
Movements in deferral accounts, gross, that were not allocated to segments	2,132
Tax expenses included in net movement of regulatory deferral accounts	(583)
Income tax	(894)
Profit for the year in accordance with the consolidated statements	**4,763**

Additional details:						
Depreciation and amortization expenses	**1,846**	**703**	**1,525**	**67**	**-**	**4,141**

NOTE 35:- SEGMENTAL REPORTING (continued)

d. Income and Results according to operating segments

1. Income and Results according to Operating Segments (continued)

	For the Year ended December 31, 2024					
	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions)					
Revenues from electricity	15,539	2,235	7,590	477	-	25,841
Other income	32	2	167	40	102	343
Total revenues	**15,571**	**2,237**	**7,757**	**517**	**102**	**26,184**
Cost of operating the electricity system:						
Fuels	6,302	-	-	-	-	6,302
Purchases of Electricity:						
Purchases of Electricity	78	-	3,912	-	-	3,990
Purchasing and accounting with Noga, net	6,446	(17)	(579)	-	-	5,850
	6,524	(17)	3,333	-	-	9,840
Operation of the generation system	3,549	-	-	-	-	3,549
Operation of the transmission, distribution system and others	-	954	2,106	-	74	3,134
Total cost of operating the electricity system	16,375	937	5,439	-	74	22,825
Profit (loss) from operating the electricity system	**(804)**	**1,300**	**2,318**	**517**	**28**	**3,359**
Other allocated revenues, net	-	-	(6)	-	-	(6)
Sales and marketing expenses	-	-	480	433	-	913
Administrative and general expenses	400	108	306	84	-	898
	400	108	780	517	-	1,805
Profit (loss) from regular operations	**(1,204)**	**1,192**	**1,538**	**-**	**28**	**1,554**
Company's share of the losses of associated companies	-	-	-	-	(6)	(6)
Profit (loss) before regulatory deferral accounts	**(1,204)**	**1,192**	**1,538**	**-**	**22**	**1,548**
Movements in regulatory deferral accounts balances, gross	3,105	(265)	244	(24)	-	3,060
Segmental profit (loss)	**1,901**	**927**	**1,782**	**(24)**	**22**	**4,608**

Unallocated revenues (expenses)	
Other income, net	6,851
Income from liabilities to pensioners	341
Reform agreement and other agreements results	(788)
Financial expenses	(1,341)
Movements in deferral accounts, gross, that were not allocated to segments	(5,200)
Tax expenses included in net movement of regulatory deferral accounts	491
Income tax	(1,601)
Profit for the year in accordance with the consolidated statements	**3,361**

Additional details:						
Depreciation and amortization expenses	**2,188**	**650**	**1,465**	**55**	**-**	**4,358**

NOTE 35:- SEGMENTAL REPORTING (continued)

d. Income and Results according to operating segments

1. Income and Results according to Operating Segments (continued)

	For the Year ended December 31, 2023					
	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions)					
Revenues from electricity	15,320	1,709	6,775	477	-	24,281
Other income	53	2	218	44	88	405
Total revenues	**15,373**	**1,711**	**6,993**	**521**	**88**	**24,686**
Cost of operating the electricity system:						
Fuels	7,489	-	-	-	-	7,489
Purchases of Electricity:						
Purchases of Electricity	18	-	3,375	-	-	3,393
Purchasing and accounting with Noga, net	4,110	11	(659)	5	-	3,467
	4,128	11	2,716	5	-	6,860
Operation of the generation system	3,600	-	-	-	-	3,600
Operation of the transmission, distribution system and others	-	893	2,027	-	111	3,031
Total cost of operating the electricity system	15,217	904	4,743	5	111	20,980
Profit (loss) from operating the electricity system	**156**	**807**	**2,250**	**516**	**(23)**	**3,706**
Other allocated revenues, net	-	-	(51)	-	-	(51)
Sales and marketing expenses	-	-	430	423	-	853
Administrative and general expenses	540	99	351	96	-	1,086
	540	99	730	519	-	1,888
Profit (loss) from regular operations	**(384)**	**708**	**1,520**	**(3)**	**(23)**	**1,818**
Company's share of the losses of associated companies	-	-	-	-	8	8
Profit (loss) before regulatory deferral accounts	**(384)**	**708**	**1,520**	**(3)**	**(15)**	**1,826**
Movements in regulatory deferral accounts balances, gross	1,588	(172)	(229)	6	22	1,215
Segmental profit (loss)	**1,204**	**536**	**1,291**	**3**	**7**	**3,041**
Unallocated revenues (expenses)						
Other income, net						138
Income from liabilities to pensioners						303
Reform agreement and other agreements results						(227)
Financial expenses						(1,141)
Movements in deferral accounts, gross, that were not allocated to segments						750
Tax expenses included in net movement of regulatory deferral accounts						(450)
Income tax						(179)
Profit for the year in accordance with the consolidated statements						**2,235**
Additional details:						
Depreciation and amortization expenses	**2,198**	**587**	**1,433**	**56**	**-**	**4,274**

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Assets and Liabilities according to Operating Segments

Assets and liabilities that can be specifically identified are directly charged to the appropriate segments. Unidentified assets and liabilities are included in the report as balances that have not been directly classified. Liabilities that can be directly attributed include credit balances of regulatory deferral accounts without deferred taxes. The Chief Operating Decision Maker reviews the assets and liabilities divided into the five operating segments of the Company in accordance with the aforesaid.

	As on December 31, 2025							
	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain	Assets and liabilities not directly classified	Total Company
	NIS in millions							
Inventory – fuels	3,206	-	-	-	-	-	-	3,206
Investment in associates	-	-	-	-	-	-	-	-
Fixed assets, net	17,119	21,276	24,891	-	286	-	3,394	66,966
Intangible assets, net	5	202	168	-	-	-	950	1,325
Debit balances of regulatory deferral accounts	5,839	(1,954)	(237)	5	-	-	7,815	11,468
Other assets not classified	-	-	-	-	-	-	23,828	23,828
Total assets	**26,169**	**19,524**	**24,822**	**5**	**286**	**-**	**35,987**	**106,793**
Credit balances of regulatory deferral accounts, without deferred taxes	**(179)**	**636**	**(149)**	**-**	**-**	**-**	**955**	**1,263**
Investments in fixed assets for the year	**1,818**	**2,266**	**3,068**	**-**	**20**	**-**	**589**	**7,761**

	As on December 31, 2024							
	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain	Assets and liabilities not directly classified	Total Company
	NIS in millions							
Inventory – fuels	3,343	-	-	-	-	-	-	3,343
Investment in associates	-	-	-	-	-	15	-	15
Fixed assets, net	17,645	19,297	23,286	-	266	-	3,114	63,608
Intangible assets, net	6	173	127	-	-	-	913	1,219
Debit balances of regulatory deferral accounts	5,491	(1,855)	(114)	25	-	-	6,621	10,168
Other assets not classified	-	-	-	-	-	-	26,296	26,296
Total assets	**26,485**	**17,615**	**23,299**	**25**	**266**	**15**	**36,944**	**104,649**
Credit balances of regulatory deferral accounts, without deferred taxes	**70**	**8**	**18**	**-**	**-**	**-**	**2,448**	**2,544**
Investments in fixed assets for the year	**1,779**	**2,092**	**3,173**	**-**	**33**	**-**	**761**	**7,838**

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments.

Details of fuels cost according to fuel type:

	For the year ended on December 31		
	2025	2024	2023
	Generation		
	(NIS in millions)		
Coal	2,028	2,904	4,088
Natural gas	3,258	3,045	3,151
Diesel oil	330	328	203
Crude oil	16	25	47
Total fuel consumption costs	**5,632**	**6,302**	**7,489**

Details of electricity purchases in the distribution segment according to generation technology:

	For the year ended on December 31		
	2025	2024	2023
	Distribution		
	(NIS in millions)		
Photovoltaic	4,210	3,801	3,274
Wind turbine	15	14	16
Hydroelectric	2	6	4
Biogas	113	86	79
Diesel oil generator	3	5	2
Total electricity purchases	**4,343**	**3,912**	**3,375**

Details of kWh generated

	For the year ended on December 31		
	2025	2024	2023
	(kWh in millions)		
Generated by the Company	31,597	32,922	35,708
Supplied by the Company	47,303	48,692	47,853

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of operation of the generation system according to type of expense

	For the year ended on December 31		
	2025	2024	2023
	Generation		
	(NIS in millions)		
Wages	812	798	852
Depreciation	1,730	2,051	2,052
Other	819	700	696
Total operation of the generation system	**3,361**	**3,549**	**3,600**

Details of operation of the transmission and distribution system and others according to type of expense

	For the year ended December 31, 2025			
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions)			
Wages	127	564	27	718
Depreciation and amortization	669	1,308	-	1,977
Other	237	259	40	536
Total operation of the transmission and distribution system and other	**1,033**	**2,131**	**67**	**3,231**

	For the year ended December 31, 2024			
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions)			
Wages	127	534	29	690
Depreciation and amortization	619	1,261	-	1,880
Other	208	311	45	564
Total operation of the transmission and distribution system and other	**954**	**2,106**	**74**	**3,134**

	For the year ended December 31, 2023			
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions)			
Wages	116	544	40	700
Depreciation and amortization	570	1,236	-	1,806
Other	207	247	71	525
Total operation of the transmission and distribution system and other	**893**	**2,027**	**111**	**3,031**

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of administrative and general expenses according to type of expense

	For the year ended December 31, 2025				
	Generation	Transmission	Distribution	Supply	Total Company
			(NIS in millions)		
Wages	225	56	160	61	502
Depreciation and amortization	58	34	53	13	158
Other	97	24	64	19	204
Total administrative and general expenses	**380**	**114**	**277**	**93**	**864**

	For the year ended December 31, 2024				
	Generation	Transmission	Distribution	Supply	Total Company
			(NIS in millions)		
Wages	202	49	159	52	462
Depreciation and amortization	58	31	56	11	156
Other	140	28	91	21	280
Total administrative and general expenses	**400**	**108**	**306**	**84**	**898**

	For the year ended December 31, 2023				
	Generation	Transmission	Distribution	Supply	Total Company
			(NIS in millions)		
Wages	219	44	154	54	471
Depreciation and amortization	72	17	58	14	161
Other	249	38	139	28	454
Total administrative and general expenses	**540**	**99**	**351**	**96**	**1,086**

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

The direct costs recognized in each segment are mainly the expenses of operating the electricity system and sale and marketing expenses.
Direct salary costs are mainly composed of salary reported directly to the targets.
The indirect costs are mainly administrative and general costs.

Details of direct and indirect costs

	For the year ended December 31, 2025					
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions)					
Direct costs						
Wages	867	115	656	195	27	1,860
Depreciation and amortization	1,729	643	1,322	-	-	3,694
Others	819	237	377	229	40	1,702
Fuels	5,454	-	-	-	-	5,454
Purchases of Electricity	17	-	4,343	-	-	4,360
Accounting with Noga	5,742	(36)	(1,289)	-	-	4,417
Other revenues	(344)	-	(11)	-	-	(355)
Total direct costs	**14,284**	**959**	**5,398**	**424**	**67**	**21,132**
Indirect costs						
Wages	290	68	241	87	-	686
Depreciation and amortization	117	60	203	67	-	447
Others	97	24	64	19	-	204
Total indirect costs	**504**	**152**	**508**	**173**	**-**	**1,337**
Total costs	**14,788**	**1,111**	**5,906**	**597**	**67**	**22,469**

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of direct and indirect costs (continued)

	For the year ended December 31, 2024					
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions)					
Direct costs						
Wages	860	114	634	173	29	1,810
Depreciation and amortization	2,072	595	1,273	-	-	3,940
Others	700	208	463	194	45	1,610
Fuels	6,096	-	-	-	-	6,096
Purchases of Electricity	78	-	3,912	-	-	3,990
Accounting with Noga	6,446	(17)	(579)	-	-	5,850
Other revenues	-	-	(6)	-	-	(6)
Total direct costs	**16,252**	**900**	**5,697**	**367**	**74**	**23,290**
Indirect costs						
Wages	267	62	239	74	-	642
Depreciation and amortization	116	55	192	55	-	418
Others	140	28	91	21	-	280
Total indirect costs	**523**	**145**	**522**	**150**	**-**	**1,340**
Total costs	**16,775**	**1,045**	**6,219**	**517**	**74**	**24,630**

	For the year ended December 31, 2023					
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions)					
Direct costs						
Wages	921	107	646	180	40	1,894
Depreciation and amortization	2,074	543	1,222	-	-	3,839
Others	696	207	358	183	71	1,515
Fuels	7,296	-	-	-	-	7,296
Purchases of Electricity	18	-	3,375	-	-	3,393
Accounting with Noga	4,110	11	(659)	5	-	3,467
Other revenues	-	-	(51)	-	-	(51)
Total direct costs	**15,115**	**868**	**4,891**	**368**	**111**	**21,353**
Indirect costs						
Wages	269	53	232	72	-	626
Depreciation and amortization	124	44	211	56	-	435
Others	249	38	139	28	-	454
Total indirect costs	**642**	**135**	**582**	**156**	**-**	**1,515**
Total costs	**15,757**	**1,003**	**5,473**	**524**	**111**	**22,868**

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of direct and indirect costs divided according to profit centers

	For the year ended December 31, 2025						
	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain	Total Company
	(NIS in millions)						
Wage costs	1,390	890	2,101	282	-	27	4,690
Charged to fixed assets including remeasurements	(234)	(711)	(1,212)	-	-	-	(2,157)
Remeasurements charged to reduction of fixed assets	1	4	8	-	-	-	13
Wage expenses in profit and loss	1,157	183	897	282	-	27	2,546

Wage costs not attributed to sectors

Wage costs charged to joint fixed assets	172
Wage costs charged to joint fixed assets from remeasurements	(1)

	For the year ended December 31, 2024						
	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain	Total Company
	(NIS in millions)						
Wage costs	1,420	825	1,987	247	13	29	4,521
Charged to fixed assets including remeasurements	(285)	(630)	(1,081)	-	(13)	-	(2,009)
Remeasurements charged to reduction of fixed assets	(8)	(19)	(33)	-	-	-	(60)
Wage expenses in profit and loss	1,127	176	873	247	-	29	2,452

Wage costs not attributed to sectors

Wage costs charged to joint fixed assets	156
Wage costs charged to joint fixed assets from remeasurements	5

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of direct and indirect costs divided according to profit centers (continued)

	For the year ended December 31, 2023					
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions)					
Wage costs	1,488	670	1,790	252	40	4,240
Charged to fixed assets including remeasurements	(343)	(587)	(1,049)	-	-	(1,979)
Remeasurements charged to reduction of fixed assets	45	77	137	-	-	259
Wage expenses in profit and loss	**1,190**	**160**	**878**	**252**	**40**	**2,520**

Wage costs not attributed to sectors	
Wage costs charged to joint fixed assets	144
Wage costs charged to joint fixed assets from remeasurements	(19)

NOTE 35:- SEGMENTAL REPORTING (continued)

e. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of fixed assets divided according to segments

	As on December 31, 2025					
	Generation	Transmission	Distribution	Storage	Joint assets	Total Company
	(NIS in millions)					
Direct fixed assets						
Balance at the beginning of the period	11,811	15,057	22,458	-	2,937	52,263
Investments during the period	1,125	283	2,033	-	538	3,979
Classification	2,676	1,917	893	-	214	5,700
Deductions, net	(59)	(3)	(77)	-	(18)	(157)
Depreciation	(1,718)	(645)	(1,319)	-	(503)	(4,185)
Balance at the end of the period	**13,835**	**16,609**	**23,988**	**-**	**3,168**	**57,600**
Assets under construction						
Balance at the beginning of the period	5,834	4,240	828	266	177	11,345
Additions, net	693	1,983	1,035	20	51	3,782
Deductions, net	-	(21)	(40)	-	-	(61)
Classification	(3,243)	(1,535)	(920)	-	(2)	(5,700)
Balance at the end of the period	**3,284**	**4,667**	**903**	**286**	**226**	**9,366**

	As on December 31, 2024					
	Generation	Transmission	Distribution	Storage	Joint assets	Total Company
	(NIS in millions)					
Direct fixed assets						
Balance at the beginning of the period	13,473	13,377	20,970	-	2,673	50,493
Investments during the period	707	353	1,917	-	708	3,685
Classification	(273)	1,927	907	-	25	2,586
Deductions, net	(36)	(2)	(70)	-	(15)	(123)
Depreciation	(2,060)	(598)	(1,266)	-	(454)	(4,378)
Balance at the end of the period	**11,811**	**15,057**	**22,458**	**-**	**2,937**	**52,263**
Assets under construction						
Balance at the beginning of the period	4,793	4,149	535	231	127	9,835
Additions, net	1,072	1,739	1,256	33	53	4,153
Deductions, net	(20)	-	(37)	-	-	(57)
Classification	(11)	(1,648)	(926)	2	(3)	(2,586)
Balance at the end of the period	**5,834**	**4,240**	**828**	**266**	**177**	**11,345**

NOTE 35:- SEGMENTAL REPORTING (continued)

f. Additional details of major events included within operation that is not within the framework of the electricity chain

For the year ended December 31, 2025

1. During the year, approximately NIS 3 million was recorded during the year from recognition of profit that has not yet been realized with respect to the Communications Company.
2. During the year, a gross profit of approximately NIS 5 million was recorded from work carried out as part of the communications company project.
3. During the year, a gross loss of approximately NIS 3 million was recorded during the year for the provision of unloading and loading services at moorings.
4. During the year, a gross profit of approximately NIS 5 million was recorded from the sale of ancillary services to the Hagit East power plant.
5. Income from business entrepreneurship that was deducted as part of the generation rate in the amount of approximately NIS 24 million was classified according to the generation sector.
6. During the year, the Company's share in losses of associate companies amounted to approximately NIS 15 million.

For the year ended December 31, 2024

1. During the year, approximately NIS 3 million was recorded from recognition of profit that has not yet been realized with respect to the Communications Company.
2. During the year, a gross profit of approximately NIS 14 million was recorded from work carried out as part of the communications company project.
3. During the year, a gross profit of approximately NIS 14 million was recorded during the year for the provision of unloading and loading services at moorings.
4. During the year, a gross profit of approximately NIS 6 million was recorded from the sale of ancillary services to the Hagit East power plant.
5. Income from business entrepreneurship that was deducted as part of the generation rate in the amount of approximately NIS 23 million was classified according to the generation sector.
6. During the year, a gross profit of approximately NIS 9 million was recorded from connection surveys to renewable energy generation stations.
7. During the year, the Company's share in losses of associate companies amounted to approximately NIS 6 million.

For the year ended December 31, 2023

1. During the year, approximately NIS 4 million was recorded from recognition of profit that has not yet been realized with respect to the Communications Company.
2. During the year, a gross profit of approximately NIS 10 million was recorded from work carried out as part of the communications company project.
3. During the year, a gross profit of approximately NIS 13 million was recorded during the year for the provision of unloading and loading services at moorings.
4. During the year, a gross profit of approximately NIS 8 million was recorded from the sale of ancillary services to the Hagit East power plant.
5. Income from business entrepreneurship that was deducted as part of the generation rate in the amount of approximately NIS 44 million was classified according to the generation sector (for two years).
6. During the year, a gross profit of about NIS 11 million was recorded from an energy efficiency project
7. During the year, the Company's share in profits of associate companies amounted to approximately NIS 8 million.

The Israel Electric Corporation Ltd.

Chapter D

Additional Particulars about the Corporation For the Year 2025

Prominent Disclaimer

This English translation of the **"Additional Particulars about the Corporation"** for the year ended December 31, 2025 ("English Translation") is provided for information purposes only.

In the event of any conflict or inconsistency between the terms of this English Translation and the original version prepared in Hebrew, the Hebrew version shall prevail and holders of the Notes should refer to the Hebrew version for any and all financial or other information relating to the Company.

The Company and its Directors make no representations as to the accuracy and reliability of the financial information in this English Translation, save that the Company and its Directors represent that reasonable care has been taken to correctly translate and reproduce such information, yet notwithstanding the above, the translation of any technical terms are, in the absence of generally agreed equivalent terms in English, approximations to convey the general sense intended in the Hebrew version.

The Company reserves the right to effect such amendments to this English Translation as may be necessary to remove such conflict or inconsistency.

Name of the Company: The Israel Electric Corporation Ltd.
Company Number with the Companies Registrar: 520000472
Statement of Financial Position Date: December 31, 2025
Date of Publication of the Financial Statements: March 19, 2026

This Chapter is prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Regulations**") and in accordance with circular 2020-5-1 of the Government Companies Authority.

Regulation 9d: Report of the Liabilities Schedule According to Payment Dates

For the report on the liabilities schedule of the Company, see immediate report concurrently published by the Company (T-126) with this periodic report.

Regulation 10a: Summary of reports on the comprehensive income (loss) in the quarters

Following is the summary of the reports:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2025
Revenues	6,544	5,773	8,806	5,622	26,745
Cost of operating the electricity system	5,165	4,918	6,609	4,309	21,001
Profit from operating the electricity system	**1,379**	**855**	**2,197**	**1,313**	**5,744**
Other expenses (revenues), net	(345)	11	(252)	10	(576)
Sales and marketing expenses	227	227	238	267	959
Administrative and general expenses	216	220	244	184	864
Income from liabilities to pensioners	(72)	(74)	(75)	(31)	(252)
Reform agreement and other agreements results	45	18	41	45	149
Profit from current operations	**1,308**	**453**	**2,001**	**838**	**4,600**
Financial expenses (income), net	(242)	597	506	22	883
Profit (loss) before income taxes	**1,550**	**(144)**	**1,495**	**816**	**3,717**
Income Tax expenses (revenues)	363	(23)	351	203	894
Profit (loss) after income tax	**1,187**	**(121)**	**1,144**	**613**	**2,823**
Company's share of the loss of associated companies	-	-	-	(15)	(15)
Profit (loss) before regulatory deferral accounts	**1,187**	**(121)**	**1,144**	**598**	**2,808**
Movement in regulatory deferral account balances	408	1,495	-	52	1,955
Profit for the period	**1,595**	**1,374**	**1,144**	**650**	**4,763**
Other comprehensive income (loss) for the period, net of tax	149	(50)	433	(323)	209
Comprehensive income for the period	**1,744**	**1,324**	**1,577**	**327**	**4,972**

Regulation 11: A list of investments in subsidiaries and related companies, as of the statement of financial position date (31.12.2025)

Subsidiaries and related companies held by the Company[1] on December 31, 2025, are listed below with an indication of the number of shares, type, nominal value, proportion of the Company's holding in them out of the total issued shares of this type and the rate of the securities, of the issued shares capital, the voting rights and the authority to appoint directors held by the Company:

Name of Subsidiary	Share Type	Number of Held Shares and Nominal Value	Proportion of the Company's Holding (%)				Millions of NIS
			In Securities	In Capital	In Voting Rights	In Appointment of Directors	Balance Sheet Value
Jordan Investment Company Ltd.	Ordinary	3,000 of NIS 0. 5 each	100.00	12.00	73.17	73.17	-
	Ordinary A	109,999 (*) of NIS 0.1 each	99.99	87.99	26.82	26.82	-
Migrashei Hakablanim Ltd.	Preferred	2,000, of NIS 0.1 each	100.00	76.05	100.00	100.00	-
	Deferred	630 (**) of NIS 0.1 each	100.00	23.95	0.00	0.00	
	Total	2,630 of NIS 0.1 each	100.00	100.00	100.00	100.00	
National Coal Supply Company Ltd.	Ordinary A	910,000 (***) of NIS 1 each	100.00	100.00	100.00	100.00	55
The Management Company of the Advanced Training Fund of Israel Electric Corporation Ltd.(****)	Management A	6 of NIS 1 each	50.00 of the Management shares	-	50.00	50.00	-
PAMA Energy Resources Development Company Ltd.	Ordinary	3,467,790 of NIS 0.1 each	49.99	49.99	49.99	30.77	-
I.B.C. Israel Broadband Company (2013) Ltd.	Ordinary	400 of NIS 1 each	30.00	30.00	30.00	(*****)	-
Netiv Ha'Or – Orot Rabin Ltd.	Ordinary	100,000 of NIS 1 each	100.00	100.00	100.00	100.00 (******)	-
CyberGym Control Ltd. (*******)	Ordinary	500,000 of NIS 0.01 each	38.28%	38.28%	38.28%	50	-

(*) Including 66 Ordinary A shares held by officeholders in trusteeship for the Company.

(**) 630 deferred shares held by officeholders in trusteeship for the Company.

(***) According to the Articles of Association of the National Coal Supply Company Ltd., the company has at most 9 directors, a third of whom are not employees of the Company and the remainder are employees of the Electric Company.

(****) The Company holds 50% of the management shares and rights to appoint directors, without rights of participation in profits. The remaining 50% are held as follows: The Association of Mutual Assistance among the Electric Company employees in the southern region (final holder) (25%), Non-Profit Organization of the Electric Company employees in the Northern region (registered non-profit organization) (final holder) (16.667%), and the Savings and Mutual Assistance Fund of the Electric Company Employees in Jerusalem Ltd. (final holder) (8.333%). A casting share, granting its holder the right to determine the outcome in any case of equality of votes of the General Assembly or the Board of Directors, was personally allocated to Mr. David Hagoel, the former Chairman of the Board of Directors of the Electric Company. Following Mr. Hagoel's passing in August 2019, the Management Company is taking steps to transfer the casting share to another agreed-upon public figure, in accordance with the provisions of the articles of association of the Managing Company.

(*****) In accordance with the Shareholders' Agreement and the updated Articles of Association of I.B.C Israel Broadband Company (2013) Ltd. ("IBC"), every shareholder holding (together with its authorized transferees) 11% of the Company's shares will be entitled to appoint one director to the Board of Directors of the Company. Notwithstanding the aforesaid, as long as the Company (together with its authorized transferees) holds at

[1] All the subsidiaries and related companies detailed in this regulation are not traded in the stock exchange.

least 7% of IBC's shares, it will be entitled to appoint one director to the Board of Directors of IBC. As of the date of the report, five directors are serving in IBC, two of which have been appointed by the Company. During voting at the Board of Directors' meetings, each director or group of directors appointed by the same shareholder will be vested, together, with the same voting power as the holding rate of IBC shares of the shareholder appointing him/them.
An amount of NIS 51 million of the IBC suppliers' debt to the Electric Corporation will be deferred and become an interest bearing deferral debt at a rate of 4% over the most senior debt, which shall be repaid out of IBC's free cash flow, in equivalent terms to those of owners' loans to be provided by Cellcom IIF and Hot upon the date of their entrance into IBC.

(******) In accordance with the Articles of Association of Netiv Ha'Or – Orot Rabin Ltd., 3 directors are appointed as public representative directors, and 4 are appointed from among the employees of the Company.

(*******) In accordance with the Articles of Association of CyberGym Control Ltd., the Company is entitled to appoint 2 out of 4 directors. As of the date of the report, 2 directors are serving in CyberGym on behalf of the Company.
In addition, under CyberGym's Articles of Association, decisions by CyberGym's General Meetings will be made by a majority exceeding 50%, provided that the majority includes the Company (as long as it holds at least 15% of CyberGym's issued and paid-up capital), the Cyber Control Company, and Mr. Ophir Hasson (as long as they jointly hold at least 15% of CyberGym's issued and paid-up capital).
The Company granted several loans totaling NIS 6.7 million for the establishment of CyberGym. The loans bear interest rate of 7% until August 2018 and from this date they bear an interest rate of 6%. The repayment date of the loans (after deferment) was scheduled for December 31, 2025.
In addition, the Company granted additional loans totaling NIS 8.5 million. The loans bear an interest rate of 7% and their repayment date was December 31, 2024.
In May 2025, a partial repayment of NIS 1.76 million was received against the principal on this loan.
As of the report publication date, the loans as aforesaid have not yet been repaid.
The negotiations are currently being conducted for the sale of the Company's holdings in CyberGym.

For additional details see Notes 2g and 10 to the Financial Statements of the Company ("**Financial Statements**").

Regulation 12: Details regarding changes in investments of the corporation in the reporting year in subsidiaries and related companies

For details see Note 10 to the Financial Statements.

Regulation 13: Comprehensive income of every subsidiary or related company of the corporation, during the last reporting year that ended on the date of the statement of financial position of the corporation or before it, adjusted to the statement of financial position date (December 31, 2025), while distinguishing between profit or loss and other comprehensive profit, as their meaning in the accepted accounting principles.

The following table details the comprehensive income of the subsidiaries and related companies as of December 31, 2025:

Name of Company	Net Profit (loss) before tax	Comprehensive Income after tax	Proposed Dividend	Management Fees	Interest
National Coal Supply Company Ltd.	10.7	7.3	5	-	-
Netiv Ha'Or Company Ltd.	(16.7)	72.5	-	-	114

* Due to immateriality, as of the date of the report, the Company is executing assessments for CyberGym's operation results.

Regulation 20: Trading on the Stock Exchange - Securities that were Listed for Trading - Trading Halt Dates and Reasons

During 2025 and until the date of approval of the financial statements, the Company debentures from the issue of the series were listed for trade on the Tel Aviv Stock Exchange, as detailed:

Name of Series	Security no.	Listing Date	Trading venue	Par value
Debentures Series 36	1221589	12.05.2025	Continuous	NIS 387,000,000
Debentures Series 37	1221597	12.05.2025	Continuous	NIS 572,657,000
Dollar Electric Debentures 2038	1234988	28.01.2026	Institutional continuous	$ 500,000,000

There were no breaks in the trading of the Company's securities in 2025 and in the period after December 31, 2025, and until the date of approval of the Financial Statements, except for a temporary suspension of trading in Debenture Series 32 on July 16, 2025, due to a technical malfunction of the Stock Exchange.

Regulation 21(a)(1): Rewards to Officers

Compensation paid by the Company and commitments to pay it assumed (including employers' costs) for each of the five officeholders in the Company or in a company it controls, who received the highest compensation from the Company itself or from a corporation it holds, as the case may be, paid with respect to 2025 as recognized in the financial statements for 2025 (in current prices) is detailed below:

2025														
Details of Rewards Recipient				Rewards* for Services							Other Rewards			
Name	Position	Position Scope	Equity holding rate	Salary**	Bonus	Shares Based Payment	Management Fees	Consulting Fees	Commission	Other	Interest	Rent	Other	Total
Meir Spigler	CEO	100%	-	1,245,807	255,014	-	-	-	-	-	-	-	-	1,500,821
Joseph Roffe	Deputy CEO and VP of Generation and Energy	100%	-	1,206,502	239,343	-	-	-	-	-	-	-	-	1,445,845
Tamar Fekler	Senior VP Operations, Procurement and Logistics	100%	-	1,163,539	253,863	-	-	-	-	-	-	-	-	1,417,402
Gershon Berkovich	Senior VP General Counsel	100%	-	1,174,595	229,951	-	-	-	-	-	-	-	-	1,404,546
Daniel Garabagi	Senior VP Information and Communication	100%	-	1,136,070	256,082									1,392,152

(*) Reward amounts are presented in terms of annual cost to the company (in NIS) for a period of twelve (12) months ended on December 31, 2025 (in current prices).

(**) The amounts specified above include salary in terms of cost incurred by the Company expenses refund with respect to subsistence allowance, telephone, vehicle ("Expenses Refund") and charging tax with respect to vehicle, insurance, advanced studies, mobile phone, gift and meals ("Charged to Tax"), grants such as a retirement grant.

Notes to the Table:

Terms of employment for officers employed by personal contract:

The employment agreement of an officeholder is a personal employment agreement, in a uniform version, dictated and required by the Companies Authority, in accordance with the Government Companies Authority's Circular no. 2001/1 of November 7, 2001 ("**The Authority's Circular Regarding Senior Employees**"), or an agreement of employment by personal contract for senior managers in the Electric Company which was approved by the Government Companies Authority and the Supervisor of Wages at the Ministry of Finance. The salary of an officeholder is determined in accordance with the classification of the Company, which is determined by the Committee for Classifying Government Companies that was established by virtue of the Government resolution (the "**Committee for Classifying Government Companies**"), and is updated once a year in accordance with the increase of the CPI and subject to the approval of the Board of Directors of the Company. As part of the employment of an officeholder and in accordance with his employment agreement, and after receiving approval for it from the Board of Directors of the Company and from the Government Companies Authority, the officeholder is entitled to for purpose of his function, to a vehicle supplied by the employer. Within the framework of his work, he is also entitled to expenses of maintaining a telephone, board and lodging expenses, clothing allowance, advance study fund, annual leave and convalescence pay. The officeholder shall cease to serve in office and his term in office shall expire in accordance with the causes which are set forth in the Government Companies Law and on the dates set forth therein. According to the Authority's Circular Regarding Senior Employees, an advance notice of three months must be issued to a senior employee who is dismissed from employment or by senior employee who resigns voluntarily. The terms of office and employment of the officeholders are compatible with the compensation policy of the Company.

Meir Spigler – started working as the Company's CEO on November 1, 2022. The amount included in the "salary" column for 2025 includes an annual salary of NIS 893,525 plus employer costs of NIS 270,631 plus charges to tax of NIS 81,651 and in addition a grant of NIS 255,014.

Joseph Roffe- started his term as Senior VP of Generation and Energy on March 2, 2023 and Deputy CEO on December 28, 2023. The amount included in the "Salary" column for 2025 includes an annual salary of NIS 862,362 plus employer costs in the amount of NIS 260,878 plus Charges to Tax in the amount of NIS 83,262, plus a bonus of NIS 239,343.

Tamar Pekler - began her term as Senior VP Operations, Procurement and Logistics on March 2, 2023. The amount included in the "salary" column for 2025 includes an annual salary in the amount of NIS 823,365 plus employer costs in the amount of NIS 249,512 and in addition charges to tax in the amount of NIS 90,662 and in addition a bonus of NIS 253,863.

Gershon Berkovich – began his term as Senior VP General Counsel on March 1, 2023. The amount included in the "Salary" column for 2025 includes an annual salary of NIS 829,508 plus employer of NIS 249,512 and in addition charges to tax of NIS 95,575, and in addition a bonus of NIS 229,951.

Daniel Garabagi - began his term as Senior VP Information and Communication on July 4, 2019. The amount included in the "salary" column for 2025 includes an annual salary of NIS 810,380 plus employer costs of NIS 249,119, plus charges to tax of NIS 76,571 and in addition a bonus of NIS 256,082.

Regulation 21(a)(2):

There are no three Senior Officeholders in the Company itself who receive the highest compensation that are not included in the list under Regulation 21(a)(1).

Regulation 21(a)(3):

There are no stakeholders in the Company who receive rewards that are not directors and are not included in the list of regulation 21(a)(1) above, who receive a reward in connection with services they provided as Office Holders in the Company or a company it controls.

Regulation 21(b):

No rewards were paid to Senior Office Holders with respect to the reported year that were not recognized in the statement of financial position for the reported year.

Details regarding compensation given to directors in accordance with the circular of the Government Companies Authority[2]

The compensation given to Directors (except the Chairman of the Board of Directors) in 2025, which does not deviate from that which is customary[3], amounted to NIS 1,102 thousand (the amount does not include VAT and is in current prices)[4]. The Compensation of the External Directors was determined according to the classification of the Company, at the amounts specified in the Government Companies Regulations (Rules for Compensation and Expenses to an External Director in Government Companies) – 1994. As on the date of the report, the Company is classified in Class 10(1). The compensation of the External Directors is determined according to the decisions of the General Meeting of the Company, according to minimum amounts specified for a Company in the Company's class in the Companies Regulations (Rules for Compensation and Expenses to an External Director) – 2000, although these regulations allow a higher salary.

Regulation 21a: The holding in the Company

The State of Israel is the holder of the Company as on the date of the report.

Regulation 22: Transactions with a Stakeholder

The State holds about 99.85% of the share capital of the Company and is the controlling stakeholder in it. For details, to the best of the knowledge of the Company, concerning any transaction with the controlling shareholder or in whose approval the controlling shareholder has a personal interest, which the Company has executed during the reporting year or at a later date than the end of the reporting year, or which is still valid on the date of the report, including with respect to letters of guarantee that were provided by the State of Israel to secure the liabilities of the Company and loans provided by the State of Israel to the Company, see Note 33 to the Financial Statements

The Company has taken a loan directly from the State of Israel. In addition, the Company has received the State of Israel's guarantee for the loan it has taken, as detailed below:

a. **Loan Guaranteed by the State of Israel**

In December 2005, the State has provided a guarantee to the benefit of CITIBANK i with respect to an amount of up to USD 250 million, for the unpaid loan balance, according to an agreement entered in December 2005 between the Company and CITIBANK in the U.S.A., insured by OPIC (an agency of the U.S.A. Government) for receiving credit of up to USD 250 million. The Company paid the State, in advance, a guarantee commission of approximately USD 4.5 million. During 2006 through 2007, the Company utilized approximately USD 222.8 million out of this amount. The loan was fully repaid in June 2025.

[2] Circular 2013-5-1 of the Government Companies Authority "Accounting and Finances - Financial Statements".

[3] Namely, does not exceed the maximum sum under regulations 4 and 5 to the Companies Regulations (Rules for Compensation and Expenses to an External Director) – 2000 (the "Compensation Regulations"), and does not exceed the amount stated in regulation 7 of the Compensation Regulations.

[4] It should be noted that VAT is added to the compensation paid to external directors of the Company.

b. **Loan from the State of Israel**

Lender	Loan Currency	Linkage	Nominal interest	Repayment Period		Outstanding Balance as of December 31, 2025 in NIS million	
				First repayment	Last repayment	Principal	Interest payable
State of Israel	NIS	CPI	1.28%	12.04.2019	12.04.2029	2,051	6

As of the date of the report, the Company fulfilled all the terms and obligations under the loan agreement.

For additional details see Note 33b2c.

Regulation 24: Convertible shares and securities held by parties at interest in the corporation, and in investee companies, as close as possible to the date of the report

Following are details of shares and securities held, to the best of the Company's knowledge, by interested parties and senior officers of the Company:

Name of Company	"Party at Interest" / Senior office holder	Type of Share	Nominal Value in NIS	No. of Shares	Proportion of Holding (%)		
					In Capital	In Voting Rights	In Appointment of Directors
In the Corporation							
Israel Electric Corporation Ltd.	State of Israel	Ordinary	0.1	79,980,010	99.77	99.77	100.00
		Ordinary B	0.1	40,053,252	100.00	100.00	100.00

The Company has several other subsidiaries and second-tier subsidiaries in which office holders in the Company hold shares, in trust for the Electric Company, however, since the activities of these companies are immaterial to the operation of the corporation, no information about these holdings are presented.

Regulation 24A: Registered Capital, issued capital and convertible securities on the report date,

See Note 22 to the Financial Statements.

Additionally, the company has no convertible securities.

Regulation 24B: Register of Shareholders of the Company

For an updated list of shareholders see the Company's immediate report of March 1, 2026 at the Magna site (reference 2026-01-018675) regarding the status of corporation's capital and securities registers and changes therein (T-087).

Regulation 25A: Registered Address

Address:	:	1 Netiv Ha'Or Street, P.O. Box 10, Haifa 3100001
Telephone	:	076-8631555
Fax	:	072-3431804
Company's website	:	www.iec.co.il
e-mail	:	ubz1d@iec.co.il

Regulation 26: Board Members of Corporation

The following are particulars of the Board Members:

Director Name	Doron Arbely -Chairman of the Board of Directors	Reuven Shiff	Michael Yehiel Schnider	Dvora Sonia Hassid	Michal Cahana Levi	Efraim Refael Henig	Avraham Manela	Einav Hashay	Michal Franco Kedmi	Rekad Kheredin	Amos Kalagy	Reuven Ben Shachar	Michal Ogolnik	Shimon Lankri	Meir Shamra	Paul Landes	Uzi Landau
ID number:	057430787	010950707	000881359	054051719	032155103	000050682	03888651	028718732	36410892	056888969	027275072	054727920	034124479	057135642	023638653	013841606	001313212
Date of birth:	01/06/1962	21/04/1950	13/08/1946	28/2/1956	16/01/1975	13/06/1941	03/04/1976	08/11/1971	10/07/1979	29/06/1961	03/06/1974	13/04/1957	13/07/1977	16/11/1961	11/03/1968	19/01/1972	02/08/1943
Address for Service of Process:	6 Snunit Kiryat Ata	13 Nahal Sorek, Ramat Hasharon	19 King David, Jerusalem	25/7 Malkei Tzedek St., Ramat Gan	7 Almog, Modiin, Maccabim Reut	32 Givati St., Ashkelon	17 Borochov, Tel Aviv	1 Netiv Haor Haifa	5 Svoraim , Tel Aviv	P.O.Box 200 Horfish2515500	16 Leshem, Givat Zeev	5 Rotberg Meir, Givataim	41 Hanarkis, Amikam	31 Igal Yadin Acco	8 Marom, Reut	3/14 Harav Berlin, Jerusalem	12a Jabotinski, Raanana
Citizenship:	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership on board committees:	Budget, Financial and Risks Management Committee;	Audit Committee; Compensation Committee; Examination of the Financial Statements Committee; Budget, Financial and Risks Management Committee; Innovation and Business Development Committee	Audit Committee; Compensation Committee; Examination of the Financial Statements Committee; Budget, Financial and Risks Management Committee	Human Resources and Organization Committee; Audit Committee; Compensation Committee; Examination of the Financial Statements Committee; Innovation and Business Development Committee	Human Resources and Organization Committee; Corporate Liability, Regulation, Environmental Quality and Tariff Committee	Examination of the Financial Statements Committee; Budget, Financial and Risks Management Committee	Human Resources and Organization Committee; Audit Committee; Compensation Committee; Examination of the Financial Statements Committee; Budget, Financial and Risks Management Committee	Corporate Liability, Regulation, Environmental Protection and Rate Committee; Innovation and Business Development, Committee	Human Resources Committee; Examination of the Financial Statements Committee; Engagements and Assets Committee; Innovation and Business Development Committee	Budget, Financial Management and Risk Management Committee; Innovation and Business Development Committee	Audit Committee; Compensation Committee; Examination of the Financial Statements Committee; Budget, Financial Management and Risk Management Committee Agreements and Assets Committee	Human Resources and Organization Committee; Audit Committee; Engagements and Assets Committee; Innovation and Business Development Committee	Human Resources and Organization Committee; Corporate Liability Regulation and Environmental Quality and Tariff Committee	Examination of the Financial Statements Committee; Corporate Liability, Regulation, Environmental Quality and Tariff Committee; Engagements and Assets Committee; Innovation and Business Development Committee	Budget, Financial Management and Risk Management Committee; Engagements and Assets Committee; Innovation and Business Development Committee	Budget, Financial Management and Risk Management Committee; Engagements and Assets Committee; Corporate Liability, Regulation, Environmental Quality and Tariff Committee; Innovation and Business Development Committee	Innovation and Business Development Committee
Director classified by the Company as Independent:	No	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes	No	No	No	No	No	No
External Director / External Expert	No	Yes	Yes	No	No	No	No	No	No	No	Yes	No	No	No	No	No	No

Director Name	Doron Arbely -Chairman of the Board of Directors	Reuven Shiff	Michael Yehiel Schnider	Dvora Sonia Hassid	Michal Cahana Levi	Efraim Refael Henig	Avraham Manela	Einav Hashay	Michal Franco Kedmi	Rekad Kheredin	Amos Kalagy	Reuven Ben Shachar	Michal Ogolnik	Shimon Lankri	Meir Shamra	Paul Landes	Uzi Landau
Date of current appointment:	04/03/2024	18/04/2024	06/04/2022	03/12/2020	09/04/2024	03/12/2020	05/06/2023	30/10/2023	03/03/2024	03/09/2024	29/01/2025	17/06/2024	07/07/2024	26/02/2025	01/01/2026	06/07/2025	05/02/2026
Education:	BA in Political Science, University of Haifa; BA in Law, Carmel Academic Center; Master's Degree in Public Administration, Haifa University	BA in Accounting and Economics, Tel Aviv University	LLB in Law, The Hebrew University	BA. in Political Science and Economics, Bar-Ilan University; MA in Political Science, Haifa University; MA in National Security, Haifa University	LLB, Bar-Ilan;; LLM, bar Ilan University, MBA Tel Aviv University	BA in Economics and Statistics from The Hebrew University; MBA in Business Management from The Hebrew University	LLB in Law, Ono Academic College, Master's Degree in Public Policy, Tel Aviv University	BA in Behavioral Sciences, Rupin Academic Center; Master of Laws, Bar Ilan University; Master's Degree in Communication, Hebrew University	LLB in Law, Tel Aviv University, Master's Degree in Law (commercial track), Tel Aviv University	BSc in Mechanical Engineering, Technion; Master's Degree in Social Sciences, Diplomacy and Security Studies, Tel Aviv University	BA in Economics and Accounting, Hebrew University; LLB , Ono Academic College; MA in Accounting, Bar Ilan University; CPA	BA in Business Administration, – Center for Academic Studies; Master of Business Administration Multidisciplinary, – Center for Academic Studies	BA in Communication and Management, College of Management; Master's Degree in Business Administration for Executives, Tel Aviv University	BA in Social Education, Beit Berl College; MA in Social Education, Hebrew University	BA in Economics and International Relations, Hebrew University of Jerusalem; BA Business Management (Accounting), College of Management; EMBA in Executive Business Administration, Bar Ilan University	LLB in Law, Hebrew University; Master of Laws, Hebrew University	BSc in Industrial Engineering and Management, Technion; Master's Degree Industrial Engineering and Management, Technion; Doctorate Transportation Systems Analysis, MIT Cambridge, USA.
Has accounting or financial expertise or professional qualifications:	Has accounting and financial expertise and professional qualifications.	Has accounting and financial expertise and professional qualifications.	Has professional qualifications.	Has professional qualifications.	Has professional qualifications.	Has accounting and financial expertise and professional qualifications.	Has accounting and financial expertise and professional qualifications.	Has professional qualifications.	Has professional qualifications.	Has professional qualifications.	Has accounting and financial expertise and professional qualifications.	Has professional qualifications.	Has professional qualifications.	Has professional qualifications.	Has accounting and financial expertise and professional qualifications.	Has professional qualifications	Has professional qualifications
Major employment over the past five (5) years including experience, expertise or skill in information security or cyber:	CEO and owner of Doron Arbeli Ltd.,	Manager at RSM Schiff-Hazenfratz & Co. CPA, enteral director and Chairman of the Audit Committee at Menora Mivtachim Pension and Provident Ltd., Member of the Investment Committee (Nostro) at Ayalon Insurance Company Ltd., Member of the Board of Trustees at Tel Aviv University	Attorney and Partner at Kramer-Shapira-Schnider	CEO Maccabi Tivi; Head of the Central District of Maccabi Health Services, as part of her tenure as CEO of Maccabi in the area of information security and cyber, Ms. Hassid is, as stated, CEO of Maccabi Tivi, where strict procedures and practice regarding cyber are conducted	VP and Legal Advisor at ICR Israel Canada Ram Holdings Ltd., Legal Advisor and Company Secretary at Manrav Holdings Ltd.	President of the Group – Efgad Group (2006) Ltd	CEO of Kadisha Tel Aviv Chairman of Magen David Adom	Director of Resources Headquarters (PMO and Regulation at the Electric Company: Director of the Regulation and Administration Unit Director on behalf of the employees on the board of the IEC	CEO of HMI (Solaris); CEO of Rimonim - Ramat Hasharon Development Company Ltd., CEO and owner of a consulting and project support company in the field of energy, director of Energy Infrastructure Company Ltd.	VP Logistics of Social Security	Providing consulting services in the area of infrastructures, water and sewage and in the financial field Chairman of the Board of Directors of the Gihon Company (the Jerusalem Area Water and Sewage Corporation), Director of the Jerusalem Sewage and Purification Works and CEO of the Jerusalem Sewage and	Manager in a consulting and management business, member of the Upper Galilee and Valleys Geographic Committee for Determining Borders and Economic Division (on behalf of the Ministry of the Interior).	CEO of Coffeesai ltd VP of Merck&Co Employee of Foreign Affairs Ministry	Director of Had-Asaf Metals Ltd.; Advisor of S. Misholim Acre Ltd.; Mayor of Acre.	VP of Metro Division, NETA-Urban Transportation Networks Ltd.; Joint Project Management for Leumit and Meuhedet HMOs; Economic consulting for the National Center for the Development of Holy Places	The National Bureau for Counter-Terrorist Financing; Advisor to Israel Prison Service (IPS); Consultant to Correspondence Services Ltd.	Chairman of the Board of Directors Rafael - Advanced Defense Systems Ltd.; Director The Liberal Center Ltd.; Senior Research Fellow at Reichman University - Institute for Counter-Terrorism Studies.

Director Name	Doron Arbely -Chairman of the Board of Directors	Reuven Shiff	Michael Yehiel Schnider	Dvora Sonia Hassid	Michal Cahana Levi	Efraim Refael Henig	Avraham Manela	Einav Hashay	Michal Franco Kedmi	Rekad Kheredin	Amos Kalagy	Reuven Ben Shachar	Michal Ogolnik	Shimon Lankri	Meir Shamra	Paul Landes	Uzi Landau
											Purification Works						
List of corporations in which he serves as a director:	None	None	Director at Agam Schnider Investments Ltd., Director at Kramer Shapira Schnider Advocates, Director at Kramer Schnider Advocates Trusts Ltd.	Director at Assuta Medical Centers Ltd.	Director at Rom Fund	None	External Director at Kardan Israel Ltd., Director at Allied Real Estate Ltd., Independent Director at Technoplus Ventures Ltd., External Director at Rotem Shani Ltd., Director at Maccabi Health Services, Chairman of Mei Avivim, Director at Ashdod Refineries Ltd.	None	External director at Acro Real Estate	None	None	None	Member of the Board of Management of Bet Ruth Association	Director at Had-Asaf Industries Ltd., Director at the Dairy Council	None	None	Chairman of the Board of Directors Rafael Advanced Defense Systems Ltd.
Is he an employee of the company, of a subsidiary, of an Affiliated Company, of a stakeholder?	No	No	No	No	No	No	No	Director of Customer Headquarters and Service Policy (PMO at the Electric Company	No	No	No	No	Employee of the Foreign Ministry	No	No	No	No
Is he a relative of another stakeholder in the company?	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Does the company regard him as an accounting and financial expert for purposes of meeting the minimum number determined by the board of directors under section 92(a)(12) of the Companies Law:	Yes	Yes	No	No	No	Yes	Yes	No	No	No	Yes	No	No	No	Yes	No	No

For details regarding the end of term in office of Anat Oren-Elad, who served as Director amongst the employees in the Company, on September 22, 2025, see the Company's Immediate Report of September 25, 2025 reference no.: 071559-01-2025).

Regulation 26A: Senior Position Holders in the Corporation

The following are particulars of the current senior officeholders:

Name of senior officer	Meir Spigler Ben Uri	Mofed Ganam	Gershon Berkovich	Eyal Hermony	Joseph Roffe	Leonid Gitnik	Nayif Hino	Dani Garabagi	Tamar Fekler	Rachel Ben Moshe	Miri Shaul	Mor Halutz	Sharli Shriki	Herzel Friedman	Onit Even
ID number:	055424782	055814487	024446460	023517766	012359733	309279339	058539230	014697239	022990923	029636305	038701751	200343119	022631774	057211443	023017742
Date of birth:	17/09/58	17/08/59	29/08/69	15/11/67	28/09/65	24/02/64	01/01/64	09/09/63	13/05/67	12/09/72	29/02/76	17/05/88	26/09/66	27/07/61	08/07/67
Date of appointment:	1/11/2022	27/2/2025	1/10/2022	4/12/2025	1/3/2023	11/4/2024	15/5/2025	1/7/2019	1/3/2023	1/4/2022	1/5/2023	11/1/2024	1/1/2025	6/11/2025	19/2/2026
Position in the company:	Chief Executive Officer	Senior VP Security and Emergency	Senior VP, General Counsel	Senior VP Finance and Economics	Senior VP Generation and Energy, and Deputy CEO	Senior VP Transmission and Transformation	Senior VP Human Resources	Senior VP Telecomm-unications	Senior VP Operation and Logistics	Internal Auditor and Complaints Commissioner	Director of the Communications and Spokesperson Department	Senior VP of Service Division	Senior VP of Grid Services	Senior VP Engineering and Strategy	Chief Risk Officer (CRO)
Position in a subsidiary of the Company, its affiliated company, or in a stakeholder in the Company:	Director at the Coal Company, Director at Netiv Ha'Or.	None	None	None	Director at Netiv Ha'Or.	None	None	None	None	None	None	Director of the Advanced Study Fund for the Electric Company Employees	None	None	None
Are they a stakeholder of the Company:	Yes (under his position in the Company)	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Are they a relative of another senior officeholder or a party at interest:	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Education:	BA in Electrical Engineering, the Technion; LLB, Shaarei Mishpat; MBA, the Ono Academic College	BA in History and Middle Eastern Studies, University of Haifa, MA in Political Science, University of Haifa	LLB, College of Management; LLM, University of Haifa	BA in Economics, Technion; Master's Degree in Economics, Technion	BA in Electrical Engineering, USA; MBA; Derby College	BA and Master's Degree in Electrical Engineering, Technion; in Lviv	BA in Political Science, Open University; Master's Degree in Political Science, Hebrew University	BA in Mathematics and Computer Science, University of Haifa	BA in Economics - Extended - the Hebrew University; MBA - specialization in Financing, the Hebrew University; MA in Economics,	BA in Accounting and Economics, University of Tel-Aviv; MA in Conflict Settlement and Mediation, University of Tel Aviv; LLM Bar Ilan	BA in Political Science, Hebrew University; Master's Degree in Law, Bar-Ilan University	LLB, Ono Academic College, Master's in Political Science, Tel Aviv University. Directors and Senior Office Holders' course,	BA in Social Sciences and Humanities, Beit Berl College; Master's Degree in Law, Netanya Academic College	BSc in Electrical Engineering Ben Gurion University; Master's Degree in Business Administration, Ono College	BA in Economics and Management, University of Haifa; Master's Degree in Business Administration, Netanya Academic College

Name of senior officer	Meir Spigler Ben Uri	Mofed Ganam	Gershon Berkovich	Eyal Hermony	Joseph Roffe	Leonid Gitnik	Nayif Hino	Dani Garabagi	Tamar Fekler	Rachel Ben Moshe	Miri Shaul	Mor Halutz	Sharli Shriki	Herzel Friedman	Onit Even
									specialization in Micro-economics and Game Theory, Hebrew University	University;		Lahav Development Tel Aviv University; Attorney's license from Israeli Bar			
Employment over the last five years, including experience, expertise or skill in the field of information security or cyber:	CEO of the Electric Company; CEO of the National Insurance Institute; Director of the Electric Company; CEO Keren Kayemet LeIsrael – Jewish National Fund (KKL-JNF)	Senior VP Security and Emergency; Former Manager of the Service Department of the Israel Electric Company; Senior VP at the Ministry of Justice.	Former Deputy General Counsel; Deputy Legal Advisor for Operation in the Electricity Sector	Senior VP of Finance and Economics; Deputy for Budget and Financial Forecasting and Director of Finance; Observer at IBC; Former Director at IBC; Director at CyberGym Control	Senior VP of Generation and Energy and Deputy CEO; Head of Generation Division; experience in the field of information security and cyber as part of his position as Member of the Senior Steering Committee headed by the CEO and Chairman of the Divisional Cyber Steering Committee at the Electric Company	Senior VP Transmission and Transformation; VP Engineering Projects; Former Head of Transformation Projects Division; Former Manager of Missile Administration of the Land Department at Rafael	Senior VP Human Resources; Senior VP of Human Resource Management at the Population and Immigration Authority	Senior VP Telecomm-unications; experience in the field of information security and cyber as part of his position as VP Information Systems and Communication, coordinates and manages the field of cyber protection in the Electric Company	Senior VP Operation and Logistics; Head of Logistics and Assets Division of the Electric Company	Senior VP, Internal Auditor and Complaints Commissioner; Auditor of Tel Aviv University; Chief Internal Auditor, Israel Railways Group has experience in conducting information security and cyber audits as part of the work plan of the internal audit, managing professionals who conduct audits on information security and cyber issues, Also has experience from other bodies where she served as an Internal Auditor for the past two decades	Director of the Communications Department of the Electricity Company, VP Communications and Governance at the Paz Group, Director of Communications and Government Relations for the MSD company	Secretary of the Company and the Board of Directors and Director of Government Relations; Independent Director at Ashdod Refinery; Director of the Educational and Cultural Institutions Company in Netanya, founded by the Jewish Agency for Israel Ltd.; Chief of Staff of the Minister of Energy	Senior VP Network Services; former Director of Jerusalem and the Negev Department at IEC; Director of Hashfela Region– Dan and the Coast Network	Senior VP of Engineering and Strategy; Director of Network Engineering in the Network Division; Former Acting VP of Network Division; Director at CyberGym Control	Chief Risk Officer (CRO); Director; Director at IBC; Manager of Broadband Network Department

For details regarding the appointment and end of term in office of senior officers, see Chapter B – the Board of Directors' Report, section b5

Regulation 26(b): Independent Authorized Signatories as Appointed by the Company:

Pursuant to the decision of the Board of Directors on the subject of signature authorities and in accordance with the Company's procedure on the subject, the Company does not have independent approved signatories, as this term is defined in the Securities Law - 1968.

Regulation 27: Accountant of the corporation

Somekh Chaikin, Accountants - 7 Nahum Hat St., Haifa. (Company's Auditor for the current report)

After the report date, starting on January 27, 2026, the accounting firm Kost Forer Gabbay and Kasierer (2 PalYam Boulevard, 6th floor, Eshel Building, Haifa) serves as the Company's Auditor.

Regulation 28: Changes in memorandum or articles of association

No changes were made to the memorandum or articles of association of the Company during the reporting period.

Regulation 29(C): Decisions of a special shareholders meeting

For resolution made at a Special General Meeting on January 29, 2025, see immediate report dated January 29, 2025 (reference numbers: 2025-01-007631 and 2025-01-007632).

For a resolution made at a Special General Meeting on March 10, 2025, see immediate report dated March 10, 2025 (reference numbers: 2025-01-015895 and 2025-01-015897).

For a resolution made at a Special General Meeting on May 20, 2025, see immediate report dated May 20, 2025 (reference numbers: 2025-01-035507 and 2025-01-035503).

For resolutions made at the Special General Meeting of January 27, 2026, see immediate report dated January 27, 2026 (Reference Numbers: 2026-01-010174 and 2026-01-010173).

Regulation 29A (4): Exemption, insurance, or liability for indemnity in respect of officeholders in effect on the date of this report

a. Insurance for Directors and Office Holders

According to the compensation policy approved by the Company's compensation committee and Board of Directors on January 30, 2025 and by the general meeting on March 10, 2025, the Company purchased the following insurance policies:

1. Liability insurance for directors and office holders for a period of one year starting from July 16, 2025 and until July 15, 2026, inclusive.
2. Third party liability insurance - as customary in the Company (the directors and office holders are part of the insured under this policy).
3. Personal accident insurance for the directors.

b. Indemnification of Members of the Board of Directors and Officers

For details on indemnification of directors and officers in the Company and additional letters of indemnification borne by the Company, see Note 33e1 to the Financial Statements.

Additional Details pursuant to Circular 2020-5-1 of the Government Companies Authority

a) Details of the Freedom of Information Commissioner

1) Name: Dr. Amir Seri
2) Position in the Company: Commissioner of State Audit and Freedom of Information
3) Contact details: amir.seri@iec.co.il

b) Headquarters costs

	For the year ended December 31 (NIS in millions)		
	2025	**2024**	**2023**
Employee salary costs	358.7	342.7	336.5
Consultants costs	28.8	30.2	34.9
Total	387.5	372.9	371.4
Increase/decrease rate	3.92%	0.4%	11.56%
Rate of total headquarters costs in relation to Company turnover	1.45%	1.42%	1.5%

The headquarters units are: General Administration; Legal Division; Engineering and Strategy Division; Finance Economics and Risk Management Division; and Human Resources Division.

For details regarding the employee headcount, see section 15.2 of the report of description of the company's business affairs.

c) Company efficiency

The Company is undergoing a material process of organizational change and a streamlining plan. For further details, see Note 1e8 and 1e9 to the Financial Statements.

d) Registration of rights in assets

Over the last few years, a focused and continuous move has been made to collect and centralize all information about all of the Company's assets, which have been scattered in the divisions and districts, including transformation stations, mobile/temporary/rental facilities, etc., and to arrange them in relation to the establishment of an asset book, registration of rights (including warning notes, as applicable). management and supervision, including the eviction of squatters from the Company's assets or the regulation of the status of those staying in the Company's assets. 323 major sites, as well as a secondary asset book (about 19,188 secondary sites, mainly transformation stations) that is currently in the process of being completed. The Company also works to register the rights in its assets, both in respect of the principal assets and in the matter of secondary assets.

During the report period, the Company registered its rights in the Land Registry Bureau for 18 sites, warning notes were signed for 205 additional sites, 74 lease agreements were signed with the Israel Lands Administration, 306 contracts were signed for the purchase of transformation rooms.

For details regarding the arrangement of assets, see Note 1f to the Financial Statements.

e) Contractual engagement requiring the Government's approval

As of the date of the report, there is no contractual engagement requiring the Government's approval.

f) Disclosure regarding held corporations

Following are details of held corporations:

Name of corporation	Country and place of incorporation	Company's rights in the corporation (including means of control, property rights, rights in profit distribution, and details, to the best of the Company's knowledge, of other holders of the held corporation and their rights)	Names of officers and other representatives who serve or served in the corporation on behalf of the Company in 2025 and remuneration from the held corporation due to this term	Material agreements between the Company and the held corporation, including guarantees to third parties to secure the corporation's liabilities	Dates of general meetings during the report period, topics discussed and decisions passed, manner of the Company's voting, and the party that decided on the manner of voting
Jordan Properties Company Ltd. ("Jordan Properties")	Israel	A Company subsidiary (99.99%)[5]. The Company holds 99.99% of the rights attached to the shares, including dividend receipt, voting rights and the right to appoint office-holders and directors by the Company, all subject to the provisions of the Government Companies Law.	As of December 31, 2014, there are no office holders or other representatives serving in Jordan Properties on behalf of the Company.	None	General Meetings were not held during 2025.
Migrashei Hakablanim Ltd. ("Migrashei Hakablanim")	Israel	A full subsidiary (100%)[6]. The Company holds 100% of the rights attached to the shares, including dividend receipt, voting rights and the right to appoint office-holders and directors by the Company, all subject to the provisions of the Government Companies Law.	As of December 31, 2014, there are no office holders or other representatives serving in Migrashei Hakablanim on behalf of the Company.	There is no material agreement as far as the Company is concerned. Migrashei Hakablanim has a lease right from the Tel Aviv Municipality of a lot on Anilewitz Street on which there is an office building which is used by the Company. The Company bears all costs associated with holding the property, including taxes, fees, etc.	General Meetings were not held during 2025.
National Coal Supply Company Ltd. (the "Coal Company")	Israel	A full subsidiary (100%). The Company holds 100% of the rights attached to the shares, including dividend receipt, voting rights and the right to appoint office-holders and directors by the Company, all subject to the provisions of the Government Companies Law. Under the articles of association of the Coal Company, out of the up to nine members of the Board of Directors, at most a third will be directors who are not Company employees, and the remainder will be Company employees.	As of December 31, 2025, 4 Directors are serving from among the Company's employees and one Director is serving on behalf of the State. Directors from among the Company's employees do not receive additional remuneration for their service as directors in the Coal Company. As of August 1, 2022, Adv. Keren Rip, an employee of the Company, is serving as the legal counsel of the Coal Company. She did not receive any additional remuneration from the held corporation during the reporting year with respect to her service as aforesaid.	The Company purchases all the coal it requires through the Coal Company, pursuant to an agreement signed between the parties in July 2004, for the purchase of coal and its supply to the Company's coal-fired power stations. For details of the agreement, see section 7.9.6 of Chapter A - Description of the Company's Business Affairs.	In December 2025, a General Meeting was held to approve and replace the Auditor, distribution of a dividend to the Electric Company and to approve insurance for Directors.

[5] 66 Ordinary A shares held by officers in trust for the Company and an additional Ordinary A share held by the trustees of the estate of Pinchas Rotenberg.

[6] 630 deferred shares held by officers in trust for the Company.

Name of corporation	Country and place of incorporation	Company's rights in the corporation (including means of control, property rights, rights in profit distribution, and details, to the best of the Company's knowledge, of other holders of the held corporation and their rights)	Names of officers and other representatives who serve or served in the corporation on behalf of the Company in 2025 and remuneration from the held corporation due to this term	Material agreements between the Company and the held corporation, including guarantees to third parties to secure the corporation's liabilities	Dates of general meetings during the report period, topics discussed and decisions passed, manner of the Company's voting, and the party that decided on the manner of voting
The Management Company of the Advanced Training Fund of the employees of the Israel Electric Corporation Ltd. (the "Management Company")	Israel	The Company holds 50% of the management's shares and the rights to appoint directors, without rights of participation in profits. Remaining 50% are held as follows: Mutual Assistance Association of Electric Corporation Employees in the Southern Region (final holder) (25%), Non-profit Organization of Electric Corporation Employees in the Northern Region (Registered) (final holder) (16.667%) and the Savings and Mutual Assistance Fund of the Electric Corporation Employees in Jerusalem Ltd. (final holder) (8.333%).	Directors from among the Company employees serving on the Company's behalf at the Management Company: Mordechai Levi, Adv. Mor Halutz, Gil Mishania. Michal Ben Dov and Ella Michaeli. Do not receive additional remuneration with respect to their service as aforesaid. Advocate Iris Yoachimis, Company employee, serves as legal counsel of the Management Company. Does not receive additional remuneration with respect to her service as aforesaid. Gur Achiezra works at the Company, serves as internal auditor of the Management Company. Does not receive additional remuneration with respect to his service as aforesaid.	None	In July 2025, a general meeting was held, at which the financial statements of the management company and the fund for 2024 were ratified, the appointment of an external accounting firm as the Company's auditor was approved, an agreement with an insurance company for insurance of officers and professional liability was approved for the period from 1.6.25 to 31.5.26, and the appointment of Gil Hod as external director was approved for a third period of 3 years was also approved.
PAMA Energy Resources Development Company Ltd. ("PAMA")	Israel	The Company holds 49.99% of the shares and rights in equity and 30.77% of the rights to appoint directors. The remaining shares are held equally by Israel Chemicals Ltd. and Oil Refineries Ltd. The State of Israel holds one founders share, which grants it certain rights in management and appointing directors.	To the best of the Company's knowledge and as at the report date, PAMA is inactive.	PAMA's operation was halted during 2001, due to the shareholders' decision to stop the flow of funds to its operation. In this context, an agreement was signed between the shareholders, which defined the format of the cessation of PAMA's operation and the sale of its assets.	General Meetings were not held during 2025.

Name of corporation	Country and place of incorporation	Company's rights in the corporation (including means of control, property rights, rights in profit distribution, and details, to the best of the Company's knowledge, of other holders of the held corporation and their rights)	Names of officers and other representatives who serve or served in the corporation on behalf of the Company in 2025 and remuneration from the held corporation due to this term	Material agreements between the Company and the held corporation, including guarantees to third parties to secure the corporation's liabilities	Dates of general meetings during the report period, topics discussed and decisions passed, manner of the Company's voting, and the party that decided on the manner of voting
Netiv Ha'Or – Orot Rabin Ltd. ("Netiv Ha'Or)	Israel	The Company holds 100% of the rights attached to the shares, including the right to vote in the company's general assembly, the right to appoint directors, the right to participate in the company's profits and the distribution of the company's assets upon liquidation, all subject to the provisions of the Government Companies Law and Net Ha'Or's articles of association. Under the Articles of Association of Netiv Ha'Or, out of the seven members of the Board of Directors, 3 are appointed as public representative directors, and 4 are appointed from among the Company's employees.	The directors of Netiv Ha'Or are employees of the Company and act on its behalf: Mr. Meir Spiegler, Mr. Yossi Roffe, and CPA Liat Spiegler. Directors from among the Company's employees do not receive additional compensation for their service as aforesaid. Adv. Ofer Green, an employee of the Company, serves as the legal counsel and company secretary of Netiv Ha'Or, and does not receive additional remuneration with respect to his service as aforesaid.	On August 1, 2024 agreements were signed between Netiv Ha'Or and the Company to formulate the relationship between the companies, including with respect to operation, financing, and management, and including a parent - subsidiary agreement (framework) a financing agreement, O&M agreement and a land agreement. For further details, see Note 1e9 to the Financial Statements.	A Special General Meeting was held on March 18, 2025, at which the company's budget for 2025 was approved. After the report date, on March 1, 2026, an Annual General Meeting was held, at which the appointment of the Auditor was approved, the 2026 budget was approved, and the Board of Directors' Reports and the Company's Financial Statements for the years ending December 31, 2020 to 2024 were discussed.

Name of corporation	Country and place of incorporation	Company's rights in the corporation (including means of control, property rights, rights in profit distribution, and details, to the best of the Company's knowledge, of other holders of the held corporation and their rights)	Names of officers and other representatives who serve or served in the corporation on behalf of the Company in 2025 and remuneration from the held corporation due to this term	Material agreements between the Company and the held corporation, including guarantees to third parties to secure the corporation's liabilities	Dates of general meetings during the report period, topics discussed and decisions passed, manner of the Company's voting, and the party that decided on the manner of voting
IBC Israel Broadband Company (2013) Ltd. ("IBC")	Israel	The Company holds 30% of the shares of IBC. Under the Shareholders Agreement and IBC's updated Articles of Association, each shareholder holding (together with their permitted transferees) 11% of IBC's shares, has the right to appoint one director to the company's Board of Directors. Notwithstanding the foregoing, so long as the Company (together with its permitted transferees) holds at least 7% of IBC's shares, it will have the right to appoint one director to IBC's Board of Directors. As of the date of the report, five directors are serving in IBC, out of which two were appointed by the Company. While voting in Board of Directors meetings, each director, or group of directors appointed by the same shareholder, will be jointly given voting powers equivalent to the holding rate of the shareholder which appointed them of IBC's shares. For details regarding the investment in IBC and regarding the investment in IBC and a transaction in which the Company, IBC and third parties have engaged, and as a result of which, among other things, the Company's holding rate in IBC decreased to 30%, see Note 11b1 of the Financial Statements.	Ms. Ayelet Knigel and Ms. Onit Even were appointed by the Company to serve as directors of IBC. They do not receive additional remuneration with respect to their service as aforesaid.	For additional details, see Note 10e of the Financial Statements.	In January 2025, a Special General Meeting was held to approve the work plans for 2025, approve the taking of funding for the purpose of expanding the deployment, and approve a stakeholder transaction to amend the grid deployment agreement. In March 2025, an Annual General Meeting was held to approve the Financial Statements and the appointment of an Auditor and the approval of his salary. In December 2025, a Special General Meeting was held to approve the extension of service agreements with Cellcom and Hot, and to approve the update of the Chairman's compensation and CEO's compensation.

Name of corporation	Country and place of incorporation	Company's rights in the corporation (including means of control, property rights, rights in profit distribution, and details, to the best of the Company's knowledge, of other holders of the held corporation and their rights)	Names of officers and other representatives who serve or served in the corporation on behalf of the Company in 2025 and remuneration from the held corporation due to this term	Material agreements between the Company and the held corporation, including guarantees to third parties to secure the corporation's liabilities	Dates of general meetings during the report period, topics discussed and decisions passed, manner of the Company's voting, and the party that decided on the manner of voting
CyberGym Control Ltd. ("CyberGym")	Israel	The Company holds 38.36% of CyberGym's shares. In accordance with the Founders' Agreement, the Company is entitled to appoint 50% of the members of CyberGym's Board of Directors. In light of the aforesaid, CyberGym is a (non-governmental) subsidiary of the Company, and the Company is considered a controlling shareholder of CyberGym, as these terms are defined in the Securities Law, 1968 (the "Securities Law").	Mr. Eyal Hermony and Mr. Herzel Friedman were appointed by the Company to serve as directors of CyberGym. They do not receive additional remuneration with respect to their service as aforesaid.	See Note 10f to the Financial Statements	On January 6 and 29, 2025, two general meetings were held in which the investment transaction of a foreign fund in CyberGym and the purchase of Bank Hapoalim's option to receive shares in CyberGym by the CEO of CyberGym and its shareholder were approved. On September 2, 2025, a Special General Meeting was held in which an update was provided regarding the acquisition transaction that did not materialize.

g) A company operating in the sector regarding which there is a government decision on structural change

For details regarding the government's decision of a structural change in the Company, see Note 1e to the financial statements.

h) Privatized company

As of the date of the report, the Company is not a privatized company.

Meir Spigler	**Doron Arbely**
Chief Executive Officer	**Chairman of the Board of Directors**

Date of approval of the report: March 19, 2026.

ANNEX 1

Actuarial Liabilities of the Israel Electric Corporation as at December 31, 2025

March 19, 2025

Mr. Eyal Hermony

Senior Vice-President of Finance and Economics

Israel Electric Corporation Ltd.

Dear Sir,

Re: **Actuarial Liabilities for Employee Benefits as at December 31, 2025 in Accordance with International Financial Reporting Standard IAS 19 Employee Benefits**

1. General

1.1 This report consists of the following sections and appendices:

1. General
2. Benefits included in the valuation
3. Methodology as well as actuarial and accounting principles underlying the valuation
4. Data on which the valuation is based
5. Assumptions on which the valuation is based
6. Valuation changes in the current reporting year
7. Valuation results
8. Uncertainties and risks

Appendix A – Additional reports for disclosure in the financial statements
Appendix B – Presentation of expected benefit cash flows
Appendix C – Additional details regarding financial assumptions
Appendix D – Additional details regarding data
Appendix E – Valuation changes made prior to the current year (in addition to changes made by previous actuaries)
Appendix F- Details regarding benefits

1.2 We were asked by the Israel Electric Corporation Ltd. ("the Company") to prepare this actuarial valuation of the Company's employee benefit liabilities for the purpose of financial statement reporting in accordance with International Financial Reporting Standard IAS 19R Employee Benefits ("IAS 19"). The valuation was requested by Mr. Eyal Hermony, Acting Senior Vice-President of Finance, Economics and Risk Management. Our engagement agreement was signed on May 26, 2016. We agree that this report be published with the Company's financial statements.

1.3 On May 26, 2016, the Company also granted us a letter of indemnity in respect of the services that we are providing to the Company. Our position is that the letter of indemnity does not create a presumption of dependence of the Company, since the granting of a letter of indemnity and valuations of this kind are accepted practice and do not create a specific dependency on the Company.

We will receive fees for this engagement and for other consulting services that we provide to the Company, and this in no way changes our position regarding the absence of dependency as stated. Likewise, we confirm that the fees we receive from the Company are not dependent on the results of our work.

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1.4 This valuation was performed solely for the purpose stated above and this report may not be used, nor may conclusions be based upon it, for any other purpose such as determining the level of contributions required for the funding of benefits, valuations of the net worth of the Company, etc. The actuarial results appropriate for any other purpose may differ materially from the results reported in this document.

1.5 This report is intended to present valuation results and to provide explanations regarding the valuation. The report is prepared for the purpose of its inclusion in the Company's financial statements.

1.6 The amounts reported herein were calculated in accordance with the Company's interpretation of IAS 19 and its accounting policies regarding its implementation (see section 3). The Company is solely responsible for any such interpretation and policies.

1.7 According to this valuation, there is a surplus of assets over liabilities in the pension plan. Based on the Company's instructions, this surplus is presented as an asset of the Company in whole. According to legal regulations of the Central Pension Fund for Employees of the Israel Electric Corporation Ltd. ("the Fund"), under certain circumstances a surplus will be returned to the Company, where the surplus is determined according to an actuarial valuation of the Fund. The actuarial valuation of the Fund differs from the Company's valuation presented in this report, primarily due to different actuarial assumptions regarding interest discount rates and future salary increase rates. According to the most recent actuarial valuation of the Fund (as of December 31, 2025), liabilities were higher than those calculated in this valuation.

1.8 In order to calculate the amounts presented in this report, we relied on information concerning employee benefits terms and conditions (including constructive obligations) and on historical and current employee data, as provided to us by the Company, that were not verified by us. The Company bears full responsibility for the completeness and reliability of the information and data provided to us.

1.9 Valuation results are highly sensitive to actuarial assumptions. Actual demographic and economic experience is likely to differ from the assumptions, and assumptions are likely to change in future, which will affect the valuation of the liability for accrued benefits. Additional information is provided in Section 8 below.

1.10 The valuation was performed by Mr. Alan Fefferman, a qualified actuary, and his actuarial team at Alan Fefferman – Actuarial Services Ltd. Mr. Fefferman has a B.Sc. in Mathematics (with Distinction) from the University of Alberta in Canada, an M.B.A. (Beta Gamma Sigma) from the Booth School of Business of the University of Chicago in the United States, is a Fellow of the Canadian Institute of Actuaries (F.C.I.A.), a Fellow of the Society of Actuaries (F.S.A.) in the United States, and is a Fellow Actuary Member of the Israel Association of Actuaries (F.IL.A.A.). His forty three years of professional experience include actuarial valuations of employee benefits similar to those of the Company, actuarial valuations of pension plans, and the determination of actuarial methods and assumptions for pension plans and insurance companies, in his various roles of valuation actuary, peer reviewing or audit actuary, and governmental regulatory actuary.

1.11 This report has been prepared in accordance with the following standards:

- International Standard of Actuarial Practice 1 – General Actuarial Practice, approved by Council of the International Actuarial Association on November 18, 2012 (and revised on December 1, 2018).

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- International Standard of Actuarial Practice 3 – Actuarial Practice in Relation to IAS 19 Employee Benefits, adopted by Council of the International Actuarial Association on April 11, 2015.

1.12 Definitions:

- "salary" – pensionable salary
- "the Fund" – the Central Provident Fund for Pensions of Employees of the Israel Electric Corporation Ltd.
- "pension plan" – the set of benefits provided by the Fund
- "date of valuation" – December 31, 2025

2. Benefits Included in the Valuation

2.1 Our calculations are based on information regarding the benefits and their terms (as presented in a company document, which is included as Appendix F in the 31 December 2024 valuation). The information in that document, which we relied upon for the purpose of preparing this report, was not verified by us. Our calculations were also based on what is written in the special collective bargaining agreement (Retiring as a Pensioner from Generation C) which was signed in April 2022, and the special collective bargaining agreement (Entitlement of Employees from the SLA) which was signed in July 2025, and the special collective bargaining agreement (Early Voluntary Retirement above the age of 64) which was signed in September 2025. To the best of our knowledge, there were no additional changes to the rights to employee benefits, between 31.12.2024 and 31.12.2025, that are relevant to the actuarial valuation.

2.2 The valuation relates to benefits in respect of permanent employees, pensioners (including those who retired because of disability) and surviving spouses and orphans (for convenience's sake, pensioners and survivors shall hereinafter be referred to as "pensioners"). Employees and pensioners are divided into two groups:

- those covered by the defined benefit pension plan (for whom benefits are identical), who commenced their employment at the Company on or before June 10, 1996;
- those included in employee-generation C, who are permanent employees that commenced their employment at the Company after that date.

The valuation also relates to benefits for non- permanent employees of the company, including supplementary severance pay for employees employed under a special agreement, and various grants (upon termination of employment) for employees included in a special collective bargaining agreement (regarding continuing temporary employees), and for employees from the SLA.

2.3 The benefits to which the valuation relates are as follows:

2.3.1 Regarding employees and pensioners covered by the ("budgetary") defined benefit pension plan, benefits include the following:

- Post-Retirement pension based on pensionable salary. Monthly pensionable salary is comprised of the following components, subject to each employee/pensioner's individual entitlement to each component: regular salary[1], shift work, home service, Arava additions, convalescence

[1] includes combined salary, management increment, seniority increment, personal addition, continuing education addition, physical effort addition and administrative addition.

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pay (one-twelfth of the annual amount), 13th salary (one-twelfth of annual salary) 14th salary (one-twelfth of annual salary) and "CPI increment";
- Disability pension;
- Survivors' pension in respect of employees who die while in Company service[2] or after retirement (including employees who died after disability retirement);
- Grant paid upon retirement after 35 years of service or more, and to survivors in the event of the employee's death
- "Up to 35 Years" grant paid upon retirement, and to survivors in the event of the employee's death;
- Disability retirement grant (not to exceed 15 times salary);
- Grant for unutilized days of sick leave;
- Subsidized electricity for pensioners (includes VAT and is grossed up to cover the cost of other taxes);
- Holiday gifts for pensioners (grossed up to cover the cost of taxes);
- Grant after 20 years of service;
- Social welfare activities (valued at 0.49% of the cost of grants and pensions, excluding convalescence pay, reduced electricity costs, holiday gifts, and the two salary components of home service and Arava addition);
- Social welfare fund for pensioners of the defined benefit pension plan;
- Life insurance premium payments for pensioners.

2.3.2 Regarding generation C employees, the benefits consist of:
- "Up to 35 Years" grant, paid upon retirement, or to survivors in the event of the employee's death;
- Grant for unutilized sick leave;
- Subsidized electricity for pensioners (includes VAT and is grossed up to cover the cost of other taxes);
- Holiday gifts for pensioners (grossed up to cover the cost of taxes);
- Grant after 20 years of service;
- Social welfare activities (valued at 0.49% of the cost of other benefits);
- Life insurance premium payments for pensioners.
- Disability grant.
- Retirement grant.
- Grant to survivors, payable upon death of the employee.

2.3.3 Regarding the collective bargaining agreement dated May 17, 2018[3] (and subsequent correcting agreements, etc.[4]), the benefits consist of:

[2] any lump-sum amount to be paid upon the employee's death as a result of a work-related accident, was not taken into consideration in the valuation.

[3] Special collective bargaining agreement ("reform, structural and organizational changes")

[4] Including:
- Special collective bargaining agreement ("voluntary early retirements above age 64"), from 07/05/2019
- Special collective bargaining agreement ("reform, structural and organizational changes – correction 2"), from 21/01/2020
- Special collective bargaining agreement ("reform, structural and organizational changes – correction 3"), from 30/11/2020
- Special collective bargaining agreement ("early retirements, tenured employment limits, lump-sum benefits to employees whose services are lent to private electricity producers or who transfer to the System Management Company, and various other matters"), from 30/11/2020
- Collective bargaining agreement, between the System Management Company, workers' committee and national trade union
- Agreement between the System Management Company and the Israel Electric Company, from 30/11/2020.

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- The special retirement program -
  - Special early retirement pension
  - Lump-sum retirement benefit
  - Early retirement budgetary pension, for generation A and B employees
  - "Bridge" pension for generation C employees
  - Continuing accrual of pension benefits for generation C employees.
- Additional retirement pension – upon separation from employment for any reason other than death, disability or early retirement under the special retirement program.
- Additional disability pension.
- Additional lump-sum pre-retirement death benefit.
- Additional benefits for employees whose services are being lent to private electricity producers -
  - Additional retirement pension for such employees
  - Lump-sum benefits only, for generation C employees who retire before meeting minimum age/service requirements.
  - Additional grant
- Additional benefits for employees who transfer to the System Management Company
  - Additional retirement pension for such employees

2.3.4 In respect of non-permanent employees who are employed under a special agreement, or who are covered by a special collective bargaining agreement regarding continuing temporary employees:

- Regarding employees who are employed under a special agreement, the benefits include supplementary severance pay upon termination of employment or old-age retirement, or at the end of the maximum period allowed for this type of employment, whichever comes first.
- Regarding continuing temporary employees who are covered by a special collective bargaining agreement, the benefits include:
  - Grant after 20 years of service;
  - "Up to 35 Years" grant, paid upon retirement, or to survivors in the event of the employee's death;
  - Grant for unutilized sick leave;
  - Disability grant;
  - Retirement grant;
  - Grant if employment terminated, because of unsuitable job performance;
  - Grant to survivors, payable upon death of the employee;
  - For project-based employees - enhanced severance pay for the period of coverage under the special agreement.

2.3.5 In respect of Employees from the SLA who are employed according to a special collective bargaining agreement (entitlement of employees from the SLA)

- Grant after 20 years of service.
- "Up to 35 Years" grant.
- Grant for unutilized sick leave.
- Grant upon termination of employment due to retirement at mandatory retirement age or death.

- Collective bargaining agreement (Early Retirements), from 03/11/2024.
- Collective bargaining agreement (Voluntary Early Retirement above age 64) from 08/09/2025.

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2.4 Pensions are adjusted every January, according to the rate of change in the consumer price index (the ratio of the index for the most recent month of December to the index for the previous December).

2.5 The valuation does not take into consideration the possible payment of other benefits or increases to existing benefits at Company discretion, except for the allowance for early retirements requiring Company approval, that is based on assumed early retirement rates (please see section 5.4 below).

3. Methodology and Actuarial and Accounting Principles

3.1 In accordance with IAS 19, liabilities were calculated using the Projected Unit Credit method. Under this method, the liability is calculated as the present value of projected payments to employees and pensioners in respect of the relevant benefits based on the accrued rights of employees and pensioners as of the valuation date (the "past obligation"). The calculation projects each employee and pensioner's expected benefit payment amounts and dates, while taking into account the projected salary growth rate, mortality, termination and disability rates of employees and pensioners, as well as labor agreements and the Company's benefit payment policy.

3.2 The liabilities and additional disclosures in this report were calculated and presented in accordance with the Company's accounting policy as detailed in sections 3.3-3.10 below.

3.3 The method by which the accrued benefits are defined, is as follows[5]:

Benefit	Methods for the Calculation of Liabilities (that are attributed to the current period and to prior periods)
Post-employment pension (including disability pension) and social welfare activities	Based on the benefit formula in the pension plan, including the pension percent per year of service and the number of years of past service.
Subsidized electricity and holiday gifts for pensioners, grossed up to cover the cost of taxes	For Generation A and Generation B employees: • Benefit is fully accrued after age 40 and 10 years of service. • Until then, benefit is accrued according to the ratio between: (1) actual service, and (2) service projected to the age of full accrual. For Generation C employees, the years of service to which the benefit is attributed, depend on age at start of employment: • Start on or before age 45 - 15 years of service beginning at age 45 • Start between ages 46 and 51 (males) or between ages 46 and 49 (females) - 15 years beginning at start of employment. • Start after age 51 (males) or after age 49 (females) - 10 years beginning at age 57 (males) or at age 54 (females).
Death-in-service survivors' pension	Benefit fully accrued.

5 That is, the method by which benefits are attributed to periods of employment.

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Benefit	Methods for the Calculation of Liabilities (that are attributed to the current period and to prior periods)
Severance pay upon termination of employment without entitlement to pension, and "up to 35 years" grant	Based on eligibility on the valuation date. Benefit is accrued based on service. For the "up to 35 years of employment" grant, there is a 35-year accumulation maximum.
Grant for excess years	Accrual begins upon reaching 35 years of service. For employees with service in excess of 35 years, the accrued liability is calculated according to the terms of the benefit itself, that is, according to the number of excess service years (over 35 years) up until the valuation date.
Grant for unutilized sick leave	According to the number of unutilized sick leave days as of the valuation date[6].
Grant for disability retirement	According to eligibility on the valuation date. Based on the number of years of past service, up to a maximum of 30 years (up to 15 regular salaries).
20-year grant	Based on the ratio of accrued service to 20 years. There is no liability in respect of employees with over 20 years of service, (as they would have already received the grant).
Supplementary severance pay for employees employed by special agreement (who are not permanent employees)	On a "straight-line" basis from the start of employment to the end of the maximum employment period or until retirement age (67), whichever comes first.
Social welfare fund	On a "straight-line" basis from the start of employment up to the date that the employee reaches age 50/55 (male/female) or reaches 30 years of service, whichever comes last.
Life insurance premiums	The liability calculation for life insurance premiums, is prepared on the basis of two thirds of the insurance premium for death, which takes into consideration pensioners contributions to the cost of the benefit. Premium amounts are indexed monthly to changes in the cost of living index. Calculation of the accrued liability, is determined on a "straight-line" basis, from the start of employment to the average age of retirement (66).
Special additional pension under the special retirement program, Reform benefits including disability pension, and lump-sum benefit for death from active service.	Benefits are fully accrued.
The special retirement program: lump-sum retirement benefit, early retirement budgetary pension and “bridge” pension for employees insured under “old” pension plans	Benefits accrue according to service.
The special retirement program: “bridge” pension for employees insured under “new” pension plans, and continuing accrual of pension benefits for employees insured under "old" or "new" pension plans	“Bridge” pension – the entitlement is accrued according to the ratio between the accumulated account balance in a “new” pension plan projected to the early retirement date (and multiplied by an accumulation factor), and the same projected account

[6] Generation C employees, the terms of eligibility and amount of the grant are dependent on the age at the termination age and the rate of utilization of sick days, are defined in the special collective agreement (retirement as a Generation C pensioner) signed in April 2022.

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Benefit	Methods for the Calculation of Liabilities (that are attributed to the current period and to prior periods)
	balance plus projected notional contributions (for employee and employer contributions based, on 20.5% of the determined salary), and assumed net interest (3.74% per year, CPI-linked) from the early retirement date to the statutory retirement date; Continuing accrual of pension benefits - accrue on a "straight line" basis, from the date that the collective bargaining agreement from May 17, 2018 entered into effect (November 4, 2018), until the date of retirement.
Additional reform pension	Each employee's entitlement is determined according to a "coordinated amount" comprised of the "milestones" that will be realized by the date of retirement (based on statutory retirement age) or by the end of a subsequent extension period. The maximum entitlement is the "base amount" ascribed to the date of retirement. Each "milestone" is accrued on a "straight line" basis, from the date that the collective bargaining agreement of May 17, 2018 entered into effect (November 4, 2018), to the expected date of the milestone's realization, or to the statutory retirement date, whichever is earlier.
Employees whose services are lent to a private electricity producer in an electricity generation site that has been sold: lump-sum retirement benefit, early retirement ("budgetary") pension, "bridge" pension and continuing accrual of pension benefits for employees insured under an "old" or "new" pension plan, and an additional one-time grant.	Benefits accrue on a "straight line" basis, from the date that the May 17 2018 collective bargaining agreement went into effect (November 4, 2018), until 5 years after the date on which services began to be lent.
Employees transferring to the System Management Company	Additional "system management company" retirement pension - the entitlement has accrued completely.
Voluntary early retirement for employees over age 64	The liability has accrued completely

3.4 For post-employment benefits, actuarial gains or losses are credited or charged directly to owners' equity. For employee benefits that are not post-employment benefits, actuarial gains or losses are credited or charged to profit and loss.

3.5 Valuation results are presented in Appendix A on a nominal basis. Consequently, the interest cost and the expected return on assets are calculated according to nominal interest rates at the beginning of the year.

3.6 Current service cost is calculated in respect of benefits accrued during the reporting period using the attribution method described in section 3.3. For example, for the post-retirement pension benefit:

- until an employee reaches 35 years of service, the current service cost reflects the incremental pension percentage;
- after an employee reaches 35 years of service, the current service cost reflects the incremental grant.

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After a benefit is accrued fully, the current service cost for that benefit is zero. The current service cost for a calendar year is calculated once a year, based on the actuarial assumptions in effect as at the end of the previous year. At the end of each calendar quarter, one-quarter of the annual current service cost is charged to profit and loss. Any difference between the current service cost charged to profit and loss, and the actual current service cost based on updated actuarial assumptions and plan experience, constitutes an actuarial gain or loss.

3.7 The interest cost and expected return on plan assets, are based on a nominal annual interest rate of 5.52%; that is, the uniform discount rate inherent to the defined benefit obligation as at December 31, 2024.

3.8 The current service cost presented in this report has been reduced in respect of employees' contributions[7]. That is, a net service cost is presented.

3.9 The value of assets presented in Appendix A was disclosed to me by the Company and was not checked by me.

3.10 Termination benefits[8] presented in Appendix A, are defined as payments to existing pensioners until they reach the average expected age of retirement (as derived from actuarial assumptions regarding the probability of retirement at each age). Actuarial gains or losses from termination benefits are not included in those presented in appendix A, (but are credited or charged to the Company's profit and loss statement).

[7] Data regarding the sum of employees' contributions were received from the company.

[8] As the term is defined in IAS 19

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4. Data on which the Valuation is Based

The valuation is based on data that we received from the Company. We have not performed detailed checks of the data nor have we compared them to the original data source. We have checked the reasonability of the data in general and by comparison to the previous quarter's data. The primary data that we received is described as follows (for additional details, please see Appendix D):

4.1 Employee and pensioner data[9] – we received files on January 7, 2026, containing data for each employee and pensioner entitled to their relevant benefits. The data includes information regarding age, gender, pension or salary components, rank, service, etc. as at the valuation date. In addition, these files include data for the average monthly value of the holiday gift (grossed up to cover the cost of taxes).

4.2 We made the following adjustments to the data as per the Company's instructions[10]:

4.2.1 Increase of salaries and pensions by 0.49% to cover the cost of social welfare activities. This increase applies to all components of salary and pension, except for convalescence pay, the Arava addition, home service, holiday gifts and reductions in the cost of electricity.

4.2.2 We received a file from the Company, containing a list of employees who retired soon before the date of the valuation, and therefore we assumed immediate retirement for them.

4.2.3 Salary adjustments to senior employees of salary-grade 70, as per Company instructions.

[9] There are possibly a few pensioners who may have died, and whose death has not yet been reported to the Company. Such a possibility is not expressed in the actuarial valuation.

[10] The manner and rates of adjustment, were stipulated in the Company's instructions, and were not determined or checked by us.

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4.3 Below is a summary of the data described above:

Before the adjustments mentioned in section 4.2 above

Group	Number	Monthly salary/pension in NIS	Average age	Average service (years)
Defined benefit pension plan (Generation A + B) *				
Employees	**2,822**	**60,363,623**	**59.2**	**34.0**
Pensioners – former employees	**6,692**	**103,310,846**	**72.3**	
Pensioners – survivors (including orphans)	**1,903**	**16,521,813**	**77.6**	
Generation C**				
Employees	**3,637**	**46,535,486**	**47.5**	**17.0**
Pensioners – former employees	**130**	**22,004**	**71.1**	
Pensioners – survivors (including orphans)	**33**	**5,586**	**55.3**	
Employees under special agreements (non-permanent employees) ***				
Employees	**185**	**1,585,373**	**32.9**	**1.8**
Employees covered under special collective bargaining agreement regarding continuing temporary employees ******				
Employees	**1,684**	**12,370,011**	**39.7**	**7.0**
Employees covered under special collective bargaining agreement (Employees from the SLA)******				
Employees	**26**	**269,856**	**57.5**	**22.4**

After the adjustments mentioned in section 4.2 above

Group	Number	Monthly salary/pension in NIS	Average age	Average service (years)
Defined benefit pension plan (Generation A + B) *				
Employees	**2,804**	**60,424,205**	**59.2**	**34.2**
Pensioners – former employees	**6,710**	**104,272,549**	**72.3**	
Pensioners – survivors (including orphans)	**1,903**	**16,596,596**	**77.6**	
Generation C**				
Employees	**3,567**	**45,652,015**	**47.3**	**17.3**
Pensioners – former employees	**200**	**33,852**	**66.7**	
Pensioners – survivors (including orphans)	**33**	**5,586**	**55.3**	
Employees under special agreements (non-permanent employees) ***				
Employees	**185**	**1,593,141**	**32.9**	**1.8**
Employees covered by special collective bargaining agreement regarding continuing temporary employees ******				
Employees	**1,684**	**12,430,624**	**39.7**	**7.0**
Employees covered under special collective bargaining agreement (Employees from the SLA)******				
Employees	**26**	**271,178**	**57.5**	**22.4**

* Monthly salary and pension data presented for employees and pensioners covered by the defined benefit pension plan include all the components to which the employee or pensioner is entitled, including regular salary[11], shift work, home

[11] Includes "combined salary", "managerial increment", "service addition", "personal addition", "continuing education addition" and "physical effort" addition.

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service, Arava addition, convalescence pay, 13th salary (one-twelfth of the annual amount), 14th salary (one-twelfth of the annual amount) and value of holiday gifts (grossed up for tax). The amounts of the 13th and 14th salaries were calculated by dividing the regular salary by 12 in respect of all those qualifying based on service data.

** The generation C monthly salary (for the purpose of calculating grants and severance pay) includes all the components to which the employee or pensioner is entitled, including regular salary, 13th salary (one-twelfth of the annual amount), 14th salary (one-twelfth of the annual amount), and grossed up value of holiday gifts. The amounts of the 13th and 14th salaries were calculated by dividing the regular salary by 12, for all those who are entitled to them.

*** The disclosed salary for non-permanent employees who are employed under a special agreement, is the salary for severance pay only (in the data file that was received, there are two salary fields – regular salary and severance pay. The field that is used for calculations is the severance pay).

**** The disclosed salary for non-permanent employees who are employed according to the special agreement for "continuing temporary employees" and according to the collective bargaining agreement (Entitlement of Employees from the SLA), is regular salary only (as it appears in the data file received).

4.4 The data received regarding assets, payments and contributions (in nominal terms), include all of the following:

	Data item	NIS '000
	Assets as at the valuation date	
4.4.1	Balance of plan assets for post-employment benefits	41,240,102
4.4.2	Balance of assets according to paragraph 116A of IAS 19	1,029,896
	Benefit Payments during the reporting period (01/01/2025-30/09/2025)	
4.4.3	Increased severance pay benefits to employees under special agreements	901
4.4.4	"20-year grant"	1,206
4.4.5	Termination benefits – for paid benefits by the Fund, and for benefits not paid by the Fund (electricity discount, holiday gifts)	14,547
	Termination benefits – for paid benefits by the Fund only	13,773
4.4.6	Post-employment benefits (excluding termination benefits)	1,248,450
4.4.6.1	Grant for unutilized sick leave	37,751
4.4.6.2	"up to 35 years" grant	7,844
4.4.7	Electricity discount and holiday gifts	93,161
4.4.8	Withdrawals from plan assets for payment of benefits	1,410,179
4.4.9	Withdrawals from trust assets for payment of benefits	131,000
	Contributions during the reporting period	
4.4.10	Company's contributions, including plan assets costs	109,000
4.4.11	Employees' contributions to plan assets	14,380

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5. Actuarial Assumptions

The assumptions detailed below represent the Company's assumptions – the Company being the entity authorized to set assumptions according to IAS 19. The financial assumptions (section 5.1 below) are based on generally accepted market data as published by an external party. The remaining assumptions were set by the Company, partially with the advice of the previous actuary, and in my opinion they are reasonable.

In the future, there may be changes to the assumptions, because of checks of demographic data regarding employees and pensioners or of other relevant data, that are performed from time to time, and/or because of the publication of new mortality or morbidity tables by the ministry of finance or other relevant body, to the extent that it will be decided that such tables are relevant to the Company.

5.1 Financial assumptions

- Inflation rate – the difference between the nominal spot interest rate (rate of return to maturity for non-indexed, high quality government bonds) and the real spot interest rate (rate of return to maturity for CPI-indexed, high quality government bonds). For the actuarial valuation, there is essentially no requirement for an explicit assumption for inflation, since, according to the Company's accounting policy, the interest discount rate is set according to CPI-indexed bonds (please see below), and since the assumed salary increases are mostly set in real terms. The rate of inflation is relevant for calculating the anticipated erosion in value of pension payments and the electricity discount, convalescence pay and holiday gift components of salary, since they are all linked to CPI on a yearly basis (and not monthly). The future rate of inflation that was derived for the purpose of evaluating the erosion in real values, is based on a duration of 13.1 years, and stands at 2.2%.

  An adjustment to pension amounts and to the electricity discount, convalescence pay and holiday gift components of salary, is made in respect of the change in the CPI index from the time of their last update until the date of valuation.

  From a technical perspective, the cash flows that we calculated for the valuation are the projected future payments of pensions and other benefits in real-terms (without future inflation). Therefore, the real discount rates described below (based on the CPI-indexed corporate bonds) are appropriate for discounting the cash flows.

- Discount rates – on November 25, 2014, the Israel Securities Authority published its position that in Israel there exists a deep market in high quality CPI-indexed corporate bonds. In accordance with Company's accounting policy, the discount rates used in the valuation are taken from a yield curve based on market data for high quality, CPI-indexed corporate bonds as at the valuation date, as determined by Mervach Hogen Ltd. The use of these interest rates is required by IAS 19, given the Company's opinion (which coincides with that of other Israeli corporations) regarding the existence of a deep market in high quality corporate bonds in Israel.

  If plan assets yield lower real returns than the discount rates, based on their fair value, the net liabilities (total liabilities minus the value of plan assets) will increase, and vice versa.

  See Appendix B for details of the projected benefit cash flows.
  See Appendix C for information regarding the interest rates.

- The interest cost and expected return on plan assets and trust assets for the reporting period were based on a yearly interest rate of 5.52% as explained in paragraph 3.7 above.

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5.2 Salary and Benefit Increases

The actuarial valuation was performed in accordance with IAS 19, which requires that liabilities should be calculated based on existing labor and pension agreements on the valuation date. Accordingly, the valuation took into consideration that salary components will increase according to the framework of salary increases and increases in salary grade which is found in the Company's existing labor agreements and policies and according to general salary and cost-of-living agreements, without the possibility of creating new salary grades or other changes to employment terms and to the existing system of salary increases and increases in salary grade.

5.2.1 In July 2023, a collective bargaining agreement (framework), was signed for the public sector, that also applies to workers of the Israel Electric Company. The agreement is for the period 01/01/2020 – 31/12/2027. Consequently, for employees who are expected to retire after 2027, it is necessary to set an actuarial assumption regarding salary increases after 2027, that would result from future, similar, collective bargaining agreements. Given projected rates of inflation, the assumption is that in each year after 2027, salaries will grow at the rate of $84\% \times (inflation\,rate - 0.51\%)$ for Generation B employees and at the rate of $89\% \times (inflation\,rate - 0.58\%)$ for Generation C employees, where $inflation\,rate$ is the projected rate of inflation for that year. On average, for years after 2027, it is equivalent to an assumption that the salary will increase by the CPI increase minus 0.77%. Projected inflation rates are derived from the differences between two investment yield curves: the yield curve for government of Israel negotiable bonds that are CPI-indexed, and the yield curve for government of Israel negotiable bonds that are not CPI-indexed.

These assumptions affect almost all salary components, but do not affect the electricity discount, holiday gifts and convalescence pay components (it is assumed that the Arava and home-service components of salary will be included in the salary agreements).

5.2.2 It is assumed that the average annual salary increase resulting from promotions (including promotion to senior management rank) and from changes in eligibility to new or increased salary components related to the "managerial increment", "master's degree", "shift work", "home service", and additional salary grade at Eilat, will be according to the following annual rates:

Age	Employees Who are Not Senior Managers	Senior Managers
Up To 32	1.43%	1.27%
32 – 37	0.77%	1.27%
37 – 42	0.43%	1.27%
42 – 47	0.37%	1.27%
47 – 52	0.34%	1.27%
52 – 57	0.26%	1.65%
57 – 62	0.20%	0.91%
Over 62	0.17%	0.76%

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5.2.3 For employees who at the valuation date are not entitled to continuing-education-payment A and/or continuing-education-payment B, the annual rate of eligibility is as follows:

Age	Eligible for payment A	Eligible for payment B
Until 40	7.8%	3.5%
40 – 50	3.5%	1.5%
50 – 60	1.1%	0.8%
Over 60	0.0%	0.4%

5.2.4 It is assumed that the ceiling for "continuing-education-payment B" for employees at salary grade 44 and above will be linked to salary and cost-of-living allowance agreements. As at the valuation date, the ceiling stands at NIS 1,104.08[12].

5.2.5 According to labor agreements, the value of holiday gifts (grossed-up for the cost of taxes) and convalescence pay will increase by the actual rate of increase in the CPI, and that the update (for CPI) of convalescence pay takes effect in January of each year, and the update of holiday gifts also takes effect in January of each year. The cost of holiday gifts for pensioners is increased to cover the cost of taxes, at a rate of 19.5% (at all ages), and for pensioners who retired before statutory retirement age the cost is also grossed-up for National Insurance tax at a rate of about 19.26%, until they reach statutory retirement age.

5.2.6 The cost of the electricity discount is calculated according to the electricity tariff for a domestic consumer at the valuation date (the fixed monthly fee before VAT is NIS 25.95[13], the fixed monthly KVA fee before VAT is NIS 7.00[14] and the variable rate per kilowatt-hour before VAT is NIS 0.5451) and according to the following, forward-looking assumptions:

- It is assumed that the change in tariff for discounted electricity (including VAT and grossing-up for other taxes) will be linked to the CPI.
- Towards the end of the year 2021, we performed an experience study of subsidized electricity consumption among Company pensioners during the years 2016-2021. Actuarial assumptions were updated based on the results of the study, including assumptions regarding subsidized electricity consumption (in terms of kilowatt-hours) that vary according to age and type of pensioner: (a) old-age or disability pensioner, (b) recipients of survivors' pensions (excluding orphans). It is assumed that the average level of electricity consumption for a pensioner at any given age will remain constant:

[12] This amount was received from the Company.
[13] Weighted average of NIS 24.74 for a single-phase base meter, and NIS 26.25 for a triple-phase base meter. Approximately 20% of employees/retirees use a single-phase base meter and 80% use a triple-phase base meter.
[14] This data was determined based on average connection size as reported by the Company.

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Average Monthly Electricity Consumption (kilowatt-hours) by Age and Type of Pensioner

Age	Old-age or Disability Pensioners	Recipients of Survivors' Pensions
40	1,140	1,051
41	1,140	1,051
42	1,140	1,051
43	1,140	1,051
44	1,140	1,051
45	1,140	1,051
46	1,140	1,051
47	1,140	1,044
48	1,141	1,037
49	1,142	1,030
50	1,142	1,023
51	1,143	1,015
52	1,143	1,008
53	1,144	1,001
54	1,145	994
55	1,145	987
56	1,143	949
57	1,131	918
58	1,120	897
59	1,108	882
60	1,097	872
61	1,087	866
62	1,077	862
63	1,067	859
64	1,057	856
65	1,048	852
66	1,039	847
67	1,030	842
68	1,022	835
69	1,014	827
70	1,006	818
71	998	809
72	991	799
73	985	789
74	978	779
75	972	770
76	966	762
77	961	756
78	956	751
79	951	747
80	947	745
81	942	745
82	939	745
83	935	746
84	932	746
85	929	745
86	926	741
87	924	733
88	922	719
89	921	696
90	919	696
91	919	696
92	919	696
93+	919	696

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- As noted above, towards the end of the year 2021 we performed an experience study based on data regarding electricity usage among pensioners during the 5 year period from 2016-2020. Actuarial assumptions were updated based on the experience study, including assumptions regarding the incidence of pensioners who are not eligible for or do not utilize the electricity subsidy benefit, that vary according to age and type of pensioner: (a) old-age or disability pensioner, (b) recipients of survivors' pensions (excluding orphans).:

Age	Old-age or Disability Pensioners	Recipients of Survivors' Pensions
21-46	8.2%	20.8%
47	7.8%	22.5%
48	7.4%	23.8%
49	7.1%	24.7%
50	6.8%	25.2%
51	6.4%	25.4%
52	6.1%	25.2%
53	5.9%	24.9%
54	5.6%	24.3%
55	5.3%	23.5%
56	5.1%	22.6%
57	4.9%	21.6%
58	4.7%	20.4%
59	4.5%	19.2%
60	4.3%	17.9%
61	4.2%	16.6%
62	4.0%	15.4%
63	3.9%	14.1%
64	3.8%	12.9%
65	3.7%	11.7%
66	3.6%	10.6%
67	3.6%	9.5%
68	3.6%	8.6%
69	3.5%	7.8%
70	3.5%	7.1%
71	3.5%	6.5%
72	3.6%	6.0%
73	3.6%	5.7%
74	3.7%	5.5%
75	3.7%	5.4%
76	3.8%	5.5%
77	3.9%	5.7%
78	4.1%	6.0%
79	4.2%	6.4%
80	4.3%	7.0%
81	4.5%	7.6%
82	4.7%	8.4%
83	4.9%	9.2%
84	5.1%	10.1%
85	5.4%	11.0%
86	5.6%	12.0%
87	5.9%	13.0%
88	6.2%	14.0%
89	6.5%	15.0%
90	6.8%	15.9%
91	7.1%	16.7%
92	7.5%	17.4%
93	7.9%	18.1%
94	8.2%	18.5%
95	8.6%	18.8%
96	9.1%	18.8%
97	9.5%	18.6%
98	9.9%	18.0%
99	10.4%	17.2%
100	10.9%	17.2%
101+	10.9%	17.2%

5.2.7 It is assumed that there were no changes, and will not be any changes in future, to each employee's level of full or part-time employment, and that each employee's current level of full or part-time employment, also applied in the past and will also apply in the future.

5.2.8 There is a group of employees who were entitled in the past to a "shift-work addition" to their salary, and who are classified as entitled to this addition as part of their pensionable salary. It is assumed that their pensions will be increased accordingly.

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5.2.9 An update for pension amounts takes place in the month of January each year, in accordance with the rate of annual change in the Consumer Price Index (the ratio of the index for the most recent month of December to the index for the previous December). In cases when the change in CPI is negative, pension amounts are not revised downwards. Instead, a future pension adjustment in respect of a positive change in the CPI index will be implemented only after offsetting the negative change in CPI that had accumulated since the previous pension update.

- In respect of non-permanent employees under special agreements, employees covered by a special collective bargaining agreement regarding continuing temporary employees, as well as for employee from the SLA, real annual salary growth of 2.0% is assumed, that includes both general salary increases as well as individual employee salary increases.

5.3 Mortality and Disability rates

5.3.1 See Appendix E below regarding changes made in the past to mortality assumptions.

5.3.2 Life Expectancy Improvements (Decline in Mortality Rates)

The mortality assumptions are significant for the valuation of actuarial liabilities. Life expectancy changes with changes in medical practice and lifestyles. The actuarial assumptions take into account a continuing increase in life expectancy for the future.

The base mortality rates detailed below are correct as of December 31, 2022.

The assumed rates of decline in mortality rates (leading to assumed, increased life expectancies) after December 31, 2022, are in accordance with Circular 2024-9-8 ("*Amended Provisions for Liability Measurements – Updated Demographic Assumptions for Life Insurers and Pension Plans*"), published on November 27, 2024 by the Capital Markets, Insurance and Savings Authority, with immediate effect. Note that there is great uncertainty regarding future changes in mortality rates, and alternative assumptions may be just as reasonable (please see section 8.4 below).

5.3.3 Mortality Tables - Introduction

In the year 2024, a study was conducted of mortality experience among employees and pensioners of the Company during the years 2013-2024. The study was conducted separately for each of the following groups, and for each gender separately: employees, pensioners, surviving spouses, and disabled individuals. Consequently, for each group and gender, the Company adopted as its actuarial assumption, combined mortality rates that give expression both to the mortality experience revealed by the study, as well as to "standard" mortality rates which were published by the Capital Markets, Insurance and Savings Authority in Circular 2024-9-8. The more statistically credible is the company's own mortality experience, the more weight is given to that experience, and the less weight is given to the "standard" mortality tables.

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5.3.4 Pensioner Mortality Tables

The assumption consists of the following components:

Gender	Expression of Company Experience (as percentages of mortality tables from Circular 2024-9-8)	Weight Given to Company Experience	Standard Mortality Table from Circular 2024-9-8	Weight Given to Standard Table
Male	103.8% of table P3-C	83.4%	Table P-3C	16.6%
Female	107.8% of table P3-C	27.3%	Table P-3C	72.7%

Below are examples of remaining life expectancies for pensioners, based on the assumptions above, including assumed future extensions of life expectancy:

Age and Year	**Male**	**Female**
Age 67 at end of year 2024	21.39 years	23.50 years
Age 67 at end of year 2032	22.06 years	24.14 years

5.3.5 Mortality Tables for Surviving Spouses

The assumption consists of the following components:

Gender	Expression of Company Experience (as percentages of mortality tables from Circular 2024-9-8)	Weight Given to Company Experience	Standard Mortality Table from Circular 2024-9-8	Weight Given to Standard Table
Male	102.8% of table P-5D	14.5%	table P-5D	85.5%
Female	98.7% of table P-5D	72.9%	table P-5D	27.1%

5.3.6 Mortality Tables for Active Employees

The assumption consists of the following components:

Gender	Expression of Company Experience (as percentages of mortality tables from Circular 2024-9-8)	Weight Given to Company Experience	Standard Mortality Table from Circular 2024-9-8	Weight Given to Standard Table
Male	90.1% of table P-1B	16.1%	table P-1B	83.9%
Female	97.5% of table P-1B	4.3%	table P-1B	95.7%

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5.3.7 Mortality Tables for Disabled Employees

The assumption consists of the following components:

- Age 67+:

Gender	Expression of Company Experience (as percentages of mortality tables from Circular 2024-9-8)	Weight Given to Company Experience	Standard Mortality Table from Circular 2024-9-8	Weight Given to Standard Table
Male	120.8% of table P-3C	29.9%	table P-3C	70.1%
Female	107.8% of table P-3C	27.3%	table P-3C	72.7%

- Below age 67:

Gender	Expression of Company Experience (as percentages of mortality tables from Circular 2017-3-6)	Weight Given to Company Experience	Standard Mortality Table from Circular 2024-9-8	Weight Given to Standard Table
Male	1st year after retirement: 1210.7% of table P-7 Each subsequent year: 101.4% of table P7	1st year: 28.4% Subsequent years: 12.1%	table P-7	1st year: 71.6% Subsequent years: 87.9%
Female	1st year after retirement: 1256.1% of table P-7 Subsequent years: 128.2% of table P7	1st year: 7.2% Subsequent years: 7.8%	table P-7	1st year: 92.8% Subsequent years: 92.2%

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5.3.8 Disability Incidence

In the year 2025 a study was conducted of the incidence of disability retirements among Generation A and Generation B employees in the years 2008-2024. Based on the study, the company adopted the following rates for Generation A and Generation B employees[15]:

Age	Male	Female
18	0.023%	0.013%
19	0.024%	0.014%
20	0.024%	0.015%
21	0.025%	0.016%
22	0.026%	0.017%
23	0.027%	0.019%
24	0.028%	0.021%
25	0.029%	0.023%
26	0.030%	0.024%
27	0.032%	0.027%
28	0.033%	0.029%
29	0.035%	0.031%
30	0.036%	0.034%
31	0.038%	0.037%
32	0.040%	0.040%
33	0.043%	0.043%
34	0.045%	0.048%

Age	Male	Female
35	0.048%	0.051%
36	0.051%	0.055%
37	0.054%	0.061%
38	0.057%	0.066%
39	0.061%	0.071%
40	0.068%	0.077%
41	0.076%	0.084%
42	0.085%	0.092%
43	0.094%	0.100%
44	0.106%	0.108%
45	0.118%	0.117%
46	0.122%	0.131%
47	0.128%	0.145%
48	0.138%	0.159%
49	0.150%	0.173%
50	0.165%	0.187%
51	0.182%	0.201%

Age	Male	Female
52	0.201%	0.216%
53	0.223%	0.231%
54	0.246%	0.246%
55	0.272%	0.262%
56	0.299%	0.279%
57	0.327%	0.296%
58	0.357%	0.314%
59	0.389%	0.333%
60	0.421%	0.352%
61	0.454%	0.373%
62	0.489%	0.394%
63	0.523%	0.417%
64	0.559%	0.440%
65	0.595%	0.462%
66	0.631%	0.485%

5.3.9 Recovery from Disability and Return to Work as an Active Employee

For purposes of the actuarial valuation, it is assumed that employees who retire because of disability will not return to work for the Company.

5.4 Normal Retirement Age, Termination of Employment, and Early Retirement

5.4.1 These assumptions were set by the company.

5.4.2 It is assumed that normal retirement will occur at the statutory mandatory retirement age of 67. Employees over age 67 are assumed to retire within 12 months of the valuation date.

5.4.3 Termination of Employment and Early Retirement (before normal retirement age), for **Generation C Employees**:

[15] Regarding Generation C employees, due to insufficient data to conduct a study, the company adopted the same rates as Generation A and Generation B, multiplied by a rate of 50%.

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- Involuntary and Voluntary Termination
  In 2024 a study was conducted of withdrawal rates among Generation C employees during the seven years from 2017 to 2023. Actuarial assumptions were set accordingly:

Age	**Annual Involuntary Termination**	**Annual Voluntary Termination Rate** (without entitlement to employee benefits)
Up to 39.99	0.36%	0.57%
40-44.99	0.32%	0.26%
45-49.99	0.12%	0.11%
50-66.99	0.12%	0.0%

- Early Retirement

  50% of the rates of retirement (by age) for Generation A and Generation B employees, starting from the earlier of:

  - Age 60, or later age after completion of 15 years of service
  - Retirement age as defined in the Retirement Age law, or later age after completion of 10 years of service.

5.4.4 Terminations and Early Retirements (Prior to Normal Retirement Age), for Generation A and Generation B Employees (Covered by the Budgetary Pension Plan):

It is assumed that there will be no employment terminations, except for early retirement.

Rates of early retirement, constitute an assumption regarding early retirements that are not categorized as "termination benefits" under IAS 19. According to IAS 19, it is not permitted to recognize in advance the cost of terminations from employment, except under certain conditions. In practice, it is difficult to distinguish between early retirements that must be categorized as “termination benefits” and other early retirements, so that it is very difficult to set the actuarial assumption. It is even more difficult to set the assumption because employees' behavior regarding retirement is greatly affected by past special retirement programs and anticipated future special retirement programs.

The early retirement assumption is based on Company experience during the years 2002-2016, not including employees who retired under special early retirement programs. Assumed rates of early retirement vary by age and sex, as detailed in the two tables below:

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Early Retirement Rates for Employees Covered by the Defined Benefit Pension Plan		
Age	**Female**	**Male**
Up to 40	0.0%	0.0%
40	0.0%	0.1%
41	0.0%	0.1%
42	0.0%	0.1%
43	0.0%	0.1%
44	0.0%	0.1%
45	0.0%	0.1%
46	0.0%	0.1%
47	0.0%	0.1%
48	0.1%	0.1%
49	0.1%	0.1%
50	0.1%	0.1%
51	0.1%	0.1%
52	0.1%	0.1%
53	0.2%	0.1%

Early Retirement Rates for Employees Covered by the Defined Benefit Pension Plan		
Age	**Female**	**Male**
54	0.2%	0.1%
55	0.2%	0.1%
56	0.2%	0.1%
57	0.4%	0.1%
58	0.4%	0.1%
59	0.4%	0.2%
60	0.4%	0.4%
61	0.4%	0.6%
62	2.6%	1.0%
63	0.7%	1.3%
64	0.7%	1.6%
65	4.4%	1.9%
66	7.3%	2.3%

On November 4, 2018, a collective bargaining agreement of May 17, 2018, went into effect, that includes a special retirement program under which 1,803 employees retired in the years 2018 - 2024. Similarly, on November 30 2020, a collective bargaining agreement went into effect that enlarged the special retirement program, so that 200 additional employees retired voluntarily between the years 2021 – 2023. At the time of retirement, employees must have been above age 55 (younger ages were allowed under certain circumstances) and below age 64 in order to be eligible for the program. Therefore, it is assumed that there will be no other early retirements (beyond the 1,803 and 200 mentioned above) between ages 55-63, until the end of December 2025.
On November 3, 2024, a collective bargaining agreement went into effect which expanded the special early retirement program, so that an additional 300 employees will retire between January 1, 2025 and June 30, 2026.

5.4.5 Termination of Employment for Non-Permanent Employees Employed Under Special Agreements:

Assumed rates of termination with eligibility for the benefits included in this valuation, are detailed in the following table:

Service	**Rates of Involuntary Termination** (eligible for benefits)	**Rates of Voluntary Termination** (not eligible for benefits)
0	3.0%	0.0%
1	1.5%	0.0%
2+	0.0%	0.0%

In addition to the rates specified above, for non-permanent employees employed under special agreement, it is assumed that their employment will be terminated at the end of the maximum working period according to the special agreements, that is, after 4 or 5 years from the start of

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employment[16] (regarding employees who have already exceeded the maximum working period, it is assumed that their employment will end immediately), and that they will receive enhanced severance pay upon termination. .

5.4.6 Termination of Employment for Employees Covered by a Special Collective Bargaining Agreement Regarding Continuing Temporary Employees

Assumed rates of involuntary termination as well as voluntary termination are similar to rates of involuntary and voluntary termination of Generation C employees, as detailed above.

In addition to the rates mentioned above, in coordination with the Company, rates of termination due to unsuitable job performance, are assumed as follows:

- Employees in their fifth year of employment: yearly rate of 0.70%
- Employees in their sixth year of employment: yearly rate of 0.50%
- Employees in their seventh year of employment: yearly rate of 0.30%
- Employees in their eighth year of employment: yearly rate of 2.0%
- Employees in their ninth year of employment or more: yearly rate of 1.0%.

5.4.7 Termination of Employment for Employees Covered by the Agreement for Employees from SLA:

Assumed rates of involuntary termination as well as voluntary termination are similar to rates of involuntary and voluntary termination of Generation C employees as detailed above.

[16] For employees whose employment began on or after 5/11/2018, the maximum period of employment is 4 years. In addition, a list was received from the Company, of employees who have received an extension until a specific date or until retirement age.

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5.5 Marriage Rates and Age Differences Between Spouses

- Proportion of Married Pensioners, based on the study performed at the end of 2021:

Age	Males	Females
30	60.6%	73.8%
31	65.3%	76.3%
32	69.3%	78.1%
33	72.6%	79.4%
34	75.7%	80.1%
35	77.1%	80.3%
36	78.9%	80.5%
37	80.8%	80.8%
38	81.4%	80.6%
39	82.2%	80.0%
40	84.1%	79.9%
41	84.3%	78.8%
42	84.1%	78.7%
43	84.2%	77.5%
44	84.3%	77.1%
45	84.0%	76.6%
46	84.0%	76.2%
47	83.9%	75.4%
48	84.0%	75.6%
49	83.8%	75.0%
50	83.8%	72.9%
51	84.0%	70.7%
52	83.8%	68.6%

Age	Males	Females
53	83.9%	68.6%
54	84.0%	68.9%
55	84.2%	69.0%
56	84.9%	68.8%
57	85.4%	68.9%
58	85.9%	68.6%
59	86.3%	68.8%
60	86.6%	68.5%
61	86.8%	67.7%
62	87.0%	67.7%
63	87.1%	67.1%
64	87.1%	66.8%
65	87.0%	65.9%
66	86.9%	64.9%
67	86.7%	64.1%
68	86.4%	62.9%
69	86.0%	61.5%
70	85.6%	59.7%
71	85.1%	58.2%
72	84.5%	56.9%
73	83.8%	54.1%
74	83.1%	51.9%
75	82.3%	49.5%

Age	Males	Females
76	81.4%	47.6%
77	80.4%	45.3%
78	79.3%	42.1%
79	78.2%	40.4%
80	77.0%	37.2%
81	75.8%	34.1%
82	74.4%	31.2%
83	73.0%	28.1%
84	71.5%	26.2%
85	69.9%	23.0%
86	68.2%	21.1%
87	66.5%	18.2%
88	64.7%	15.4%
89	62.8%	13.1%
90	60.9%	11.2%
91	58.9%	9.7%
92	56.7%	7.9%
93	54.6%	6.0%
94	52.3%	6.1%
95	50.0%	6.4%
96	47.6%	5.7%
97	45.1%	5.2%
98	42.5%	4.6%

Age	Males	Females
99	39.9%	4.2%
100	37.2%	3.8%
101	34.4%	3.4%
102	31.5%	3.0%
103	28.6%	2.7%
104	25.6%	2.5%
105	22.5%	2.2%
106	19.3%	2.0%
107	16.1%	1.8%
108	12.7%	1.6%
109	9.3%	1.5%
110	5.9%	1.3%
111	2.3%	0.2%
112	0.0%	0.2%
113	0.0%	0.2%
114	0.0%	0.2%
115	0.0%	0.2%
116	0.0%	0.2%
117	0.0%	0.2%
118	0.0%	0.2%
119	0.0%	0.2%
120	0.0%	0.2%

- For purposes of the actuarial valuation, it is assumed that widows will not remarry; that is, the payment of widow pensions will not stop because of remarriage.

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- Age Differences Between Spouses, based on the study performed at the end of 2021:

Age	Age of Male Employee or Pensioner, Minus Spouse's Age	Age of Female Employee or Pensioner, Minus Spouse's Age
30	2.1	(3.0)
31	2.1	(3.0)
32	2.1	(3.0)
33	2.1	(3.0)
34	2.1	(3.0)
35	2.1	(3.0)
36	2.1	(3.0)
37	2.1	(3.0)
38	2.1	(3.0)
39	2.1	(3.0)
40	2.1	(3.0)
41	2.1	(3.0)
42	2.3	(3.0)
43	2.4	(3.0)
44	2.4	(3.0)
45	2.4	(3.0)
46	2.5	(3.0)
47	2.5	(3.0)
48	2.6	(3.0)
49	2.6	(3.0)
50	2.7	(3.0)
51	2.8	(3.0)
52	2.9	(3.0)
53	2.9	(3.0)
54	3.0	(3.0)
55	3.1	(3.0)
56	3.2	(3.0)
57	3.4	(3.0)
58	3.4	(3.0)
59	3.4	(3.0)
60	3.4	(3.0)
61	3.4	(3.0)
62	3.4	(3.0)
63	3.4	(3.0)
64	3.4	(3.0)
65	3.4	(3.0)
66	3.4	(3.0)
67	3.4	(3.0)
68	3.4	(3.0)
69	3.4	(3.0)
70	3.4	(3.0)
71	3.4	(3.0)
72	3.3	(3.0)
73	3.5	(3.0)
74	3.6	(3.0)
75	3.7	(3.0)
76	3.9	(3.0)
77	4.0	(3.0)
78	4.2	(3.0)
79	4.3	(3.0)
80	4.4	(3.0)
81	4.6	(3.0)
82	4.7	(3.0)
83	4.9	(3.0)
84	5.0	(3.0)
85	5.2	(3.0)
86	5.3	(3.0)
87	5.5	(3.0)
88	5.7	(3.0)
89	5.8	(3.0)
90	6.0	(3.0)
91	6.1	(3.0)
92	6.3	(3.0)
93	6.4	(3.0)
94	6.6	(3.0)
95	6.8	(3.0)
96	6.9	(3.0)
97	7.1	(3.0)
98	7.3	(3.0)
99	7.5	(3.0)
100	7.6	(3.0)
101	7.8	(3.0)
102	8.0	(3.0)
103	8.2	(3.0)
104	8.3	(3.0)
105	8.5	(3.0)
106	8.7	(3.0)
107	8.9	(3.0)
108	9.1	(3.0)
109	9.2	(3.0)
110	9.4	(3.0)
111	9.6	(3.0)
112	9.8	(3.0)
113	10.0	(3.0)
114	10.2	(3.0)
115	10.4	(3.0)
116	10.6	(3.0)
117	10.8	(3.0)
118	11.0	(3.0)
119	11.2	(3.0)
120	11.4	(3.0)

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5.6 Orphans

The assumed number of children and their ages are in accordance with table P11 of Pension Circular 2017-3-6.

5.7 Utilization of Sick Leave Days (for calculating the grant for unused sick leave)

It is assumed that every employee's sick-leave utilization ratein the future will be equal to his average utilization rate in the past. This assumption was set by the Company.

5.8 It is assumed that all non-permanent employees employed under a special agreement will receive enhanced severance pay upon termination of their employment.

5.9 Future Company expenses for the administration of the Central Pension Fund for Employees of the Israel Electric Corporation Ltd. were not taken into account.

5.10 Additional actuarial assumptions for the valuation of employee benefits arising from the collective bargaining agreement of May 17, 2018 (and subsequent agreements):

- Special retirement program - assumed distribution of employees who will retire from the valuation date until June 2026, according to retirement year, age and service at the time of retirement, employee generation (A, B or C), company division, etc., in accordance with detailed eligibility requirements specified in the collective bargaining agreement.
- Additional disability pension – assumptions related to the cost of purchasing benefits from an insurer, including disability mortality assumptions and insurance margins.

5.11 The following conditions did not find expression in the actuarial valuation. In my opinion their overall impact would be immaterial:

- pensions for future "dependent orphans" over the age of 21;
- pensions for "dependent parents" of future deceased employees or pensioners;
- increases in pensions to future orphans of both parents;
- the actual dates on which pensions are paid for 13th and 14th salaries (we assumed that one-twelfth of the annual amount is paid monthly);
- possible grant of electricity discounts and holiday gifts to orphans (we assume that all orphans have a parent receiving such benefits);
- a few pensioners receive a temporarily reduced monthly pension in exchange for a lump-sum amount that was paid in the past. The valuation does not reflect any such temporary reduction;
- additional severance pay or grants in respect of the difference between the salary reported in the data file and minimum wage, to be paid to a small number of generation C employees who retire or leave with salary lower than minimum wage;
- a supplemental disability pension in respect of dependents was not taken into account for future disabled pensioners. On the other hand, for existing disabled pensioners, no reduction in the supplement to the disability pension with respect to dependents was taken into account (such a reduction would apply upon the future death of dependents);
- the liability in respect of the additional benefit for life insurance in the event of an accident;
- the increased bereaved parent pension, in respect of active employees;
- the following additional benefits for pensioners or survivors:

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- bonuses upon marriage and the birth of a child (including grossed-up taxes);
- gifts for children of pensioners or survivors, who are serving in the Israel Defense Forces (including grossed-up taxes);
- Company participation in the cost of a tombstone and a bouquet of flowers – in cases of death as a result of a work accident;
- compensation in cases of death as a result of a work accident, to the amount of 36 months of salary;
- meals partially subsidized by the Company at Company facilities – up to 10 meals per month;
- higher education grants for children of widows of employees who died while working for the Company;
- outings for widows of workers who died while working for the Company;
- discount from the cost of connecting electricity to a pensioner's apartment as well as transfer or increase of an existing connection; and
- for a very small number of employees and pensioners, any possible effect of "the Division of Pension Savings Among Separated Spouses Law".

6. Changes to the Valuation in the Current Reporting Year

In the third quarter of the year 2025:

- Disability incidence rates for Generation C employees were updated.
  This updated increased the liabilities of the company by about NIS 3 million.
- On July 16, 2025 a special collective bargaining agreement (Entitlement of Employees from the SLA), which defines the benefits for employees from the SLA, was signed. Recognition of the terms of the agreement, increased the liabilities of the company by about NIS 3 million.

In the second quarter of the year 2025:

- An updated study was prepared of disability incidence rates among Generation A and Generation B employees. This update decreased the liabilities of the company by about NIS 3 million.
- Among the milestones defined in the special collective bargaining agreement signed in 2018, the dates for two milestones were updated. This update decreased the Company's liabilities by about NIS 48 million.

In the fourth quarter of the year 2025:

- The salary increase assumption which results from future agreements after the year 2027 was updated. This update increased the Company's liabilities by about NIS 26 million.
- On September 8, 2025 a special collective bargaining agreement (Early Voluntary Retirement above age 64) was signed. Recognition of this agreement increased the Company's liabilities by about NIS 19 million.

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7. Valuation Results

The values of liabilities (in millions of NIS) as at September 30, 2025, without offsetting the value of benefit plan assets, are as follows:

7.1 Liabilities for all the benefits included in this valuation, except for liabilities in respect of special agreements for early retirement, for the "20 year grant", and for enhanced severance pay for non-permanent employees covered under special agreement:

Active employees	**11,389.6**
Pensioners and survivors	**22,364.6**
Total	**33,754.2**

7.2 Liability in respect of special early retirement agreements:

Pensioners and survivors	**113.7**

7.3 Liability for the “20 year grant”:

Active employees	**15.0**

7.4 Liability for enhanced severance pay for non-permanent employees, employed under special agreement:

Active employees	**10.3**

7.5 Liability for employees covered by a special collective bargaining agreement regarding continuing temporary employees:

Active employees	**27.4**

7.6 Liability for employees covered by a special collective bargaining agreement regarding employees from the SLA:

Active employees	**3.5**

In Appendix A, additional information is provided for financial statement disclosure, as required by IAS 19.

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8. Uncertainties and Risks

8.1 Due to the nature of the employee benefits and the long future period over which they will be paid, the level of future payments is uncertain and there may be a material difference between actual payments in the future and those assumed payments that underlie this valuation, despite the efforts made to assess the benefits as accurately as possible. For this reason, the Company is exposed to risk that the estimated liability does not properly represent future payments and, consequently, that additional costs will be incurred in the future for accrued benefits that are under-estimated or that additional revenues will be realized from accrued benefits that are over-estimated. Below are the main drivers of uncertainty and risk, in our opinion.

8.2 Interest, Inflation and Investment Returns

Future fluctuations in the market interest rates that are used to value liabilities (market interest rates are used to calculate the present value of forecasted future benefit payments) will change the gross value of the liabilities. Higher or lower rates of return on plan assets, by comparison to these interest rates, will lead to a decrease or increase in the net liabilities, respectively. At times, the effect of changes in market interest rates may be offset to a certain extent by the effect of changes in the rate of return on plan assets, depending on the level of matching between assets and liabilities.

Sensitivity analysis:

a) If the discount rate should fall by 1%, the liability would increase by approximately NIS 4,335 million (12.8%).
b) If the discount rate should fall by 0.1%, the liability would increase by approximately NIS 396 million (1.2%).
c) If the discount rate should increase by 0.1%, the liability would decrease by approximately NIS 388 million (-1.1%).

Actual changes in the rate of inflation, affect the value of the liability (indirectly due to the connection between salary / pension and inflation) and the value of plan assets (due to index-linked assets). The two effects may offset one another to a certain extent.

Anticipated changes in the future rate of inflation may affect the value of the liability and the value of plan assets, depending on the effect of the anticipated change in inflation on current market interest rates and on the current values of unlinked assets.

8.3 Future Salary Increases

Assumed general salary increases (in respect of salary and cost-of-living-allowance agreements) have considerable effect on cash flow projections. As described in section 5.2.1 above, there is an actuarial assumption for salary increases after 2027.

Sensitivity analysis:

a) If the assumed annual rate of salary growth, for each year after 2027, were adjusted upward by 0.5%, then the liability would increase by approximately NIS 157 million (0.5%).
b) If the assumed annual rate of salary growth, for each year after 2027, were adjusted downward by 0.5%, then the liability would decrease by approximately NIS 152 million (-0.4%).

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8.4 Life Expectancy

Although mortality rates are relatively stable, and the mortality assumption corresponds with current experience relatively well, there is considerable uncertainty regarding the level of mortality that will emerge in the long-term future, owing to the fact that future changes in life expectancy are very difficult to predict (and may differ significantly from the assumption underlying the valuation). The rate of change in life expectancy is affected by behavioral and social changes and by medical developments, both past and future, and any such future changes or developments are themselves difficult to predict.

Sensitivity analysis:

a) If annual rates of change in mortality rates would be double the assumed rate of change[17], then the remaining life expectancy of a 67 year-old male at the end of the year 2024 (for example) would rise from 21.39 to 23.38 years, the remaining life expectancy of a 67 year old woman would rise from 23.50 to 25.61 years, and liabilities would rise by approximately NIS 1,736 million (5.1%).
b) If actual, base mortality rates would be 20% lower than assumed, then the remaining life expectancy of a 67 year-old male at the end of the year 2024 (for example) would rise from 21.39 to 22.97 years, the remaining life expectancy of a 67 year-old woman would rise from 23.50 to 24.99 years, and liabilities would increase by approximately NIS 1,405 million (4.1%).

8.5 Early Retirement

As stated in paragraph 5.4 above, early retirement constitutes a significant but unstable phenomenon, and setting the assumption regarding future rates of early retirement is highly problematical. Early retirements have a significant effect on the level of benefit payments and on the valuation of liabilities, because at the time of early retirement, the employee begins to receive his full pension without any deferral or reduction that could offset the extra cost of making pension payments in the years until normal retirement age.

Sensitivity analysis: In the event that actual early retirement rates are double the assumed rates (see paragraph 5.4.3 above), then liabilities would increase by approximately NIS 78 million (0.2%).

Yours truly,

Alan Fefferman, F.C.I.A., F.S.A., F.IL.A.A.

[17] Please see paragraph 5.3.2.

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Appendix A – Additional Reports for Disclosure in the Financial Statements

Introduction

- In this section, the actuarial liability and additional results are divided into 3 sections:

  1. Amounts relating to all "post-employment benefits"[18] which are paid by the Fund, and assets of the Fund. See Tables 1, 4, 6 & 9 below.

  2. Amounts relating to other post-employment benefits (including severance pay, all grants after the termination of employment, electricity discounts, and holiday gifts to pensioners) and assets not in the Fund but dedicated to the payment of employee benefits. See Tables 2, 3, 5, 7 & 10 below.

  3. Amounts relating to "other long-term benefits"[19], including the "20 year benefit". See Table 12 below. (Table 8 relates to all pension and other post-employment benefits.)

- This report is presented on a nominal basis.

- All amounts are in millions of NIS.

[18] As the term is defined in IAS 19

[19] Ditto

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1. Surplus assets at end of the period

	31/12/2025	31/12/2024
Fair value of plan assets	39,809	39,415
Present value of the gross pension obligation	(28,266)	(27,424)
Subtotal	11,543	11,991
Liability for special, early retirement, pension agreements	(110)	(86)
Surplus pension assets over pension liabilities	11,443	11,905

2. Funds held in trust and dedicated to the funding of employee benefits (as per paragraph 116 of IAS 19)

	31/12/2025	31/12/2024
Funds in trust – dedicated to cover actuarial obligations (assets as per paragraph 116)	1,030	1,057

3. Liability at the end of the period for other post-employment benefits

	31/12/2025	31/12/2024
Present value of obligations for other post-employment benefits (including liabilities for special retirement agreements)	2,889	2,753

4. Liability at the end of the period for Reform benefits

	31/12/2025	31/12/2024
Present value of obligations for Reform benefits	2,644	2,776
Fair value of plan assets held under insurance contracts with a life insurance company	(1,140)	(804)
Present value of obligations for Reform benefits minus plan assets held under insurance contracts	1,504	1,972

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5. Reconciliation of the Beginning and Ending Values of the Pension Defined Benefit Obligation

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Present value of the obligation –beginning of period		27,424	26,113	28,353
Interest cost		1,481	1,531	1,514
Current service cost		60	74	122
Employee contributions		14	15	16
Past Service Cost		2	319	-
Benefits paid		(1,408)	(1,343)	(1,269)
Losses (gains) on re-measurement:				
• **Demographic assumptions changes**		(2)	(43)	-
• **Financial assumptions changes**		679	577	(2,761)
• **Experience adjustments**		16	181	138
• **Total actuarial losses (gains) on re-measurement**		693	715	(2,623)
Present value of the obligation – end of period		28,266	27,424	26,113

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6. Reconciliation of the Beginning and Closing Values of the Defined Benefit Obligation for Other Post-Employment Benefits (including special early retirement agreements)

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Present value of the obligation – beginning of period		2,753	2,617	2,693
Interest cost		151	155	145
Current service cost		56	53	53
Past service cost		4	19	-
Benefits paid		(147)	(156)	(138)
Losses (gains) on re-measurement:				
• **Demographic assumptions changes**		3	(7)	-
• **Financial assumptions changes**		103	70	(97)
• **Experience adjustments**		(34)	2	(39)
• **Total actuarial losses (gains) on re-measurement**		72	65	(136)
Present value of the obligation – end of period		2,889	2,753	2,617

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7. Present Value of Reform Benefits

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Present value of the obligation – beginning of period		2,776	2,610	2,675
Interest cost		148	155	145
Current service cost		9	107	98
Past service cost		1	230	-
Benefits paid		(315)	(270)	(286)
Losses (gains) on re-measurement:				
• **Demographic assumptions changes**		-	-	-
• **Financial assumptions changes**		8	(14)	(35)
• **Experience adjustments**		17	(42)	13
• **Total actuarial losses (gains) on re-measurement**		25	(56)	(22)
Present value of the obligation – end of period		2,644	2,776	2,610

8. Reconciliation of the Beginning and Closing Fair Value of Plan Assets

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Fair value of plan assets – beginning of period		39,415	38,410	38,274
Interest income from plan assets		2,139	2,257	2,052
Contributions		109	31	494
Benefits paid		(1,410)	(1,348)	(1,285)
Gains (losses) on re-measurement: return on plan assets (not included in interest income)		987	65	(1,125)
Fair value of plan assets- end of period		41,240	39,415	38,410
Less gains on plan assets which will be returned to the company		(1,431)	-	-
Fair value of plan assets – end of period		39,809	39,415	38,410

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9. Reconciliation of the Beginning and Ending Fair Values of Funds Held in Trust to Cover Actuarial Obligations (paragraph 116 assets)

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Fair value of trust assets – beginning of period		1,057	1,095	1,184
Interest income from trust assets		55	63	62
Benefits paid		(131)	(99)	(112)
Gains (losses) on re-measurement: investment return on trust assets (excluding amounts included in interest income)		49	(2)	(39)
Fair value of trust assets – end of period		1,030	1,057	1,095

10. Reconciliation of Plan Assets held under Insurance Contracts with a Life Insurance Company

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Fair value of plan assets – beginning of period		804	386	-
Interest income from plan assets		53	34	10
Company deposits		372	379	385
Payments to insurance policies for individual retirees		(60)	(24)	(8)
Remeasurement gains (losses) on plan assets- Insurance contracts with a life insurance company				
Gains (losses) on re-measurement: investment return on plan assets (excluding amounts included in interest income above)		(29)	29	(1)
Fair value of plan assets – end of period		1,140	804	386

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11. Total Period Costs

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Current service cost		139	248	289
Employee participation		(14)	(15)	(16)
Net current service cost		125	233	273
Interest cost		1,780	1,841	1,804
Past service cost		7	568	-
Early retirement costs		46	22	13
Interest income on plan assets[20]		(2,192)	(2,291)	(2,062)
Interest income on trust assets (par. 116 assets)		(55)	(63)	(62)
Total costs for the period		(289)	310	(34)

12. Actual Returns on Plan Assets

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Interest income on plan assets		2,139	2,257	2,052
Gains (losses) on re-measurement: investment income, not including interest income above		987	65	(1,125)
Actual return on plan assets		3,126	2,322	927

13. Actual Returns on Assets Held in Trust to Cover Actuarial Obligations (paragraph 116 assets)

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Interest income on assets		55	63	62
Gains (losses) on re-measurement: investment income, not including interest income above		49	(2)	(39)
Actual return on assets		104	61	23

[20] Including interest income on insurance contracts with a life insurance company

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14. Actual Returns on Assets held under Insurance Contracts with a Life Insurance Company

		Year Ending 31/12/2025	Year Ending 31/12/2024	Year Ending 31/12/2023
Interest income on assets		53	34	10
Gains (losses) on re-measurement: investment income, not including interest income above		(29)	29	(1)
Actual return on assets		24	63	9

15. Obligation for Special Early Retirement Agreements (Termination Benefits)

	31/12/2025	31/12/2024	31/12/2023
Obligation at end of period - pensions	110	86	88
Obligation at end of period – other benefits	4	3	5
Obligation at end of period – total	114	89	92

16. Obligation for "20 year grant" (Other Long-Term Employee Benefits)

	31/12/2025	31/12/2024	31/12/2023
Obligation at end of period	15	13	12

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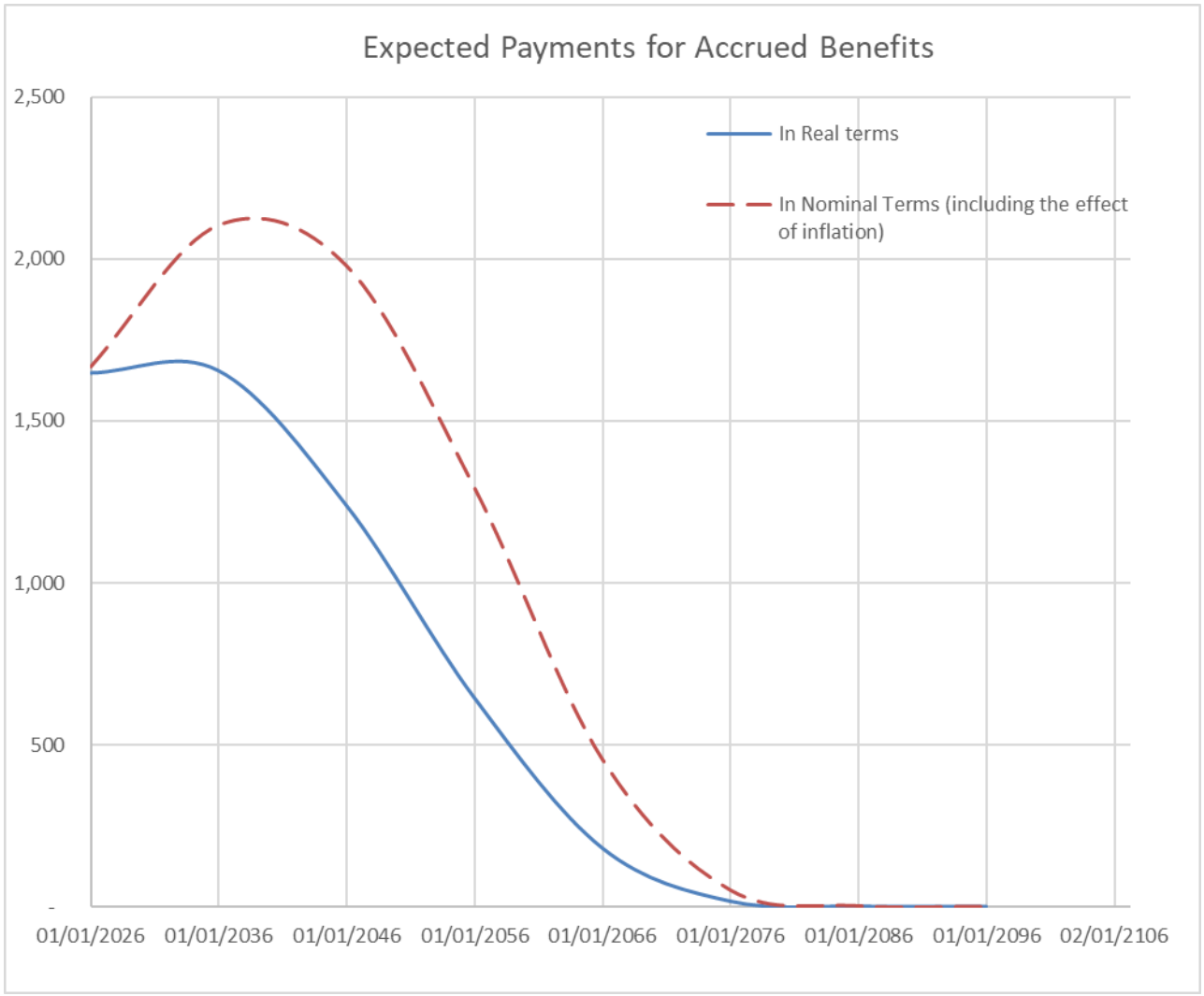
Appendix B – Expected Future Payments of Employee Benefits

Below is a graph of the expected cash flows included in the valuation (including all benefits for employees and pensioners), in real terms and in nominal terms (including the expected future impact of inflation). Nominal cash flows are presented in red, while inflation-adjusted cash flows are presented in blue.

The payments shown are annual.



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Appendix C – Additional Detail Regarding Financial Assumptions (annualized rates)

	31/12/2025	31/12/2024
Weighted average real discount rate used to compute liabilities as at the end of the period*	2.84%	2.99%
Expected inflation rate	2.3%	2.6%
Nominal interest rate used to compute the interest cost on pension liabilities	5.52%	5.99%
Nominal interest rate used to compute the interest cost on other post-employment liabilities	Ditto	Ditto
Nominal interest rate used to compute the expected return on plan assets	Ditto	Ditto
Nominal interest rate used to compute the expected return on trust assets (assets according to paragraph 116 of IAS 19)	Ditto	Ditto

* In practice, the valuation was performed according to a vector of interest rates (yield curve) which was prepared by Mervach Hogen Ltd. Each rate shown in the table above, reflects the different yields to maturity contained in the vector, taking into consideration the expected liability cash flow at each future point in time. A valuation performed according to the interest discount rate shown in the table, would produce the same results that are presented in this report.

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Appendix D – Additional Detail Regarding Data

List of data files received from the Company:

1. "ong1225" – 15,217 records – data including all employees / retirees / survivors (permanent workers of generations A, B, and C).
2. "actuarpizuisug13411225" - 185 records – data including all non-permanent workers (special agreements).
3. "עובד ממשיך דצמבר 2025"- 1,684 records, general data regarding employees employed under the Continuing Employment Agreement
4. "עובדי צד"ל דצמבר 2025"- 26 records- data including all employees from the SLA
5. "פורשי דצמבר 2025 - 73 records, "פורשי נובמבר 2025 כולל דור ג"- 29 records, "פורשי אוקטובר 2025 כולל דור ג 1" - 19 records
6. " change102025", "change112025", "change122025", "change122025g" – files that describe status changes of employees / retirees in the months October- December 2025.
7. "חשמל דצמבר 2025" – data regarding electricity rates, VAT rate and grossed-up taxes.
8. "שי דצמבר 2025" – value of holiday gifts grossed-up for taxes.
9. "עובדים מדורות א ב ג שעברו להסכם אישי בכיר דצמבר 2025" – 117 records – list of senior employees who have signed personal service contracts (instead of being covered by collectively bargained salary agreements).
10. "שכר רגיל של עובדים שעברו להסכם אישי בכיר דצמבר 2025" – 117 records – list of regular salaries for senior employees who have signed personal service contracts.
11. " יעדי פרישות מוקדמות בחתך חטיבתי לפי שנים ל 251225 "
12. "פוטנציאל פרישה מוקדמת של פורשי מבצע לשנים 2025 2026 נכון ל251225"- 270 records
13. "פוטנציאל פורשי 64 פלוס לשנים 2025 2026 נכון ל 231225"- 44 records
14. "גיליון נתונים מסכם הראל רביעי 2025-דיווח לחשבונאים"
15. "פנסיית גישור שוטף 1225"

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Appendix E – Changes to the Valuation that Took Effect in Years Preceding the Current Year

Changes that took effect in the course of 2024

In the second quarter of the year 2024:

- The Capital Markets, Insurance and Savings Authority published a draft circular on June 26, 2024 and a final circular on July 24, 2024, entitled *Updated Demographic Assumptions for Life Insurers and Pension Plans*. The circular contains updated, standard mortality tables, for use by pension plans, central provident funds for pensions, and life insurance companies. The estimated effect of the updated, standard mortality tables, was to decrease the Company's liabilities for employee benefits, by approximately NIS 2 million. Because of this minimal effect, the Company did not update its own mortality assumptions for the valuation of its liabilities in the second quarter of 2024.

In the fourth quarter of the year 2024:

- An updated study was conducted, of mortality experience among employees and pensioners of the Electric Company.
  Note that the mortality assumptions of the Electric Company, include a combination of:
  - Mortality rates which occurred among employees and pensioners of the Company, according to studies of mortality experience which are updated from time to time.
  - Standard mortality rates as published by the Ministry of Finance from time to time.

  The combined effect of the updated mortality study mentioned above, and the updated standard mortality rates mentioned above, was to decrease the liabilities for employee benefits by about NIS 50 million.
- Withdrawal rates for Generation C were updated. This change decreased the liabilities by about NIS 1 million.
- On November 3, 2024, a collective bargaining agreement went into effect which expanded the special retirement program such that 300 additional employees will retire between January 2025 and June 2026. This increased the net[21] liabilities by about NIS 569 million.

Changes that took effect in the course of 2023

In the first quarter of the year 2023:

- The collective bargaining agreement signed in 2018, provides for an additional retirement pension, whose amount depends on achieving certain "milestones". The target date for one such milestone was updated. This update decreased the Company's liabilities by about NIS 15 million.

In the second quarter of the year 2023:

- Assumed future increases in electricity tariffs were updated in accordance with Company expectations. This update decreased the Company's liabilities by about NIS 5 million.
- On July 17 2023, a collective bargaining agreement (framework), was signed for the public sector, that is likely to apply also to workers of the Israel Electric Company. The agreement is for the period 01/01/2020 – 31/12/2027. Recognition of the terms of the agreement, instead of assumptions regarding salary increases during the period of the agreement, as well as an adjustment to the actuarial assumptions for salary increases after the end of the agreement period, reduced the Company's liabilities by approximately NIS 1,484 million.

[21] If these 300 employees weren't eligible for the special retirement plan, they would be eligible for other benefits as a result of the Reform.

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In the third quarter of the year 2023:

- The collective bargaining agreement signed in 2018, provides for an additional retirement pension, whose amount depends on achieving certain "milestones". The target date for one such milestone was updated. This update decreased the Company's liabilities by about NIS 49 million.
- Assumed future increases in electricity tariffs, were updated in accordance with Company expectations. This update decreased the Company's liabilities by about NIS 1 million.

In the fourth quarter of the year 2023:

- The assumption regarding future increases in electricity tariffs was updated. This update increased the Company's liabilities by about NIS 134 million.

Changes that took effect in the course of 2022

In the first quarter of the year 2022:

- The collective bargaining agreement signed in 2018, provides for an additional retirement pension, whose amount depends on achieving certain “milestones”. The target date for one such milestone was updated. This update decreased the Company’s liabilities by about NIS 15 million.
- The Company entered into an agreement with Harel Insurance Ltd., which entered into effect in January 2022. The Company purchases life annuity policies for employees who retire under the framework of the Reform. This process decreased the Company's liabilities by about NIS 471 million.

In the second quarter of the year 2022:

- Assumed future increases in electricity tariffs, were updated in accordance with Company expectations. This update increased the Company's liabilities (for subsidized electricity to pensioners) by about NIS 15 million.
- On April 13, 2022, a special collective bargaining agreement was signed (*Retirement as a Pensioner of Generation C employees*). The agreement increased the Company's liabilities by about NIS 36 million.
- On June 30, 2022, the Capital Markets, Insurance and Savings Authority published Circular 2022-9-18 ("*Amended Provisions for Liability Measurements – Updated Demographic Assumptions for Life Insurers and Pension Plans*"). Implementation of the Circular increased the Company's liabilities by about NIS 119 million.
- In accordance with its agreement with Harel Insurance Ltd., the Company continues to purchase policies for retirees. This decreased the Company's liabilities by about NIS 35 million.

In the third quarter of the year 2022:

- Special collective bargaining agreement (regarding continuing temporary employees) was signed on August 3, 2022. The implementation of this agreement increased the Company's liabilities by about NIS 6 million.
- The collective bargaining agreement signed in 2018, provides for an additional retirement pension, whose amount depends on achieving certain “milestones”. The target date for one such milestone was updated. This update decreased the Company’s liabilities by about NIS 57 million.
- The assumed increase in future electricity tariffs was updated in accordance with revised Company expectations. This change caused an increase in liabilities of about NIS 13 million.

In the fourth quarter of the year 2022:

- The collective bargaining agreement signed in 2018 provides for an additional retirement pension, whose amount depends on achieving certain "milestones". The target date for one such milestone was updated. This update decreased the Company's liabilities by about NIS 33 million.
- The assumed increase in future electricity tariffs was updated in accordance with revised Company expectations. This change caused an increase in liabilities of about NIS 58 million.

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Changes that took effect in the course of 2021

In the first quarter of the year 2021:

- On behalf eligible Generation C employees, one-time, lump-sum contributions were made to pension funds registered in their names, in lieu of severance benefit entitlements for pay and service up to 31/12/2020 (as per paragraph 14 of the Severance Benefits Law), in accordance with a collective Bargaining agreement of November 30, 2020. These contributions had the effect of reducing the Company's liabilities for employee benefits by approximately NIS 112 million.

In the second quarter of the year 2021:

- Similar to the first quarter, for additional eligible Generation C employees, one-time, lump sum contributions were made to pension funds registered in their names, in lieu of severance benefit entitlements for pay and service up to 31/12/2020 (as per paragraph 14 of the Severance Benefits Law), in accordance with a collective Bargaining agreement of November 30, 2020. These contributions had the effect of reducing Company liabilities for employee benefits by approximately NIS 2 million.
- The collective bargaining agreement signed in 2018, provides an additional retirement pension, whose amount depends on achieving certain Company "milestones". The target dates for two such milestones were updated. These updates decreased the Company's liabilities by about NIS 47 million.
- The Company entered into an agreement with a life insurer, in order to purchase annuities for pension benefits defined in the aforementioned collective bargaining agreement (and in subsequent, related collective bargaining agreements from the year 2020). The agreement with the life insurer, specifies its fee for administration as well as the demographic assumptions underlying the annuity prices. The agreed upon administration fee, being less than the previously assumed fee, led to a decrease in Company liabilities of about NIS 43 million.
- The assumed increase in future electricity tariffs was updated in accordance with revised Company expectations. This change caused an increase in liabilities of about NIS 3 million.
- There was an update of the assumed tax rate by which pensioner benefits are grossed-up, which resulted in a decrease in liabilities of approximately NIS 3 million.

In the third quarter of the year 2021:

- Similar to the first two quarters, for additional eligible Generation C employees, one-time lump sum contributions were made to pension funds registered in their names, in lieu of severance benefit entitlements for pay and service up to December 2020 (as per paragraph 14 of the Severance Benefits Law), in accordance with a collective Bargaining agreement of November 30, 2020. There contributions had the effect of reducing Company liabilities for employee benefits by approximately NIS 5 million.
- As mentioned above, the collective bargaining agreement signed in 2018 provides an additional retirement pension, whose amount depends on achieving certain Company "milestones". The target date for one milestone was changed. These changes decreased the liabilities by about NIS 9 million.
- Pension purchase factors (the price of a monthly pension of NIS 1) were updated, for the purpose of valuing "Bridge Pensions" for Generation C employees. This adjustment increased liabilities by about NIS 0.5 million.
- The assumed increase in future electricity tariffs was updated in accordance with revised Company expectations. This change caused an increase in liabilities of about NIS 5 million.

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In the fourth quarter of the year 2021:

- As mentioned above, the collective bargaining agreement signed in 2018 provides an additional retirement pension, whose amount depends in achieving certain Company "milestones". The target date for two milestones were changed. These changes decreased the liabilities by about NIS 25 million.
- Assumptions regarding the probability of being married at the time of death, and the average age difference between spouses, were updated. This change increased the liabilities by about NIS 53 million.
- Assumptions regarding electricity usage were updated. This change caused an increase in liabilities of about NIS 74 million.
- Assumptions regarding disability retirement and involuntary termination of employment, among Generation C employees were updated. This change decreased liabilities by about NIS 28 million.
- The assumed increase in future electricity tariffs was updated in accordance with revised Company expectations. This change caused a decrease in liabilities of about NIS 72 million.
- The transfer of employees to the System Management Company reduced liabilities by about NIS 149 million.

Changes that took effect in the course of 2020

In the first quarter of the year 2020:

- The collective bargaining agreement signed in 2018, provides an additional retirement pension, whose amount depends on achieving certain Company “milestones”. The target dates for two milestones were changed. These changes decreased the liabilities by about NIS 128 million.
- The calculation of the multiplier defined in the above mentioned collective bargaining agreement was updated, in accordance to the amendments made to the agreement that was signed in 2020. This change decreased the liabilities by about NIS 34 million.

- Salary increase assumptions were updated, as described in paragraph 5.2.1 above. The update increased liabilities by about NIS 182 million.

In the second quarter of the year 2020:

- The assumed increase in future electricity tariffs was updated in accordance with Company expectations. This change caused a decrease in liabilities of about NIS 2 million.

In the third quarter of the year 2020:

- The collective bargaining agreement signed in 2018, provides an additional retirement pension, whose amount depends on achieving certain Company “milestones”. The target dates for one milestone was changed. These changes decreased the liabilities by about NIS 10 million.
- The assumed increase in future electricity tariffs was updated in accordance with Company expectations. This change caused a decrease in liabilities of about NIS 5 million.

In the fourth quarter of the year 2020:

- The number of employees who are expected to retire under the special early retirement program in the years 2021-2024, was increased by 200[22]. This increased net[23] liabilities by about NIS 370 million.

[22] Based on a special collelctive bargaining agreement (early retirements, one time grant for Yahap employees and System management employees and additional topics).
[23] Although they are eligible for special early retirement benefits, these 200 employees were eligible for other Reform benefits.

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- The transfer of employees to the System Management Company, reduced liabilities by about NIS 142 million.[24] [25]

- An additional grant of NIS 50,000 to employees whose services are being lent to private electricity producers, and to employees transferring to the System Management Company, increased liabilities by about NIS 0.8 million[26].

- As noted above, the collective bargaining agreement signed in 2018, provides an additional retirement pension, whose amount depends on achieving certain Company "milestones". The target dates for three milestones were changed, decreasing liabilities by about NIS 112 million.[27]

- Current electricity tariffs were updated, and future assumed increases in tariffs were updated in accordance with Company expectations, increasing liabilities by about NIS 83 million.

[24] Including a decrease in budgetary pension, according to the collective agreement between the System Management Company and the New committee on behalf of System Management Workers, general Worker's Union.
[25] From the NIS 142 million, NIS 140 million are because of the decrease in liability due to budgetary pension and NIS 2 million are due to the decrease in liability for severance payments 2.33%.
[26] According to the collective agreement between the System Management Company and the New committee on behalf of System Management Workers, general Worker's Union.
[27] Among other things, according to special collective bargaining agreement (3), which revises the special collective bargaining agreement ("reform and structural and organizational change"), and the decision of the Electricity Authority.

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חברת החשמל

22/01/2026

Description of the Main Rights which Should be Taken into Consideration in Determining the Actuarial Obligation with respect to Benefits After Termination of Employment

The Determining Salary Components for Calculating the Pension:

1. **Normal Salary** - including combined salary, service increment (up to a 40 year maximum), extra effort increment, continuing education payments, administration increment, command increment, personal extra, 2016 NIS increment, 2023 NIS increment, cost of living allowance.

Normal Salary Calculation Formula:

$$\text{Normal salary} = \left[\text{*2023 NIS increment} + \text{**2016 NIS increment} + \text{*Extra Effort} + \text{*Continuing Education and Administration Remuneration} + \text{* Maximum stay in grade} + \text{Nominal personal extra} \right] + (1.01)^{N} \left[\text{Command Increment Percentage} + 1 \right] \text{Salary Grade}$$

* Updated on the date and rate of cost of living increment.

** Updated with the Consumer Price Index annually.

N – number of years of service for calculating the service increment for payment

Normal Salary Components:

(a) The Combined Salary is according to accepted salary tables in the Company.

On May 15, 2024, a special collective agreement was signed that regulates the economic conditions and benefits for the Company's employees for the years 2020-2027 (2023 Salary Agreement). The framework of the agreement includes:

Uniform **2023 NIS increment** for the normal salary at a final amount of NIS 500 per employee employed at full position.

Effective July 1, 2023, employees are entitled to a monthly NIS salary increment in the amount of NIS 400, and effective October 1, 2024, the amount will increase by NIS 100. The increment will be updated according to section (I) below.

A **percentage increase** to the salary table to be paid in 4 installments so that the final rate will be 6%. Effective December 1, 2024, employees are entitled to a percentage salary increase at a rate of 2%. Effective April 1, 2025, the 2024 percentage increase rate increased by 1.5%, so that the rate of the increase will increase from 2% to 3.5%. Effective April 1, 2026, the 2024 percentage increase rate will increase by 1.5%, so that the rate of the increase will increase from 3.5% to 5%. Effective April 1, 2027, the 2024 percentage increase rate will increase by 1%, so that the rate of the increase will increase from 5% to 6%.

The determining salary for the purpose payment of pension to an eligible retiree, someone who retired from the Company for a budget pension during the period from January 1, 2020 to March 31, 2027, or to his successor, will be gradually increased in accordance with the month of the retirement (last month of employment) of the eligible retiree and the payment dates specified in the tables attached to the agreement.

The combined salary of management members includes global overtime hours.

The salary agreement dated December 11, 2016 "The 2016 Agreement" determined that management members who were appointed to their office before October 10, 2013 (hereinafter: "Entitled Management Members") will continue to be entitled to inclusion of global pension overtime as an integral part of their pension for all intents and purposes, subject to the following changes:

- As of August 1, 2016, the scope of their entitlement for global pension remuneration with respect to 50 hours of overtime per month is at a value of 140% per hour.

Employees who were appointed to serve as members of the management after October 10, 2013, are not entitled at all to inclusion of remuneration for global overtime in their regular salary as a determining component for calculation of salary components which are paid on the basis of the pension salary.

(b) Service increment:

1. The annual service increment rate is 1% for each year of service.

2. The Service Increment Calculation Formula:
   Service Increment Amount for Payment = $[(1.01)^N - 1]$ X (job classification increment + salary grade).

   N – number of service years for payments where **N =< 40** (as detailed in HR procedure "Service Increment" No. 04-01-02).

3. Masters Degree Service:
   Another service increment at a 50% rate, starting from completing the studies for a master's degree, for employees at the grade of engineers, academics and lawyers only (instead of a service increment of one year, each year, such an employee is entitled to a service increment of 1.5 years for each year from the Master's studies completion date onwards).

4. Service Increment/ Pension Percentages with respect to Security Service prior to Establishing the State of Israel/ Prisoners of Zion:

   - An employee who served a full active service period in one of the recognized service units (Palmach, Hagana, Etzel, Lehi, British Army Jewish Brigade, Palestinian Ghaffir, Policeman in the Mandate Police) - 80% of the service period will be added to the work service factor for determining the pension rate.
   - An employee who served as a volunteer in the Hagana, Etzel or Lehi and is entitled to ALEH decoration – is entitled to a 3% increase in his pension.
   - A "Prisoner of Zion" employee – will receive a 1% increase in pension for each year of recognized imprisonment, up to a total of 5%.
     In any event, the total pension rate will not exceed 70%.

(c) Extra Effort Increment:

1. An increment paid according to entitlement groups and updated for active employees with each cost of living allowance and each work agreement.
2. The Main Entitlement Groups are:
   - Group A – Maintenance employees.
   - Group B – Other workers, meter readers.
   - Group C – The population that is not defined in groups A, B, D.
   - Group D – Trainees in a shift.

(d) Managers continuing education payment:

1. Monetary increment paid to employees of management rank, who meet the entitlement terms.

2. Entitlement terms are:
   - Employees whose nominal grade is 14 at least.
   - Who are high school/vocational school graduates, including 11 years of education.

- Who completed two study years in a higher education institution or completed a pre-defined number of study hours related to their occupation or profession, as detailed below:

Service years in the field of occupation/ profession	**Required study hours related to the occupation or the profession**
Up to one year	800
Up to two years	700
Up to four years	600
Up to six years	500
Up to eight years	400
Up to ten years	300
Up to twelve years	200
Twelve years and up	100

Note: An employee with long tenure in his occupation requires a smaller number of study hours.

3. Employees who fulfill all the terms specified in section 2 and also accumulated 400 study hours according to the tests listed in Section 5 of HR procedure "Continuing Education Payments to Employees in Managerial Grade" (No.04-01-04).

4. Threshold Terms (for section 3):
Courses/continuing education recognized by the "Committee for Recognizing Courses and Continuing Education of the Ministry of Education and Culture" and listed in the Approved Courses List that ended within a period of 5 years prior to the request for payment filing date.

5. Rate Update:
Managerial continuing education payments rate is updated for active employees according to each cost of living increment. Rate update derived from a wages agreement – if specified in the agreement.

6. Administration Remuneration Supplement
As of May 1, 2018, an employee entitled to an administrative continuing education remuneration is entitled, starting from the end of one year to the date of his entitlement to the administrative continuing education remuneration, to the payment of an administration supplement.
The amount of the NIS supplement was updated in accordance with the update mechanism, update rates and update dates of the Company's continuing education remuneration.
The supplement is included in the ordinary salary, except with regard to the calculation of the retirement grant for retirees in special early retirement (for the removal of doubt in this regard, the supplement will be included in the calculation of the grant for non-utilization of sick leave and redemption of vacation days).

(e) Professional Continuing Education Payment:

1. A monetary increment paid to employees in the professional rank (academic degrees, engineers, lawyers, practical engineers and technicians) who fulfill the terms of entitlement, as detailed in HR procedure 04-01-05.

2. The entitlement to continuing education payment A and B is determined by a joint committee of representatives of the professional Histadrut and representatives of the Ministry of Finance.

3. Recognition of Studies Period for Payment A:
Courses and continuing education that ended in a period of up to 5 years prior to submitting the request for continuing education payment to the payment committee will be recognized, even when these occurred before the employee was entitled to the degree.

4. Recognition of Studies Period for Payment B:
An employee in a professional grade who received continuing education payment A, who completed a continuing education of 400 study hours at least and fulfilled the entitlement terms specified in HR procedure "Continuing Education Payment to Employees in a Professional Grade" (No. 04-01-05) is entitled to payment B.

5. Rate Update:
   - Rates of payment for professional continuing education A + B are published and updated from time to time for active employees by the Supervisor of Wages and Work Agreements in the Ministry of Finance. The rate update that is derived from the salary agreement provided it is specified in the agreement.

   - Employees in the professional grade, at grade 44 (nominal) and up will receive payment at the rate of continuing education B, at a rate of 9% of the salary grade and the service increment of the employee (without the part with respect to job classification increment), up to the ceiling specified in the related HR procedure or according to the standard rate, the higher of the two.

   - As of May 1, 2018, the ceiling amount for the continuing education B remuneration increased by NIS 100 gross per month.
     The updated ceiling is updated according to the same updating mechanism, update rates and update dates of the ceiling in the professional continuing education B remuneration, according to the rules applicable prior to the signing of the collective agreement.

(f) Job Classification Increment

Employees defined as managers are entitled to Job Classification Increment according to the defined group to which they belong.
The "2016 Agreement" determined, inter alia, that as of August 1, 2016, the command increment will continue to be paid to active employees or to pension receivers, according to the following rates:

M	Professional group *	2.5%
P-1	Unit leaders, deputy unit leaders, group leaders and their counterparts	5.5%
P-2	"Large" unit leaders, foremen and their counterparts	6.5%
P-3	Deputy Department Heads, Senior unit leaders Senior foremen and their counterparts are compared to Department Heads (codes 5960, 1960, 5521 and 3861), and office managers (code 1405)	7.5%
P-3 A	Compared to Head of Department at peak rank	10%
P-3 B	Compared to Head of Department after two years at peak rank	15.5%
P-4	Department Heads (codes 1450, 5010, 5061, 6300)	10%
P-5	Department Heads at peak rank	19%
P-6	Senior Department Heads	20.5%

(*) including employees employed by the Company for at least 20 years and who were not entitled to any command increment.

(g) Personal Extra:

1. A fixed monetary increment, paid to a closed group of employees in whose combined salary a gap was created when a uniform salaries grade was defined for all employees in April 1, 1973. Following general wage agreements in 1978, the salaries schedule was updated again, aiming to simplify the salary structure and create a uniform and clear salaries grade, while cancelling certain additions, once again causing the creation of this increment.

2. The personal extra component is intended to maintain the level of the base salary paid to employees prior to the changes in the salary tables.

3. The addition is updated for active employees with every cost of living allowance and wages agreement.

(h) NIS Increment (2016)

NIS increment is paid to employees, starting with the salary for the month of December 2016 constituting part of the normal salary.

The amount of the 2016 NIS increment is updated every January of each year, in accordance with the annual rate of change in the consumer price index. If the annual rate of change in the index is negative, then the date of updating the NIS increment will be postponed until the date on which a positive update can be made, when the changes in the indices for the period, or periods in which the rate of change was negative, will be taken into account in full for the purposes of those updates.

(i) NIS increment (2023)

NIS increment is paid to employees, starting with the salary for the month of July 2023 constituting part of the normal salary.

The amount of the 2023 NIS increment will be updated on time and in accordance with the cost of living increase.

2. Payment of 13th Salary

1. Employees from their 2nd year of employment and pensioners/survivors are entitled to 13th salary payment.
2. Payment of the annual 13th salary **to all eligible employees and to pensioners who retired from the Company as of January 1, 2019**, is paid monthly in the salary/pension, by dividing the regular salary by 12.

   For pensioners who retired before January 1, 2019, and who chose not to join the above arrangement, a 13th salary is paid:

   From a normal salary for the payment month, divided by 12 and multiplied by 6 months, in two parts: the 1st part in the pension before Passover and the 2nd part before the Jewish New Year (Rosh Hashana).
3. The 13th salary is paid to pensioners/survivors according to the entitlement to a pension rate.

3. 20/25 years Salary Payment (14th Salary)

An addition at the rate of one monthly normal salary per year, payable to a woman after 20 years and to a man after 25 years, provided that the employee started working in the Company before January 1, 2004.

Entitlement to payment is according to years of work in the Company, less all unpaid leave periods the employee took after the salary agreement signing date, January 31, 2011, unless and insofar as the employee purchased rights with respect to the unpaid leave period, by paying the Company a payment at the rate of 18.5% of the determining components for calculating the monthly pension (including an increment of 1/12 for convalescence pay).

The aforesaid does not affect an unpaid leave of an employee taken before the signing date of the salary agreement on January 31, 2011, for a period that does not exceed one year and was or will be taken into account be the Company for the purpose of time periods specified in this section.

Pensioners/survivors who fulfilled the aforesaid terms on the eve of their retirement, are entitled to payment of 20/25 years salary multiplied by the pension rate. The salary of 20/25 years will be paid as before to an employee entitled to budgetary pension who retired/will retire from the Company and who, on the eve of retirement, was/will be entitled to 20/25 years salary, according to the aforementioned terms.

As of January 1, 2019, the payment of the 20/25 year salary to eligible employees is carried out every month and is calculated by dividing the regular monthly salary by 12.

The monthly payment outline applies to all active employees: the arrangement will continue for permanent employees with budgetary pension (even after their retirement as pensioners in the budgetary pension), Generation C permanent employees who began working at the Company before January 1, 2004, who are insured with the cumulative pension (Veteran Generation C), as well as for pensioners who retired before January 1, 2019 and have chosen to join the outline,

and subject to the terms of entitlement as aforesaid. Pensions with budgetary pension who have not chosen to join the aforesaid outline will continue to receive the 14th salary on an annual basis. Effective July 2025, veteran SLA employees will be entitled to 14th salary under the terms set forth in the agreement.

4. Convalescence Payments

1. An annual payment of a convalescence allowance.

2. An employee is entitled to convalescence payment only after completing the 1st year of work in the Company. At the end of the year the employee will also be entitled to convalescence payments with respect to parts of the year, relative to the number of paid days.

3. Convalescence payments that are paid to employees are a multiplication of the employee's annual quota of days (as detailed in section 4) by the price of a convalescence day.

The convalescence payments that are paid to pensioners/surviving relatives insured by the budgetary pension arrangement are a multiplication of the pensioner/surviving relative's annual quota of days (as detailed in section 4) by the price of a convalescence day (as detailed in section 5) and by the pension rate they are entitled to.

4. The following are Convalescence Days Quotas (to permanent employees, pensioners and survivors):

Number of work years	Number of Convalescence days per year
1. After one year of work (for the 2nd year)	13
2. After two years of work	14
3. After three years of work	16
4. After eight years of work	18
5. After twelve years of work	20

5. Convalescence Day Rate:
   From 1995 and until 2018 - the rate per one convalescence day is updated once a year on June 15, at the rate of the cumulative change in the CPI from the CPI of May (published on 15.6.XX) to the CPI in May on the following year (published on 15.6.XX+1)
   The rate for a convalescence day, which was published on 15.6 every year, constituted the basis of the sum for calculation of the price for a convalescence day according to the aforesaid in the following year, and so on.
   In 2019 - the rate for a convalescence day was updated on January 15, 2019 at the rate of the cumulative change that occurred in the CPI, from the CPI of May 2018 (published on June 15, 2018) to the CPI of December 2018 (that was published on January 15, 2019). The rate is for a convalescence day for 2019, was published on January 15, 2019.
   As of 2020 - the price for a convalescence day is updated once a year on January 15 at the rate of the cumulative change that will be occur in the CPI from the December CPI (published on 15.1.XX) to the December CPI of the following year (will be published on 15.1.(XX+1)). The rate for a convalescence day that is published on January 15 each year will be valid from January 1 to December 31 and will constitute the basis of the sum for calculating the price for a convalescence day according to the aforesaid in the following year and so forth.

6. Manner of Payment:

   As of January 1, 2019, annual convalescence payment for entitled employees is made monthly, by dividing the annual convalescence amount by 12. This outline will apply to all active employees: the arrangement will continue for permanent employees in budgetary pensions even after retirement as pensioners in the budgetary), as well as for employees insured by cumulative pension (temporary and permanent).
   Pensioners insured by a budgetary pension who retired from the Company before January 1, 2019, and entitled surviving relatives who chose not to join the monthly payment outline, will be paid an advance on account of convalescence payment in the pension of the month before Passover (March/April), and the balance will be paid with the pension of the month before the Jewish New Year (Rosh Hashana) (August/September), according to the convalescence day rate as stated in section 5 above.

5. Arava Addition

1. Arava addition is paid to an employee whose permanent work site and base are located in the Negev, south of latitude 30.
2. Arava addition will be included in calculations of pension to eligible employees who received the addition for at least three years before retiring from work, and will be paid to entitled pensioners/survivors according to the pension rate.
3. The Arava addition rate is updated for active employees after each cost of living allowance. Rate update derived from a wages agreement – if specified in the agreement.

6. Home Service Payment

1. An addition paid to employees on home service, according to the grading of the Company, included in the calculation of the pension.

2. The criteria for including home service payment in the calculation of the pension are:
   - An employee who retired to pension and received a monthly payment for home service of eight hours per evening and/or night for 10 consecutive years just before his retirement is entitled to an addition of 50% paid to him with respect to the home service before the retirement in the pension payment, according to his pension rates.
   - For every year over the aforementioned 10 years, the pensioner is entitled to an addition of up to 5% (for part of the year: up to 6 months – 2.5%; more than 6 months – 5%) of the payment paid before the retirement for home service, according to the pension rate due to him, up to a maximum of 100% of the amount of the addition after 20 years of payment with respect to the home service paid on the eve of the retirement and according to his pension rates.
   - Maximum payment in the pension for fixed or non-fixed home service will not exceed 10 home services per month, multiplied by the pension rate, multiplied by the home service rate, multiplied by the home service increment to the pension.
   - An inspector who was transferred to another role whose entitlement to have the shift percentages included in his pension was recognized and during shift work received payment for home service for 10 consecutive years at least, is entitled to home service payment in the pension, even if the home service was terminated before the retirement date.
3. Home service rate is updated for active employees with every cost of living allowance. Rate update derived from a wages agreement – if specified in the agreement.

4. In light of the company's implementation of the new supervision model - the number of those entitled to the payment of home service on a regular basis has been significantly reduced.

7. Payment for Shift Work

1. An addition paid to employees on shift work, according to the grading of the Company, included in the calculation of the pension.

2. The criteria for including shift work percentage increment in the calculation of the pension are:

   1. A shift worker, according to the Company's grade, who worked for at least 10 years in two shifts (morning and evening only) and retires to pension from shift work, will receive an addition of shift percentages in the pension at a rate of 20% of the pension.
   2. A shift worker who is a CCGT operator, according to the Electric Company's grade, who worked for at least 10 years in shifts and retires to pension from shift work, will receive an increment of shift percentages in the pension at a rate of 40% of the pension.
   3. A shift worker, according to the Electric Company's grade, who worked for at least 10 years in three shifts (morning and evening and night) and retires to pension from shift work, will receive an increment of shift percentages in the pension at a rate of 40% of the pension.
   4. A shift worker according to the grade of the Electric Company, who was permanently transferred to another position due to re-organization or an illness approved by a medical board and upon approval of the VP of Human Resources, who worked for at least 10 years in shifts prior to being transferred to another position, will receive shift percentages upon retirement, as follows:

      - Shift worker in three shifts: 2% for each year up to a maximum of 40%.
      - CCGT Operator: 2% for each year up to a maximum of 40%.
      - Shift worker in two shifts: 1% for each year up to a maximum of 20%.

   Regarding a shift worker who worked in 3 shifts and has transferred to an arrangement of 2 shifts, the period of working in 3 shifts will be the first to be taken into account, and the period of work in 2 shifts will only be calculated for the remaining years (completion to the lowest of: 20 years or the period of work in shifts).

Description of the Rights which should be Taken into Consideration in Determining the Actuarial Obligation with respect to Benefits After Termination of Employment

Electricity Rate for Company Employees

1. Permanent employees and receivers of pension (pensioners/survivors), insured in the budgetary pension arrangement, as defined in the labor constitution and according to the directives of the pension regulations and the Company's procedures, are entitled to the electricity rate for Company employees. The obligation of the Company includes the cost of the benefit, the VAT and the grossed up income tax with respect to them.
2. Generation C employees and pensioners and their survivors are entitled to electricity at the Company electricity rate according to their actual consumption and up to a limit of 18,000 kWh, and according to the entitlement rate 50%/100%, in each of the following cases:
   - An active generation C employee.
   - Upon retiring from work in the Company as a Company pensioner pursuant to the terms determined for recognition as a Company pensioner, in the chapter **Retirement of Generation C Permanent Employees** below.
   - Survivors of Generation C employees according to the terms determined in the chapter ***Retirement of Generation C Permanent Employees*** below.
3. The aforementioned entitled employee will be entitled to electricity at the rate of Company employees for one residential unit only, at his actual residence, provided that the electricity is intended for domestic consumption and personal use only.
4. In the event that a number of entitled persons reside together in the same residence, only one of them is entitled to the electricity rate for Company employees.
5. Budgetary and cumulative pensioners/survivors are entitled to electricity at the rate of Company employees without doubling the pension rate or dependence on the pension amount.
6. Pension recipients (including Generation C pensioners and survivors) are entitled to electricity on condition that the pension from the Company is their main source of subsistence.
7. **In accordance with the collective agreement of May 17, 2018, an employee that joins the Company as of November 5, 2018, is not entitled to electricity at the Company employee rate, even if he obtains the status of a permanent employee.**

Holiday Presents

1. The Company grants holiday presents to its employees, pensioners and survivors, handed out on two dates: just before Passover and just before the Jewish New Year (Rosh Hashana). The Company liability includes the cost of the benefit and also the grossed up income tax with respect to them.
2. Generation C employees and pensioners and their survivors are entitled to holiday presents in each of the following cases:
   - An active generation C employee.
   - Upon retiring from the Company as a Company pensioner pursuant to the terms determined for recognition as a Company pensioner, in the chapter **Retirement of Generation C Permanent Employees** below.
   - Survivors of Generation C employees according to the terms determined in the chapter ***Retirement of Generation C Permanent Employees*** below.
3. In the event that in one family the pension is paid to survivors in separate payments, only one family member is entitled to holiday presents.
4. Budgetary and cumulative pensioners/survivors are entitled to holiday presents without doubling the pension rate or dependence on the pension amount.

Life Insurance and Compensation for Successors

1. "Risk" Life Insurance for Employees and Pensioners - CPI-linked Amounts (Benefits and Premiums):

1.1. Insurance applies to: employees upon starting work, pensioners, and spouses.

1.2. The benefit – Two thirds of the premium is paid by the Company (the amount is credited to the employee as value for tax purposes).

1.3. One third of the premium is paid by the employee.

Raise of Salary Grade for Active Employees

1. An employee in the managerial grades up to grade 15 (inclusive), or an employee in the professional grades up to grade 40 (inclusive), will be promoted by one grade every year. An employee in the managerial grades, from grade 16 and up, or an employee in the professional grades from grade 41 and up, will be promoted by one rank once every two years.
2. Employees employed at managerial grade 27 / 46 professional will not be promoted until their retirement.
3. Standard department managers and their equivalents in the organizational structure will be at an initial grade of 45/25 and within 3 years will reach the peak grade of 46/27. Department managers equivalents in the excellence track and their counterparts not in the organizational structure will have an entry-level rank of 43/23+.
4. Promotion to senior department manager is not automatic and may only be granted after at least 3 years at the previous grade, by recommendation of supervising section manager and Deputy CEO and with CEO approval. With respect to senior department managers in budgetary, grade C only serves as a retirement grade.

Star Grade

A permanent employee who began working at the Company before January 1, 2004 (and senior SLA employee) and has 25 years of service for a male / 20 years of service for a female, is entitled to a payment equivalent to one additional salary grade to their grade, without changing the nominal grade.

Entitlement to payment is determined according to years of work in the Company, less all unpaid leave periods of the employee after entering the salary agreement, on January 31, 2011, unless and insofar as the employee purchased rights with respect to the unpaid leave period by paying the Company payments at the rate of 18.5% of the determining components for calculating the monthly pension (including and increment of 1/12 for convalescence pay).

The aforesaid does not affect an unpaid leave of an employee taken before the signing date of the salary agreement on January 31, 2011, for a period that does not exceed one year and was or will be taken into account be the Company for the purpose of time periods specified in this section.

Pensioners/survivors who fulfilled the aforesaid conditions on the eve of their retirement are entitled to a star grade. A star grade will be paid as before to an employee entitled to budgetary pension who retired/will retire from the Company and who, on the eve of his/her retirement, was/will be entitled to a star grade, according to the aforementioned description.

Employee who is entitled to a grade promotion and to a star grade on the same date, will be concurrently promoted to both grades.

Additional Grade at Eilat

A permanent employee employed at Eilat under a special tenure agreement and a temporary employee under a special agreement is entitled from starting work in this region to payment equivalent to one additional salary grade, without changing the nominal grade.
The aforementioned employee, who moves out of the Eilat region to another region at the end of seven years of work or more, will carry over the entitlement to payment of the additional salary grade.

Promotion in Grade upon Retirement

1. Starting from the date of the "Changing the Update Method of Budgetary Pension Law, 2012", an employee entitled to budgetary pension who will retire from the Company (and in the event of the demise of such an employee, his survivor), will be entitled to one salary grade on the retirement date from the Company, regardless of the date on which he was promoted by one salary grade as an employee.
2. If an active employee is entitled on April 1, 20XX, to a salary grade according to the work agreements and is scheduled to retire to pension on this date, he will be entitled on April 1, 20XX to both a salary grade according to the work agreements and to a retirement salary grade.
3. An employee who is entitled to a star grade will receive a retirement grade, as detailed above, as if he had the subsequent grade.

4. The following table details the granting mode of retirement salary grades to retiring employees at present:

Grade before retirement date	Granting retirement grade on the retirement date
+43 / 22	44 / 23
44 / 23	+44 / 24
+44/ 24	45 / 25
45 / 25	+45 / 26
+45 / 26	46 / 27
46 / 27	+46 / +27
(f) 46 / (f) 27	+ (f) 46 / + (f) 27
*46 / *27	+*46 / +*27
*(f) 46 / *(f) 27	+ *(f) 46 / + *(f) 27

Pension Updating Mechanism

1. From January 1, 2012, the determining components of the salary for calculating the monthly pension of a pensioner/ survivor entitled to budgetary pension are not updated through any grades, except promotion by one salary grade upon retirement.

2. From January 1, 2012, all the instructions to update the determining salary for calculating the pension were cancelled, including any component included in it, whether they derive from an agreement or an arrangement. Therefore, the determining components of the salary for calculating the monthly pension of a pensioner/survivor entitled to budgetary pension are not updated according to changes in the salary granted to any active employee of the Company at any time, e.g. salary agreement, CPI increment, changed reward rate for advanced studies/effort, command supplement, etc.

3. From this date, the pensions update mechanism of employees entitled to budgetary pension from the Company has changed. The determining salary components for calculating the monthly pension of every pensioner/survivor entitled to budgetary pension will be as follows: normal salary, shift percentage increment (to those entitled), 1/12 of the 13th salary, home service (to those entitled), 1/12 of the 14th salary (to those entitled), Arava increment (to those entitled), and CPI increment (see section 5 below).

4. These components are updated in January of each year only, according to the rate of the annual change in the CPI (the first update, according to the specified in this section, occurred in the pension for January 2013).
   The aforementioned applies to every pensioner/survivor entitled to budgetary pension and retired from the Company before the date on which the law became effective and also to employees entitled to budgetary pension (or their survivors), starting from their retirement date from the Company.
   In the event that the annual change in the CPI rate will be negative, the determining components of the salary for calculating the monthly pension will not be updated on the following January of the year for which the CPI is negative. However, in the first update, and where needed in the following pension updated (in each January), the changes in the CPI with respect to the said period or periods will be fully included in the calculations for those updates.

5. CPI Calculation Increment:

From January 1, 2012, a monthly increment to the pension is paid to every aforementioned pensioner/survivor, who retired from the Company before January 1, 2011, as follows:

a. An 8% monthly increment to the pension:
   A pensioner/survivor who received a managerial grade of 27 and up (or a professional grade of 46 and up) before January 1, 2011, or alternately, whoever received a retirement grade of 27 and up (managerial grade) or 46 and up (professional grade), or alternately, received a grade of the senior employees' grade scale before January 1, 2011.

   Or alternately, a 12% monthly increment to the pension:
   A pensioner/survivor who was not graded at a managerial grade of 27 and up (or a professional grade of 46 and up) before January 1, 2011, whose retirement grade is not an increment to grade 27 and up (managerial grade) or 46 and up (professional grade), or alternately, did not receive a grade of the senior employees' grade scale before January 1, 2011.

An employee/survivor who was promoted to a grade (which is not a retirement grade) in 2011, received a CPI calculation increment at the rate of the difference between 12% and the rate of the change in the pension deriving from receiving a grade in 2011.

b. Increasing the CPI Calculation Increment at an additional rate of 6%:
The CPI calculation increment of a pensioner/survivor who retired from the Company before January 1, 2011, and on January 2, 2012, was graded in a managerial salary grade of 23 and below, or in a professional salary grade of 44 and below, was increased as of March 2016, at an additional rate of 6% of the base pension.

A pensioner/survivor who retired from the Company after December 31, 2010, is not entitled to a CPI calculation increment at all.

Deduction of Payments from Salaries of Employees Insured in Budgetary Pension

1. The "Plan for the Recovery of Israel's Economy" Law – 2003, states (in chapter P to the law, on "Payments of Employees to Budgetary Pension") that an employer whose employees or part of them are subject to a budget arrangement of pension paid by the treasury of the State or from the employer's fund (budgetary pension), will deduct 1% (starting on January 1, 2005 the deduction is at the rate of 2%) from the determining salary paid to the employee, whose pension arrangement is budgetary pension.
2. According to a legal opinion, the instructions of this chapter apply to the Electric Company and its employees, insured in a pension out of the Company's budget, namely, permanent employees who began to work at the Company before June 11, 1996 (employees insured in the budgetary pension arrangement).
3. Determining salary for paragraph 1 above: "Salary components paid to an employee, which would have been included for the purpose of calculation of the pension, had that employee retired to pension at that time." Namely, normal salary, shift work payment, convalescence, 13th salary and 14th salary, permanent home service and Arava addition.
4. The pension liability is not reduced due to the participation of employees insured in the budgetary pension arrangement in the cost of the budgetary pension.

Obligation of the Company to Welfare Activities for Employees and Pensioners / Survivors in budgetary pension

- In addition to salaries paid to employees and pensions paid to pensioners/survivors, the Company has an obligation to incur costs of welfare activities of 0.49% of the regular salary of each employee, or of the pension and grants to which each pensioner/survivor is entitled (this obligation is not calculated for the components that are not normal salary or those that are not affected by a rate per hour: convalescence, electricity, gift, permanent home service and Arava addition).

- Starting on January 1, 2012, the Company is allocating to a fund, that is managed by the representatives of the employees (in a dedicated bank account that was opened for this purpose) with respect to each pensioner (without survivors) who is entitled to budgetary pension only, an annual sum for the following welfare activities:

  The allocated sum is updated on January of each year according to the annual change rate in the CPI.

  The sum is paid once a year, in the month of December, and is transferred with respect to a pensioner who receives pension in the month of December and has retired during that calendar year (will entitled to a pension for the period in which he was a pensioner only), will be calculated proportional to the period in which he is was a pensioner. It is clarified that only a pensioner entitled to a pension from the employer in the month of December of every year will be considered for the purpose of calculating the total sum with respect to that year. Therefore, a pensioner who is not entitled to a pension in the month of December as stated (for example: a pensioner who has passed away during the year will not be taken into account as entitled to receive any sum from the fund) will not be taken into account for the purpose of calculating the total sum each year.

  The objective of the fund is to act for the welfare of pensioners in the cultural, health, recreation and leisure fields.
  The fund is managed according to accounting measures from aspects of detailed audit and reporting of all actions made by the fund and funds expended by the fund, respectively.
  in the period from January 2, 2012 through July 1, 2023, only half (50%) of the total amount was allocated to the welfare of pensioners entitled to budgetary pension, until the CPI calculation increment, detailed in section 5 above under section "Pension Updating mechanism", is fully financed. Effective July 1, 2023, the Company allocates to the fund the full comprehensive amount.

Reform Pension Supplement

Pursuant to the collective agreement of May 17, 2018, an employee who retired from the Company commencing from the end of June 2018 for any reason other than death, disability or retirement by the special retirement plan during the reform period, will be entitled, from the date on which he reaches mandatory retirement age, to an additional monthly pension for the rest of his life and to his surviving relatives (spouse only). The pension amount will be determined according to the Company's compliance with the prescribed milestones. This base amount (up to NIS 1,700) will be linked to the CPI and multiplied by the coefficient determined in accordance with the provisions of the collective agreement. The collective agreement even provides a right to a pension supplement under terms arranged in the agreement for a retiree due to disability and the heirs of a deceased employee. The pension will be purchased and paid according to a mechanism that is determined in the collective agreement as follows:

An employee who will retire during the reform period (except for death, disability, special retirement):

In the first stage, the "Base Amount" will be calculated for each employee, up to NIS 1,700 gross, according to the month of his retirement as detailed in the table below:

Month	Base amount in NIS		Month	Base amount in NIS
June-18	250		December-20	1,105
July-18	283		January-21	1,126
August-18	315		February-21	1,146
September-18	348		March-21	1,167
October-18	380		April-21	1,187
November-18	413		May-21	1,208
December-18	445		June-21	1,228
January-19	478		July-21	1,249
February-19	510		August-21	1,269
March-19	543		September-21	1,290
April-19	575		October-21	1,310
May-19	608		November-21	1,331
June-19	640		December-21	1,351
July-19	673		January-22	1,372
August-19	705		February-22	1,392
September-19	738		March-22	1,413
October-19	770		April-22	1,433
November-19	803		May-22	1,454
December-19	835		June-22	1,474
January-20	868		July-22	1,495
February-20	900		August-22	1,515
March-20	921		September-22	1,536
April-20	941		October-22	1,556
May-20	962		November-22	1,577
June-20	982		December-22	1,597
July-20	1,003		January-23	1,618
August-20	1,023		February-23	1,638
September-20	1,044		March-23	1,659
October-20	1,064		April-23	1,679
November-20	1,085		May-23	1,700

The employee's entitlement to the base amount is subject to the realization of milestones as detailed in the table below, so that insofar as on the day of the employee's retirement the base amount will be higher than the milestone proceeds realized by that date, the employee is entitled to the milestone proceeds that were realized up to the date of his retirement according to the amounts in table below (hereinafter: the "**Adjusted Amount**"), and not to the base amount**.**

Insofar as additional milestones will be realized in the grace period, as defined below, the adjusted amount will be increased at the time of realization of the milestones according to the milestone proceeds and up to the base amount. For the avoidance of doubt, it is hereby clarified that in any case the adjusted amount will not exceed the base amount. In the special collective agreement of November 30, 2020, the grace period of milestone 4 regarding the signing of a collective agreement on a new wage structure was extended from 12 months to 18 months.

Following is the "**Grace Period**" for an employee who shall retire at the age of mandatory retirement -
For each of the milestones (2) - (3) in the table below - a period of 12 months from the date of the employee's retirement**.**
For milestones (4) in the table below - a period of 18 months from the date of the employee's retirement**.**

For each of the milestones (5) - (9) in the table below - a period of 24 months from the date of the employee's retirement**.**

Notwithstanding the aforesaid, an employee whose age at the time of realization of the milestone during the Grace Period was the mandatory retirement age and above, and the amount of the difference between the base amount and the adjusted amount in his matter (hereinafter: the "Difference") is less than NIS 75, will be entitled only to the adjusted amount even on the date of realization of the milestone, and instead of the aforesaid he will receive the cost of the difference value from the

date of realization of the milestone and for the rest of his life as a non-recurring grant calculated as multiplying the amount of the difference by the personal conversion coefficient per employee per a CPI-linked pension at the age of 67, which will be determined in the matter of the employee on the date of his retirement.

The milestones and the proceeds with respect thereto will be as detailed in the table below:

	Milestone	**Date of Realization**	**Milestone Proceeds**
(1)	Entry into effect of the agreement	4.11.2018	NIS 150
(2)	Organizational change I – as detailed in Chapter J section 49.1 of the agreement	27.3.2019	NIS 115
	Organizational change II – as detailed in Chapter J section 49.2 of the agreement	27.3.2019	NIS 115
(3a)	Date of commencement of PDT activity under the System Management Company Ltd, pursuant to a license by virtue of the Electricity Sector Law, 1996 ("**SMC Milestone 1**")	1.12.2020	NIS 160
(3b)	Date of commencement of system management by Noga Ltd, pursuant to a license by virtue of the Electricity Sector Law, 1996 ("**SMC Milestone 2**")**	1.11.2021	160
(4)	Signing a collective agreement regarding a new salary structure *	18 months from the date of the Government Resolution / realization	NIS 100
(5)	Sale of the Alon Tavor generation site	3.12.2019	NIS 150
(6)	Sale of the Ramat Hovav generation site	3.12.2020	NIS 150
(7)	Sale of the Redding generation site **	36 months from the date of the Government Resolution	NIS 90
(8)	Sale of units at the Hagit power station	June 1, 2022	NIS 90
(9)	Sale of the Hakoakh Eshkol generation site	3.6.2024	NIS 420

*** In accordance with the guidance from the Financial Statements Department and for the purpose of calculating an actuarial valuation (only)**

*** Milestone 4 - the signing of a collective agreement regarding a new wage structure will be calculated as of 12/2026 and not on the date as stated in the table above.**

**** The sale of the Reading power station will be calculated as of 12/2026.**

a. **"Reform Pension Supplement" for retirees after the end of the reform (or not in special retirement)**

An employee that will retire from the Company and is insured with a budgetary pension or an old pension fund over 60 years old - will be entitled to an additional monthly pension for the rest of his life and to his surviving relatives (spouse only). The pension amount that will be purchased and paid according to the Company's compliance with the prescribed milestones. The reform amount (up to NIS 1,700 in accordance with the milestone mechanism in the agreement) will be linked to the CPI and multiplied by a conversion coefficient determined in accordance with the provisions of the collective agreement, as detailed in the collective agreement.

For an employee that will retire from the Company and is insured with a new cumulative pension over 60 years old – a monthly pension as will be received from division by the insurer's conversion coefficient, of the deposit amount that will be calculated as the multiplication of the amount according to the formula in the agreement by the "personal conversion coefficient for the employee to an index-linked pension at the age of 67", which will be purchased and paid in accordance with the collective agreement**.**

All of the aforementioned amounts will be updated according to the rate of increase in the CPI between the known CPI on the date of signing the agreement and the known CPI on the retirement date of each employee or on the date of realization of a milestone during the grace period, as applicable.

The collective agreement also grants a right to a pension supplement under the conditions set out in the agreement for the disabled retiree.
Reform Supplement Grant - the agreement determines conditions under which the spouse of a retiree/employee deceased before reaching the minimal age for acquiring a pension (60 years old) (or heirs when there is no spouse from the policy's funds), a non-recurring grant which replaces the abovementioned pension supplement.
Furthermore, the agreement determines a non-recurring grant for retirees under the age of 60, calculated pursuant to the milestones fulfilled up to the retirement date, capitalized.
The grants replace the abovementioned pension supplement.

b. **Reform pension supplement for retirees in special retirement**

An employee insured with a budgetary/cumulative old pension retiring through the special retirement plan is entitled to a supplement of a monthly pension, in addition to the retirement pension in accordance with the provisions of the regulations of the central fund, from the date of his retirement for the rest of his life and his surviving relatives (spouse only). The base amount of the pension is NIS 1,250 per month. This amount will be linked to the CPI and is multiplied by the coefficient determined in accordance with the provisions of the collective agreement.
A retiree insured with the new accruing pension in the special retirement plan will receive a supplement of a monthly pension, from the date of his retirement, for the rest of his life and his surviving relatives (spouse only). The amount of the pension will be a monthly pension as received from the deposit of an amount that will be calculated as the multiplication of a base amount of NIS 1,250 by the "personal conversion coefficient for the employee for an index-linked pension at age 67", which will be purchased and paid in accordance with the collective agreement.
Effective January 2025, a retiree in a special retirement plan (Operation 300) is entitled to a reform supplement according to the higher of the two: milestones achieved up to the date of his retirement, discounted according to the formula in Chapter Three of the Reform Agreement, or NIS 1,250 according to the special retirement reform formula.

c. Reform supplement – for an employee insured for part of the period of his work in the Company by a veteran cumulative pension and part by a new cumulative pension – will be calculated and paid according to calculation mechanism of a reform supplement for one insured by a new cumulative.

d. **Reform Pension Supplement update mechanism for retiree**

A retiree who receives a monthly pension retires after the age of 60 or reaches the age of 60 will receive a pension from an external insurer in accordance with the provisions detailed in the Reform Collective Agreement. The mechanism for updating the allowance is in accordance with the returns of the external insurer. Updating an allowance for a retiree receiving an allowance under the age of 60 is in accordance with the increase in CPI.

A bridging pension for employees insured in cumulative pension in accordance with the reform collective agreement of May 17, 2018, the amending agreements 1-3 and special retirement agreements.

An employee insured by an old pension

1. An employee insured in an old pension fund and who retires in the special retirement plan will be entitled to the following terms:

   1.1 A bridging pension for each of the months during the bridging period - a monthly pension in the amount obtained from the multiplication of a determining salary for deposits by the contractual pension rate and the average position rate of the employee.

   1.2 "Contractual Pension Rate" – multiplication of 0.1667% by the number of months the employee worked for the Company in respect of which he was entitled to provisions to the old pension fund, plus a rate of 5%, provided that the pension rate does not exceed 70%.

   1.3 "Determining Salary for Deposits" - means the regular salary that the employee received prior to the date of retirement, with the addition of a retirement rank, a 13^{th} salary (1/12), calculated on the basis of the regular salary plus the rank of retirement, a 14^{th} salary (1/12), insofar as will be paid to the employee prior to his retirement, which will be calculated on the basis of the regular salary plus the retirement rank.

   1.4 "Insured Determining Salary" - the average salary insured in the old pension fund during the 12 months preceding the date of retirement.

2. The bridging pension, the determining salary for deposits and the insured determining salary will be updated as follows:

   As of the date of retirement every January, according to the rate of increase of the CPI between the new CPI and the previous CPI.

   If the rate of change in the CPI during the period for calculating the update is negative, in a given year or in a number of years, the update will not be made for that period. However, in the first update, and if necessary, also in subsequent updates, the changes in the CPIs for the said period or periods will be taken into account in full for the purpose of those updates.

3. Continued accumulation of rights in the old pension fund - in order to continue accruing the rights, employer remuneration at the Company's expense, employee remuneration and an additional amount obtained from multiplying 20.5% by the difference between the insured determining salary and the determining salary for deposits (hereinafter: the "Additional Amount"), will be transferred monthly during the bridging period to the old pension fund where the employee is insured on the eve of the retirement date, and they will be deducted from the employee's bridging pension. If the employee chooses not to continue accumulating the rights in an old pension fund, the additional amount will not be deposited, and the additional amount will not be deducted from the bridging pension, accordingly.

4. Further to the aforesaid, for shift workers entitled to a bridging pension and insured by an old cumulative pension, who were sold to private electricity producers, the bridging pension will be multiplied by a coefficient determined by a monitoring committee.

Employee insured by a new cumulative pension

A Generation C employee insured by a new cumulative pension who will retire within the special retirement plan will be entitled to the following terms:

1. A bridging pension for each of the months in the bridging period. This pension will be calculated as follows:

   The sum of these two divided by the conversion coefficient:

   a. The accumulated balance multiplied by 78%, and it is advanced from the date of retirement of an employee until the age of mandatory retirement, based on a net yield estimate.

   b. Employer's remuneration and employee remuneration for each month of the bridging period, each of which are advanced from the month of the expected payment to him during the bridging period until the age of mandatory retirement based on a net yield estimate. It is agreed that the bridging pension and the determining salary for deposits will be updated from the date of retirement of the employee according to the rate of increase of the CPI between the new CPI and the previous CPI.

   In addition to the aforesaid, shift workers entitled to a bridging pension and insured by a new cumulative pension, who were sold to private electricity producers, the bridging pension will be multiplied by 16.5%.

2. Continued accrual of rights in a new cumulative pension - in order to continue accruing the rights, employer's remuneration at the Company's expense and employee remuneration that will be deducted from the bridging pension, will be transferred every month during the bridging period to the provident fund in which the employee is insured, In this regard:

   "Determining Salary for Deposits" - the regular salary that the employee received prior to the date of retirement, with the addition of a retirement rank, a 13^{th} salary (1/12), calculated on the basis of the regular salary plus the rank of retirement, a 14^{th} salary (1/12), insofar as will be paid to the employee prior to his retirement, which will be calculated on the basis of the regular salary, plus a retirement rank.

   "Employer's Remuneration" – 13.5% of the Determining Salary for Deposits.

   "Employee's Remuneration" – 7% of the Determining Salary for Deposits".

   A generation C employee insured by the new cumulative pension, who has been insured for part of his period of employment at the Company, by an old cumulative pension – and will retire within the special retirement plan with a bridging pension, such an employee will receive a monthly pension that will be calculated by the combination of the two formulas, according to the old and according to the new.

Lending Employees at the Generation Sites being Sold to Private Electricity Producers

1. During the lending period (the period from the date of delivery of possession of the generation site until the end of 5 years from that date), employer-employee relations continue to exist between the employees on loan and the Company, including payment of the full salary to the employees and its collection from the station purchaser.

2. During the loan period, the purchaser cannot terminate the employment of the loaned employees, except with the consent of the Histadrut, in accordance with the existing dismissal and disciplinary proceedings in the Company and with the adjustments made**.**

3. All the terms of employment and wages and their updating in accordance with the contractual array applicable to all employees of the Company continue to apply to the loaned employees during the lending period, including collective agreements and collective arrangements, including the labor constitution, procedures, practices and rules, as updated from time to time during the lending period and subject to the collective agreement of May 17, 2018**.**

4. During the lending period, the Electric Company continues to pay the employees all the terms of employment and wages, as stated, regardless of its contractual engagement with the private electricity producers.

5. A one-time grant for employees of private electricity producers –for an employee on loan to a private electricity producer, a one-time grant of NIS 50,000 gross will be paid in the last salary with respect to the loan period or in his last salary as a loaned employee, whichever is earlier. (Except for an employee who was fired and denied eligibility for severance pay as well as for an employee who resigns).

6. The agreement stipulated conditions at the end of employment of the employees loaned after 5 years of loan / or at mandatory retirement age, including one-time grants, and bridging pensions for those entitled, reform supplement to the entitled persons, increase of a bridging pension for an eligible private electricity producer's employee who is insured by a new cumulative pension, and who is a shift worker as detailed above.

Amending Agreement (4) to a Special Collective Agreement (Reform and Organizational Structure Change) Regarding the Sale of the Eshkol Site.

On 04/14/2024 such amending agreement was signed and includes special provisions and grants for employees of the converted units, in the event that a directive is received to terminate the operation of converted units 6-9 at Eshkol before the end of the 5-year lending period and the termination of their employment with the Company, as follows.

- Payment of reform grants determined for him according to the seniority he will accrue upon completion of the actual work, in accordance with the terms set forth in the reform agreement (temporary employee according to the seniority he was supposed to accrue at the end of the lending period).

- *Additional bonus for the months remaining from the date of termination of employment until the end of the five-year lending: 100% of the salary determining the bonus for the months remaining from the date of termination of employment until the end of 3 years from the lending date, and in addition a bonus of 80% of the salary determining the bonus multiplied by the number of months remaining from the end of the 3 years of the lending until the end of the lending period.

Salary determining the bonus – 110% of the average gross salary in the 12 months preceding the retirement date from the Company, excluding differentials and one-time payments.

* For those entitled to a pension from the Company: A budgetary pension allowance or an accrual bridging pension, and a special retirement supplement allowance for the period up to the end of 5 years from the date of lending will be deducted from the amount of said grant.
* An employee who retires mandatorily during the period will be subject to the above conditions until the date determining the mandatory retirement.

Also, see Section 5 in the chapter "Details of the Grants Paid at Work/Upon Termination of Employee-Employer Relations" above, for an update regarding the age and rate of the retirement grant for Eshkol retirees.

Special Collective Agreement (Early Retirements)

On 3.11.2024, a special collective agreement (early retirements) was signed for the retirement of up to 300 additional permanent employees, who will retire from the Company during 2025 and until May 2026, under the economic conditions of the reform agreement and the adjustments required regarding the reform supplement rate.

Special Collective Agreement (Voluntary Early Retirements Over Age 64)

On September 8, 2025, an additional special collective agreement (Retirement Agreement 64) was signed, which regulates the voluntary retirement of up to 100 employees in budgetary pension between the ages of 64 and 66, in the period 09.2025 – 12.2026, and also includes an increased grant. The grant will be calculated at a rate of 60% of the salary for the purpose of the grant, (regular salary + salary 13 + salary 14 for those eligible) multiplied by the number of months from the month of retirement to the month of expected retirement at the employee's mandatory retirement age (67). Retirees will be entitled to receive a reform supplement in accordance with the milestones achieved and according to the conditions of retirement not in special retirement.

SLA Agreement:

On July 16, 2025, a special collective agreement (SLA employee entitlement) was signed, which includes rights, salary conditions during the work period and bonuses upon termination of employment for a closed group of approximately 30 SLA employees.

Retirement of Generation C Permanent Employees

1. Background:

Pursuant to a new collective agreement that entered into effect on 16.5.2022, the Company arranged the **circumstances of termination of employment in which Generation C permanent employees will be considered as the Company's pensioners, as well as the set of entitlements upon retirement and afterwards, including the grants that will be paid at the time of the retirement of the Generation C permanent employees** (permanent employees insured under the cumulative pension fund arrangement who started working for the Company on or after 11.6.1996), in "mandatory retirement", "age retirement", "dismissal retirement", "disability retirement", "early retirement", "special early retirement", and "death".

2. The Circumstances of a Generation C Permanent Employee with a Right to be a Company pensioner:

An employee who terminated his employment in the Company in one of the cases described below will be a Company pensioner for all intents and purposes, and he and his survivors are entitled to all the pensioners' rights as detailed in the agreement.

2.1 Mandatory Retirement – the employee's retirement at the "mandatory retirement age" as defined in the Retirement Age Law (67 at present), provided he has accumulated seniority entitling compensation in the Company of at least 10 years.

2.2 Age Retirement - the employee's retirement as of the "retirement age" as defined in the Retirement Age Law (for a woman it gradually increases to the age of 65, and for a man 67), provided he has accumulated seniority entitling compensation in the Company of at least 10 years.

2.3 Early Retirement - the employee's retirement as of the "early retirement age" as defined in the Retirement Age Law (60 at present) and until the "retirement age" as defined in the Retirement Age Law, provided he has accumulated seniority entitling compensation in the Company of at least 15 years.

2.4 Special Early Retirement – a retirement entitling the employee to a bridging pension from the Company pursuant to the agreements that apply to the Company employees.

2.5 Dismissal Retirement – employment terminated with dismissal, or resignation which is considered a dismissal according to section 11(a) of the Severance Compensation Law-1963 (tangible deterioration), and meeting the following two cumulative conditions:

(a) The employee's age on the date of retirement is 50 or more.

(b) The sum of the employee's age and the years of seniority entitling compensation from the Company is at least 70.

2.6 Disability Retirement – termination of the employee's employment in the Company under circumstances of absence due to illness/loss of working capacity (as detailed in section 5).

2.7 Death and Leaving Survivors-

Survivor:

(a) Anyone who was a spouse of a Generation C employee or a Generation C Pensioner, as the case may be, at the time of his death; "Spouse" – a person who is married to an employee or a Generation C pensioner or a person who has been recognized by an authorized judicial court as a common-law spouse of an employee or of a Generation C pensioner.

(b) Orphan – a person recognized as an orphan by the pension insurance of the employee/Generation C pensioner, and in the case of an employee whose entire salary was insured by a pension insurance that does not include coverage in the event of death – a person who is an orphan according to the definition of the standard regulations of the new pension funds (currently – a child up to the age of 21 or a child with a disability).

3. <u>Rights and Grants in all Types of Retirements Listed in Section 2 Above:</u>

3.1 Compensation for Unused Sick Days –

A Generation C employee who ended his employment with the Company at an age of no less than 50 years, after having accumulated a qualifying seniority in the Company of at least 10 years before the end of his employment (without unpaid leave periods), will be entitled to compensation for unused sick days as follows:

The compensation will be given for the balance of the accrued sick days at full salary to the employee's credit on the day of his retirement (hereinafter: "sick days' balance"), and only in the event that the employee used, during the full period of his work, no more than 65% of the total quota of sick days due to him for his period of work in the Company.

3.1.1 **The compensation for unused sick days will be calculated as multiplying A by B when:**

3.1.1.1 **A** is the **<u>compensation amount</u>** as detailed below:

3.1.1.1.1 If the employee used up during his entire period of work in the Company from 36% to 65% of the total quota of sick days that accrued to him as aforesaid, the compensation will be at the rate of 6 (six) days' salary for every 30 (thirty) days of sick leave in the sick days' balance (20%).

3.1.1.1.2 If the employee used less than 36% of the total number of sick days that accrued to him during the entire period of his employment with the Company, the compensation will be at the rate of 8 (eight) days' salary for every 30 (thirty) days of sick leave in the sick days' balance (26.66%).

3.1.1.1.3 For the accrued sick days' balance that is less than 30 days, the proportional part of the compensation as mentioned in sections 3.1.1.1 or 3.1.1.2, as the case may be, will be paid.

3.1.1.1.4 "Salary" regarding the payment of compensation according to the value of a sick day - regular salary, 13th salary divided by 25.

3.1.1.2 B is the **<u>compensation rate</u>** as detailed below:

Regarding an employee who retired at the age of 50 or later after accumulating 10 years of qualifying seniority or retirement due to death:

His work ended at the age of 50 and up to the age of 51 (not including) - 30%;
His work ended at the age of 51 and up to the age of 52 (not inclusive) - 40%;
His work ended at the age of 52 and up to the age of 53 (not inclusive) - 50%;
His work ended at the age of 53 and up to the age of 54 (not inclusive) - 60%;
His work ended at the age of 54 and up to the age of 55 (not inclusive) - 70%;
His work ended at the age of 55 and up to the age of 56 (not inclusive) - 80%;
His work ended at the age of 56 and up to the age of 57 (not inclusive) - 90%;
His work ended at the age of 57 or older - 100%

3.1.1.3 Regarding and employee who retired due to death: the B compensation rate will be 100% without a minimal age condition.

3.2 Grant for up to 35 years - one regular monthly salary for every 10 years of actual work and on a proportional basis, up to a ceiling of 3.5 times regular salary, in accordance with procedure 04-12-01 "Grants and compensation upon retirement".

And except in cases where this grant is included in the special grant paid to the employee, as detailed in section 4 below.

3.3 The right to electricity at the Company employee rate and the right to a discount for electricity connections - regarding a permanent employee hired to work in the Company until November 4, 2018 (inclusive), in accordance with the Company's agreements and procedures.

3.4 Reform pension supplement - the right will be given to Generation C permanent employees who are entitled to it in accordance with the provisions of the third part of chapter 18 of the reform agreement of May 17, 2018 (as amended). The right applies to a Generation C employee who received tenure by May 17, 2018, as well as to a temporary employee whose maximum temporary period (5 years) ended by 17.5.2018 and received tenure by December 31, 2018.

3.5 Additional rights for Generation C employees - in accordance with the details in section 2 of the additional rights chapter which are not taken into account in determining the actuarial obligation for post-employment benefits.

4. Additional special grants for the various types of retirement:

4.1 Dismissal Retirement:
A retirement grant at a rate of 50% of the salary that determines severance pay (regular salary and 13th salary) for each full year of work and proportionally to parts of a year, unless it has been agreed to negate or reduce the amount of the grant in light of the circumstances of the dismissal. The grant includes and **replaces** the grant for up to 35 years**.**

4.2 Death of an Employee:
The survivors of a deceased employee will be entitled to a special grant, in addition to the severance pay deposited in the provident funds.

4.2.1 **Death Grant for Survivors** - 1.5 times the salary determined for compensation (regular salary and 13th salary)**.**

4.2.2 **Death grant for survivors in case of a death resulting from a work accident –** these two amounts:

a. "Death Grant": 3 times the salary that determines compensation.
b. "Compensation for Death": 36 times the salary (regular salary, 13th salary, 14th salary for those entitled, average overtime and shift supplement in the year preceding the death, permanent home shifts), in accordance with the Human Resources Division procedure "Special payment from the Electric Company for a work accident/compensation in case of death" no. 04-10-03.

4.3 Special Early Retirement:
In accordance with the conditions that will be established in special early retirement agreements.

4.4 Disability:
An employee who retires from the Company on "disability retirement" will be entitled to a "**disability grant**" that will not be less than the grant for up to 35 years, and will be calculated as follows:

(a) **Disability grant** – the total grant is the lower of:
(1) Multiplying 1.2 by the "determining salary for disability grant" (determining salary for compensation plus retirement level) in the period from the date of retirement until the age of 67 (in years); or
(2) 12 determining salaries for a disability grant; or
(3) 100% severance pay according to multiplication of the determining salary for a disability grant by the seniority qualifying for compensation (in years).

(b) **Disability grant as a result of a work accident** – the total grant is the lower of:
(1) Multiplying 1.8 "determining salary for disability grant" in the period from the date of retirement until age 67 (in years); or
(2) 18 determining salaries for a disability grant; or
(3) 150% severance pay according to the multiplication of the determining salary for a disability grant by the seniority qualifying for compensation (in years).

5. Disability - the method of reporting and payment of salary during a period of absence due to illness/loss of working capacity and the conditions for disability retirement:

Definition: disability/absence due to illness – 100% absence from work in full, due to illness / disability / loss of working capacity, including due to a work accident**.**

Reporting and salary payment during absence due to illness:

5.1 The Condition: Recognition of 100% Disability by a Pension Insurer:
Regarding the disability outline, the pension insurer's recognition of full disability (100%) / total loss of working capacity (according to the type of pension insurance) is required, and after notification to the Company and not retroactively, following is the procedure.

5.2 Payment of Salary During Period of Disability:
During the disability period, the sick days' balance of the employee who is absent from work will be charged and the Company will pay his wages for sick days as follows:

5.2.1 **100% paid sick days** - starting from the first day of complete absence from work due to illness until the date of **receipt** of the pension insurer's decision on the recognition of full disability (100%) / total loss of working capacity.

5.2.2 **33.33% paid sick days** - starting from the date of receiving the decision from the pension insurer until the full utilization of the sick days' balance accrued to the employee's credit.

5.2.3 **50% paid sick days** - starting from the end of the utilization of the full sick days' balance accrued to the employee's credit, until the end of the qualifying quota.

5.2.4 **Vacation days** - starting from the end of 50% utilization of the sick days' quota, until the full utilization of the rest of the vacation days.

5.2.5 **Sick day fund** - starting from the end of the utilization of the remaining vacation days, the employee will be paid up to 42 days from the sick day fund, subject to the Human Resources Division procedure 04-10-04 "Absence from work due to illness",

5.2.6 **Leave without pay due to disability** - starting from the end of the utilization of the entitling quotas from the sick day fund, the employee will be on unpaid leave for a maximum period of 3 years (and subject to the date of termination of work, section 5.3). During this period, the employee is entitled to the Company's continued participation in the payment of the premium in the group health insurance, subject to the employee paying his share.

5.2.7 **Emphasis:**

5.2.7.1 In case of **a disability event that occurred after the age of 64** - the payment of sick days will be at a rate of 100%, even after the start of the date of receiving a decision from the pension insurer until the quota of accrued sick days to which the employee is entitled is exhausted. That is, section 5.2.2 above will not apply to the employee.

5.2.7.2 **An employee who is not entitled to receive a disability allowance from the pension insurer** – will withdraw 100% sick days' payment until the end of the quota (section 5.2. above will not apply).

5.2.7.3 The right to unpaid leave for an employee who is not entitled to receive a pension from the pension insurer due to his medical condition - will be submitted to the examination of an internal medical committee in the Company.

5.3 Retirement of an Employee After a Period of Disability

An employee who is absent from work due to a disability as aforesaid, will finish his work in the company and will retire at the earliest of the following dates **–**

(1) The end of a period of absence that does not exceed 5 years and 3 months (**disability retirement**); or

(2) 3 years of absence as unpaid leave due to disability (**disability retirement**); or

(3) Mandatory retirement age (**mandatory retirement**).

5.4 The employee's return to work for a period or periods that do not exceed 3 months each, will not be taken into account in the amount of the disability period, but will not interrupt the continuity of the disability period.

5.5 If the employee did not apply to the pension insurer to receive a disability allowance and did not return to work, his employment with the Company will end upon termination of the sick day fund quota, and he will not be a pensioner of the Company, unless he requested to retire by "early retirement" and met the conditions entitling to this retirement.

Continuing Temporary Employee Agreement

Continuing Temporary Employee Agreement - a special collective agreement (continuing temporary employee) was signed on August 3, 2022, and approved by the Wage Commissioner on August 15, 2022. This agreement regulates the manner in which employees in a temporary status continue to be employed after the basic temporary period (of 4/5 years), as well as their rights during the period of work and at its end. The agreement defines the outline of the salary and pension deposits for employees in this position during the period of work, outlines the receipt of tenure, the circumstances of the end of the employment and the conditions and rights to receive increased grants at the end of the work**.**

This agreement, as long as it is not extended by consent, is for a fixed period of 10 years starting from the date of its entry into force (the day after its approval by the Commissioner of Wages at the Ministry of Finance) and will apply to the employees who will be included in it for the entire period of their employment in the Company.

1. Grants and Rights at the end of Employment – Temporary Employees

1.1. The termination of employment of a temporary employee who does not have the status of a continuing temporary employee:

A temporary employee is entitled to the release of severance pay at the rate of 100% deposited in the provident funds according to law**.**
A project temporary employee will be entitled to increased compensation from the Company for his period of work as a project employee including during the extension period for the project.

1.2. A grant for a project employee who transitioned to a continuing temporary status – "Project Grant"

A project employee who has transitioned to a continuing temporary status - will be entitled at the time of termination of his employment to an increased compensation grant for the period of his work as a project employee (in the 13/22 status) until the date of transition to a continuing temporary status, the amount of which will be determined on the day of the transition and will be index-linked to the day of payment ("Project Grant"). The grant will be paid to the employee upon termination of his employment with the Company insofar as he did not receive tenure and his employment ended with **dismissal** or **resignation entitling compensation.** For the avoidance of doubt, the grant will not be paid at the mandatory retirement age.

1.2.1. A project employee who transitioned to a continuing temporary status and his employment ends in circumstances where he was denied severance pay (all or part of it), it will be possible to deny or reduce the project grant as well, with the consent of the employees' committee.

1.3. Grants and rights upon termination of employment of a continuing temporary employee:

1.3.1. **Compensation for unused sick days** - the compensation will be paid to a continuing temporary employee whose employment ended when he was at least 50 years old and has a qualifying seniority of at least 10 years in the Company, according to the **amount of compensation** determined according to the percentage of sick days utilized (determined according to the ratio between the unused sick days' balance from the quota of the sick days accrued to the employee for the entire period of work in the Company and multiplied by the value of a sick day), **multiplied by a** graduated **compensation rate** according to the age of the employee at the time of termination of employment, in accordance with the arrangement stipulated in the Generation C retirement agreement.

1.3.1.1. **Upon death**, the employee's survivors will be paid the amount of compensation for unused sick days, without a condition of minimum age, and the compensation rate will be 100%.

1.3.2. **Grant for up to 35 years** – will be paid to an employee with seniority over 10 years one regular monthly salary for every 10 years of actual work and on a proportional basis, up to a ceiling of 3.5 times regular salary, in accordance with procedure 04-12-01 "Grants and compensation upon retirement". **And except in cases where this grant is included in the framework of the special grant paid to the employee, as specified in section 2 below.**

1.3.3. **Additional rights** – as Generation C retirees are entitled to with regard to the period of their employment with the Company and its termination according to any law, the labor constitution and the Company's procedure (other than the right to be a retiree)**.**

1.3.4. **Severance pay** – at the rate of 100% deposited in the provident funds according to law, will be released at the end of the employment due to an event that qualifies for compensation (dismissal, age 60 or older, disability, death, retirement).

1.4. A continuing temporary/project/temporary employee at the end of his employment **will not be a pensioner of the Electricity Company and is not entitled to electricity at special rates.**

2. <u>Special grants and rights depending on how the employment of a continuing temporary employee is terminated:</u>

2.1. Normal employment termination (dismissal procedure):

In any case of termination of the employment of a continuing temporary employee in the Company other than under one of the circumstances described in sections 2.4-2.6 below, the termination of employment will be in accordance with the dismissal procedure for a permanent employee**.**

And the employee will be entitled to a "**severance grant"** calculated as follows:

The multiplication of the determining salary for compensation (regular salary and 13th salary) during the work period that qualifies for compensation and by the sum of the following two**:**

a. 50%

b. Multiplication of 1% by the seniority that qualifies for compensation

"Severance grant" exhausts the employee's right to a grant for up to 35 years (1.3.2) and replaces it, and no additional grant will be paid beyond the aforesaid.

2.1.1. **A project employee** who received the status of a continuing temporary employee and will terminate his employment at the normal termination of employment - the seniority period at work that he accumulated as an employee in a project status and for which he is entitled to a project grant, will not be taken into account for the purpose of calculating the aforesaid "severance grant"**.**

2.1.2. **A continuing temporary employee who is a "loaned employee" (at the stations sold as part of the reform agreement)** will be entitled, at the end of the loan, to the terms of termination of the employment as detailed in the reform agreement regarding a "temporary employee – private electricity producer", and will not be entitled to a "severance grant".

2.2. Termination of employment due to age retirement / mandatory retirement:

A continuing temporary employee who ends his employment by age retirement (for a woman it gradually increases to age 65, and for a man age 67) or at mandatory retirement (age 67) will be entitled to the rights as stated in section 1.3 above**.**

2.3. Death of an employee:

The survivors of a continuing temporary employee who dies will be entitled to a death grant, in addition to the severance compensation deposited in the provident funds according to law.

2.3.1. **Death grant for survivors:** 1.5 times the determining salary for compensation (regular salary and 13th salary).

2.3.2. **Death grant to survivors and compensation for death, in the event of an employee's death as a result of a work accident:**

a. "Death grant": 3 times the determining salary for compensation (regular salary and 13th salary).

b. "Compensation for death": 36 times the salary (regular salary, 13th salary, as well as a monthly average of payable shift hours and overtime hours received by the employee in the year preceding the work accident, and permanent home shifts, all according to the components to which the employee was entitled).

2.4. Termination of employment due to incompatibility:

A continuing temporary employee who ends his employment with the Company due to incompatibility, in accordance with the established quotas**,** will be entitled to a "**job termination grant due to incompatibility**", which will be calculated as follows**:**

2.4.1. **Job termination grant due to incompatibility for an employee with a qualifying seniority for compensation of less than 10 years**:

Multiplication of the determining salary for compensation (regular salary and 13th salary) by the qualifying seniority for compensation and by the sum of the following two:

a. 50%

b. Multiplication of 1% by the qualifying seniority for compensation

2.4.2. **Job termination grant due to incompatibility with a qualifying seniority of at least 10 years for an employee up to the age of 45:**

Multiplication of the determining salary for compensation (regular salary and 13th salary) by the qualifying seniority and by the sum of the following two

a. 50%

b. Multiplication of 1.5% by the qualifying seniority for compensation

2.4.3. **Job termination grant due to incompatibility for an employee with a qualifying seniority for compensation of less than 10 years for an employee from the age of 45 up to the age of 62**:
Multiplication of the determining salary for compensation (regular salary and 13th salary) by the qualifying seniority and by the sum of the following two:
a. 50%
b. Multiplication of 1.5% by the qualifying seniority for compensation
c. Multiplication of 1.25% by the horizon years (the years and parts of the years between the employee's age at the time of dismissal and mandatory retirement age and no more than 15).

2.4.4. "Job termination grant due to incompatibility" exhausts the employee's right to a grant for up to 35 years (1.3.2) and replaces it, and no additional grant will be paid beyond the aforesaid.

2.4.5. **A project employee** who received the status of a continuing temporary employee and will terminate his employment due to incompatibility - the seniority period at work that he accumulated as an employee in project status and for which he is entitled to a project grant, will not be taken into account for the purpose of calculating the aforesaid "job termination grant due to incompatibility".

2.5. Termination of employment due to job redundancy:
A continuing temporary employee who terminates his employment due to the redundancy of a position or profession as a result of an external change that nullifies the need for a position or profession in the Company as detailed in the agreement will be entitled to the following rights:

2.5.1. **A continuing temporary employee with seniority qualifying for compensation in the Company of over 12 years**:
The manner of work termination and his rights will be determined by the employees' union and the management.

2.5.2. **A continuing temporary employee with seniority qualifying for compensation in the Company of up to 12 years:**
Will be entitled to all the grants detailed below:

a. **Additional severance pay** – "Additional Severance Pay"
that will be calculated as follows:

Determining salary for compensation	X	Percentage of severance pay according to the employee's qualifying seniority in the Company for compensation (as detailed below)	X	Number of months the employee worked at the Company divided by 12	=	Severance pay that will be paid to the employee

The percentage of severance pay will be in accordance with the seniority qualifying in the Company for compensation, as detailed below:

Seniority qualifying in the Company for Compensation (in years)	**Percentage of severance pay (in addition to the deposit to the provident pension fund for severance pay)**
At least 5 years and less than 9 years	100%
At least 9 years	130%

2.5.2.1. The additional severance pay include the grant of up to 35, and replaces it.
2.5.2.2. For a **project employee** – the period of his employment with a status of project employee for which he is entitled to a project grant will be taken into account for determining the percentage of the severance pay, but will not be included in the number of working months when calculating the additional severance pay.
Nonetheless, if the regular calculation of the additional severance pay grant (for the whole of his employment period in the Company) is higher than the calculation for a project employee plus the project grant, he will be entitled to a grant according to the regular calculation.

b. **Acclimation grant** – in an amount equal to the multiplication of the determining salary for compensation by the number of months detailed in the table below:

Seniority qualifying in the Company for compensation (in years)	**Acclimation months for an employee aged up to 55 years**	**Acclimation months for an employee aged 55 years and older**
At least 5 years and less than 9 years	9	13
At least 9 years and less than 10 years	10	14
At least 10 years	11	15

c. **Special grant** – in accordance with the number of years the employee has worked in the Company, as detailed in the table below**:**

Qualifying seniority in the Company (in years)	**Special grant**
At least 5 years and less than 9 years	NIS 100,000
At least 9 years and less than 10 years	NIS 110,000
At least 10 years	NIS 120,000

Regarding section 2.5.2 the "**determining salary for compensation**" - the normal salary that the employee received on the eve of his retirement plus two retirement levels, and a 13th salary (1/12) which will be calculated on the basis of the normal salary plus two retirement levels. If the employee is in the top level at the time of termination of employment, the determining salary for compensation will be calculated with the addition of one retirement level only.

2.6. Termination of employment due to disability

A continuing temporary employee who terminates his employment due to a disability event will be entitled to a "**disability grant**" that will not be less than the grant for up to 35 years and will replace it**.**

In the case of a **project employee** who received the status of a continuing temporary employee and terminates his employment due to disability - the period of seniority at work that he accumulated as an employee in a project status and for which he is entitled to a project grant, will not be taken into account for the purpose of calculating the "disability grant".

A "**disability grant**" will be calculated as follows:

(c) **Disability grant** – the total grant is the lower of:

(1) Multiplying 1.2 by the "determining salary for a disability grant" (determining salary for compensation - regular salary and 13th salary plus retirement level) in the horizon years (the years and parts of the years between the employee's age at the time of dismissal and mandatory retirement age); or

(2) 12 determining salaries for a disability grant; or

(3) 100% severance pay according to the multiplication of the determining salary for a disability grant by the seniority qualifying for compensation.

(d) **Disability grant as a result of a work accident** – the total grant is the lower of**:**

(1) Multiplying 1.8 "determining salary for a disability grant" by the horizon years (the years and parts of the years between the employee's age at the time of dismissal and mandatory retirement age); or

(2) 18 determining salaries for a disability grant; or

(3) 150% severance pay according to the multiplication of the determining salary for a disability grant by the seniority qualifying for compensation.

Details of Grants Paid During Work/upon Termination of Employer-Employee relations:

(including grants not detailed in other chapters in this document)

1. **Excess years** grant (over 35 years) (for employees insured under the budgetary pension arrangement) -

   The grant is calculated as one monthly salary for every additional year worked beyond 35 years' service. The grant is based on the normal salary plus 13th and 14th salaries. The entitlement is subject to retirement after age 60 for males or after age 55 for females. For fractions of a year, the proportionate share of the grant is paid.

   In the event of death after 35 years worked in the Company after age 55 for females or age 60 for males, eligibility to the grant exists.

2. **Apprenticeship period grant** (for employees insured under the budgetary pension arrangement)

   A monetary sum given to an employee retiring to pension, for the period of his work as an apprentice, with respect to which the employee did not receive compensation. This grant is calculated according to one salary for each work year as an apprentice at the Company. The grant is calculated on the basis of a regular salary plus a 13th salary (plus a 14th salary if the employee worked at the Company for more than 35 years and is over 60 years old for a male and over 55 for a female).

3. **Disability retirement grant** (for employees insured under the budgetary pension arrangement)

   An employee retiring with a disability pension is eligible to a grant of 50% of one monthly salary for each year worked. The grant is limited to a total amount of 15 monthly salaries (up to 30 years worked in the Company). The grant is calculated on the basis of the normal salary only. The grant for 35 years of work will not be paid when this grant is paid.

4. **Grant for Up To 35 Years**

   A monetary grant given to a permanent employee retiring to pension and to an continuing employee, equal to one normal monthly salary for every ten years of actual employment (according to service factor for pension), up to a maximum of only 3.5 salaries (up to 35 years of employment). For a period of less than ten years, the proportional amount of ten years benefit is paid. This grant will not be paid to an employee who has worked less than 10 years and in respect of years for which another compensation is payable. In the event of the entitled employee's death, the grant will be paid to the survivors.

5. **Special Retirement Grant for Early Retirees During the Special retirement promotions following Reform Period (2018-6/2026) for employees insured with budgetary pension arrangement + Generation C**

   A permanent employee who retires at an age not exceeding 62 years is entitled to a grant of 120%

   For an employee who will retire at an age exceeding 62 and up to 64 years (In relation to a lended employee at the Eshkol generation site up to 65 years of age, provided that the grant rate is not less than 50%) - 120%, less 1.805% for each full month of work, starting from the first of the calendar month after the date on which the employee turned 62 (for the purpose of illustration, the retirement grant of an employee who turned 62 on July 24 and retired on September 1 will be 120% less 1.805%).

   For this purpose, the "Determining Salary for Severance Pay" - the regular salary, with the exception of "Administration Supplement" and 1/12 13th salary, and in respect of a male employee aged 60 and over and a female employee aged 55 and over employed by the Company 35 years and over 1/12 14th salary with respect to the years beyond the 35.

   The retirement grant includes advance notice fees under any law, labor constitution and Company procedures, compensation under regulation 3(b) of the Company employees' pension regulations, severance pay, a grant of over 35 years, a grant of up to 35 years, and a grant with respect to the apprenticeship period, and replaces them.

6. **Grant for unused sick days (for employees insured under the budgetary pension arrangement)**

   A sum of money paid to an employee upon retirement to pension (including mandatory retirement early retirement and disability retirement), or to survivors of a deceased employee, according to the percentage of sick days used to which he was entitled during all his years of employment in the Company and in accordance with the number of unused sick days accumulated to his credit as of the retirement date:

   - For an employee whose percentage of used sick days is less than 36%, a grant equal to 26.66% of the unused sick days accumulated to his credit is paid.
   - For an employee whose percentage of used sick days is between 36% and 65%, a grant benefit equal to 20% of the unused sick days accumulated to his credit is paid.

- For an employee who used 65% or more of the sick days, a grant is not paid.

It should be noted that until April 1, 1990, the annual quota of sick days benefit was 26 days per year and from this date the annual quota of sick days benefit is 30 days per year.

The salary per sick day for purposes of calculation of the grant is 1/25 of the normal monthly salary (including the 13th salary).

The salary per sick day after 35 years of service and after age 60 (55 for women) includes the 25/20 years salary. Attributing the balance of sick days accumulated to the credit of the employee at the date of his retirement (at least 55/60) will be performed according to the FIFO method. Namely, first using accumulated sick days up to 35 years and after them those that were accumulated beyond 35 years. Payment of the benefit will first be for the sick days accumulated beyond 35 years (namely, including 20/25 years salary) and after them for sick days that were accumulated up to 35 years (namely, not including 20/25 years salary, only the part of 13th salary).

7. **20 year grant (while working) –**

Permanent employees and employees with a continuing temporary status and senior SLA employee who have completed 20 years of service in the Company are entitled to a one-time grant equal to the regular monthly salary.

8. **Supplement of Company obligation for severance payments to Generation C employees** – 2.33% -

For permanent employees with a cumulative pension arrangement, who began work after June 10, 1996.

As of the salary of January 2021, the Company began current deposits to the pension provident fund at a rate of 2.33% of the severance payment determining salary, for all Generation C employees. In addition, during 2021, the Company deposited completion for the Company's liability to pay full severance pay, pursuant to section 14 of the Severance Pay Law, for existing employees (except for a few employees on unpaid leave) for the transfer period and thus cleared its liability in this subject.

Until 31/12/2020, supplementary severance pay pertaining to Generation C employees was paid to those eligible upon termination of work at the Company, and was conducted as follows: last normal salary (including the 13th salary fraction) multiplied by the number of entitling years of employment with the Company and multiplied by 28%. The supplementary severance payment was also paid in the event of death (to survivors), disability and compulsory retirement.

9. **Increased severance payments for employees under special agreement**

According to the relevant collective agreement, Company employees under special agreement (non-permanent staff) are eligible for increased severance payments beyond the 100% deposited in external cumulative funds (under the directives of Section 14 of the Severance Payments Law). These employees are entitled to severance pay grant from Company funds equal to one monthly salary for compensation for each of the first two years of employment; from the 3rd year onwards, two additional monthly salaries for compensation. An employee who resigns from work voluntarily is not eligible for this extra severance benefit in excess of that provided for him in the cumulative funds.

Pursuant to the continuing temporary agreement that came into effect in August 2022, it is possible to continue employment of an employee with a special veteran agreement up to one additional year after the end of the basic temporary period, (as of 05.2018 it is 4 years), under increased compensation grant payment terms as above.

An employee receiving tenure or concludes employment at mandatory pension age is not entitled to increased severance pay for the temporary employment period, as stated. A continuing temporary employee will have the right to a grant under terms that have been set.

Rights of Employees Entitled to Pension from the Budgetary Pension Fund of Company Employees and Rights of Pensioners

1. **Retirement Pension**

1.1 Upon a budgetary permanent employee retiring from work according to work agreements, the status of the employee will change from an entitled active employee in the fund to the status of an entitled pensioner.

1.2 **Mandatory Retirement Date**

In general, the employee retires at the end of the month in which the retirement age applies. For this purpose, verification of the date of birth of the employee will be carried out with the identity card compared to that registered in the Company's systems. If there is any discrepancy, the employee must report the correct date and it will be fed into the Company's systems. If it is found that the employee's retirement date has passed, the employee's employment will be terminated (compulsory retirement) at the end of the calendar month in which the discrepancy was discovered.

1.3 **Entitlement to Retirement Pension**

An active entitled permanent employee, who ends his employment with the Electric Company due to one of the following circumstances will become an entitled pensioner and will receive a retirement pension for life:

- **Retirement for Age Reasons** ("Age Retirement"):

  An entitled, active male / female employee who worked for at least ten years in the Electric Company and reached the compulsory retirement age will be entitled to receive retirement pension for life.

  The 1st retirement pension will be paid in the calendar month following the month on which the employee retired from work, for the current month. Retirement from work when retiring on the compulsory retirement age will be at the end of the month on which the employee reached the compulsory retirement age.

- A female employee is entitled to retire on age retirement if she worked in the Company for at least 10 years and chose to retire between the retirement age and the compulsory retirement age. It should be mentioned that, based on the experience of the recent years, there were only a few cases of women retiring voluntarily in the range between retirement age and compulsory retirement age, therefore the subject is immaterial.

- **Retirement due to Employment Termination** ("Termination Retirement"):

  An entitled active employee who worked in the Company for ten years at least and is over age 40 and was dismissed from the Company under circumstances detailed in work agreements, will be entitled to receive a retirement pension for life.

- **Early Retirement** ("Early Retirement"):

  An entitled active employee who worked for at least 30 years, aged 55 or older (if male) or 50 or older (if female), who wishes to retire from work voluntarily and the Electric Company consented or, where the Electric Company would like the employee to retire and the workers committee consented to this move, will be entitled to receive a retirement pension for life.

- **Special Retirement** ("Special Retirement"):

  An entitled employee is entitled to retirement pension under a special retirement framework, if – and to the extent that – it will be established according to a specific agreement, made and approved by the legally authorized authorities, according to the approved principles.

- **Disability Retirement** – see above.

1.4 **Pension Rate**

In age retirement, termination retirement, early retirement or special retirement, the pension rate shall not be less than 25% and not more than 70% of the determining salary of the employee for calculating the pension, and the rate will always be a calculation of the number of work years, determined by the Electric Company, according to the following principles:

- After ten years of work: 25% of the determining salary of the employee.
- For each additional year until 30 years of work: 25% with respect to the first 10 work years and an addition of 2% for each full year of work after the first 10 years (up to a maximum of: 25% + 20*2% = 65%).

  For calculating entitlement for a fraction of a year, the employee will be entitled to an addition of 2% if he/she worked more than half a year and a 1% addition only when working for a shorter period.

- For each additional year over 30 years and up to 35 years of work - 65% with respect to the first 30 years of work and an addition of 1% for each full year or a fraction thereof, of work after the first 30 years (up to a maximum of: 25% + 20*2% + 5*1% = 70%).

2. **Pension to Survivors of a Pensioner:**

2.1 **Eligibility of Pensioner Survivors to Pension**

The widow, orphans and also parents who were dependent on the employee while employed are entitled to receive a pension subject to the following:

- **A widow** - is entitled to pension until she remarries.
- **An orphan** – is entitled to pension until he/she reaches age 18, or if and as long as he/she does compulsory service in the army/national service but no later than 21, or without any age limitation if he/she cannot support him/herself due to an illness.
- **A parent** – is entitled to pension if he/she was dependent on the deceased when he/she was alive.

2.2 **Pension Rates to Survivors**

- The pensioner's widow will be paid a monthly pension equal to 60% of the pension paid to her deceased husband. In addition, 25% of the pension paid to the deceased pensioner will be paid to all other dependants jointly. Eligibility of a widow will stop when she remarries.
- When a deceased pensioner has no widow, or upon the death of a widow, a monthly pension of 15% of the pension paid to the deceased pensioner will be paid to each of the survivors. In addition, 45% of the pension paid to the deceased pensioner will be paid to all survivors, even if there is only one, provided that the total pension payments to all survivors will not exceed 80% of the deceased's pension.

3. **Pension to Survivors of an Active Employee:**

Following the death of an active employee who worked over 5 years in the Company, his survivors will be eligible to a pension, as detailed below:

3.1 **Entitlement of Active Employee Survivors to Pension**

The widow, orphans and also parents who were dependent on the active employee while employed are entitled to receive a pension as detailed below and according to the entitlement and tests thereof, as stated in section 2.1 above.

3.2 **Pension Rate to a Widow and survivors**

The widow of an active employee will receive a monthly pension at a rate of 42% of his determining salary.

The pension to be paid to other survivors is 15% of the determining salary for each of the other survivors, provided that the total pension to the widow and all other survivors jointly shall not exceed 70% of the determining salary of the employee just before his death.

3.3 **Survivors Pension in the Absence of a Widow or after her Death**

Each of the survivors of a deceased employee will be entitled to a pension of 15% of the determining salary of the employee just before his death, with an addition of 25% to all the survivors, even if there is only one survivor, provided that the total payments to the employee's survivors according to this section shall not exceed 70% of the determining salary of the employee just before his death.

4. **Survivors Pension to a Common-Law Wife of a Deceased Pensioner/ Employee:**

In the absence of a widow, a common-law wife (as defined in Section 4.9 of HR Procedure No. 04-12-11 "Pension to Survivors") will be eligible to a pension as if she is a widow, subject to the following conditions:

4.1 A common-law wife who is entitled to a widow's pension from any other source on the date of death of the employee/pensioner, will be entitled to a pension from the Company only if the pension to which she is entitled from the Electric Company is higher than the pension to which she is entitled from another source. In this case, the common-law wife is entitled to a pension from the Electric Company according to the difference between the pension to which she is entitled from the Electric Company and the pension she receives as a widow from another source.

A common-law wife, whose pension from another source as a widow is higher than the pension she would have been eligible to from the Electric Company if she would not have received a pension from another source, is not entitled to a pension from the Electric Company and/or any other entitlement due to a pensioner of the Electric Company (electricity rate for Company employees, gifts).

5. **Disability Pension:**

5.1 **Determining the Eligibility to Disability Pension**

The disability of an active employee will be determined as follows:

The employee will be examined by a medical board. If the medical board decides on permanent disability, an interdisciplinary team will be appointed, headed by the Human Resources Manager, the welfare officer and a representative of the workers committee. Based on the recommendations of the medical board, the interdisciplinary team will determine if the permanent disability of the employee prevents him from fulfilling any other position in the Company. In the event that the interdisciplinary team decides that the employee cannot fulfill any other function in the Company and upon approval of the Senior Vice President - Human Resources and Organization, the employee will retire to disability pension.

5.2 **Pension Rate**

An employee entitled to a disability pension will receive a pension, at the rate calculated according to the number of work years as determined by the Electric Company, according to the following principles:

- After one work year and up to the end of two work years - 20% of the determining salary.
- Starting from the 3rd year and up to the end of four work years – 25% of the determining salary.
- Starting from the 5th year and up to the end of the 5th year – 30% of the determining salary.
- Starting from the 6th year and up to the end of 25 work years – a 2% addition for each work year after the 5th year and up to the 25th year (up to a maximum of: 30% + 20*2% = 70%).

There is no incremental disability pension with respect to work years exceeding 25 years.

5.3 **Supplements to the Disability Pension with respect to Dependents**

5.3.1 A dependent for the purpose of this section:

- Wife / husband.
- Child, including a step child or an adopted child until age 18, or without age limit if the child is unable to support himself due to an illness.
- Parents of the disabled employee, if they are dependent on the disabled employee.

5.3.2 After 1 year to the end of 5 years of work – the pension is increased by 10% of the determining salary for each dependent of the disabled person as long as the total payments to the disabled person do not exceed 50% of his final determining salary. After 6 years of work – the pension is increased by 10% of the determining salary for each dependent of the disabled person as long as the total payments to the disabled person do not exceed 70% of his final determining salary.

5.3.3 The additional entitlement to disability pension with respect to dependents will be paid for each dependent at any time and as long as the definition of a dependent applies to the dependent, as detailed above.

5.3.4 A divorced employee who retired due to disability is entitled to a percentage of increment with respect to children until age 18, even if these children are not in the employee's care.

5.3.5 Marriage of an employee who retires due to disability, or birth of children to such a pensioner, after the retirement date, **does not** entitle the pensioner to additional percentage increments of the pension.

5.3.6 Following a change in their marital status (divorce/death of the spouse) or when children reach the age of 18, the percentage of the pension will be decreased accordingly.

6. **Pension – General Instructions**:

6.1 **Pension Payment Dates**

Pensions of eligible pensioners/survivors will be paid on the same dates as salaries to active permanent employees in the Company.

6.2 **Work up to age 18**

The years during which the employee served in the Company before reaching age 18 will not be considered as work years for the purpose of pension according to these rules.

6.3 **Breaks from Work**

Calculation of the number of work years of a Company employee will include the following breaks during the work period:

- Leave granted to the employee according to labor law.
- Absence caused by an accident at work.
- Break in work over which the employee had no control.
- Army service in its meaning in the Discharged Soldiers Law (return to work) - 1949 and any absence afterwards if it occurs during a period regarded by law as military service according to Section 12 of the said law.
- Partial military service in its meaning in the said Discharged Soldiers Law.
- Absence for a period of up to one year due to continued studies or appointment to a mission on behalf of institutions, upon written approval of the Company. Cases of absence from work for a period exceeding one year will be submitted to a discussion between the Company's management and the workers committee.

6.4 **Complete Entitlement of an Orphan to Pension**

An orphan's right to receive pension according to these rules is complete and does not depend on the economic condition, employment or marital status of the surviving parent.

6.5 **Responsibility of the Surviving Parent to a Pension for the Orphan**

The widow or widower will be responsible for drawing the pension due to orphans, for their support. If proven that pension funds paid for the orphans are not used for the intended purpose, the Company and/or the Fund and/or the Managing Company have the right to pay the pension to the said orphans in another appropriate way.

6.6 **Pension Payment to Parents**

Pensions to parents will be paid to them directly, together or separately, according to their wishes.

6.7 **Payment of One Time Only Amounts and Pension Capitalization**

The fund is not permitted to pay to an eligible employee or his survivors one time only amounts, including capitalization of his/her pension, except capitalization permitted by work agreements, as valid on the joining date, or according to any law, subject to the directives of the Central Provident Fund for Pension Statutes and the income tax regulations. When all the above are fulfilled, an employee who retires to pension or a pensioner up to two years from his retirement date, are entitled to capitalize up to 25% of the respective pension. The capitalization is for six years. A reduced pension, based on the proportion capitalized, is paid for six years to the pensioner. Following the death of a pensioner, his survivors are entitled to a pension, according to pension regulations, as if there was no capitalization.

6.8 **Prevention of Double Pensions**

The person who is eligible to two pensions of the same type according to these rules has the option to choose only one of them. In this case, each of the following will be regarded as separate types: retirement pension, survivors pension, disability pension.

6.9 **Minimum Pension**

An employee who retires due to age or disability, whose pension rate is less than 40%, may have the pension increased to 40%, provided that the two following conditions are fulfilled:

- The pension paid according to these rules is the only income of the pensioner, for as long as it is the sole source of income. An allowance from the National Insurance Institute will not be considered as additional income in this case.
- The pensioner was accepted as an employee of the Company before reaching age 55.

6.10 **Rights of Employees who are Members of Bereaved Families**

6.10.1 The law requires an employer to employ a widow/widower or a parent of a person who was killed in certain circumstances (soldier/policeman/jailor that were killed, and a victim of hostilities that passed away as a result of the injury), including a step parent and an adopting parent (subject to the Families of Soldiers Killed in Action Law – 1950), who is qualified to work, for the period as follows:

Until they turn 72 years old for men and five years beyond retirement age for women (it is presently increasing in a gradual manner), following Amendment 35 to the "Families of Soldiers Killed in Action (Compensation and Rehabilitation)" Law. In effect from January 1, 2014. (applies to all employees)

6.10.2 The pension of a bereaved parent (a parent of a soldier who was killed) who retires as a pensioner will be increased by 50% provided that it does exceed full doubling of the pension with respect to the actual service period of the bereaved parent in the Company.

Notwithstanding the above mentioned, if a bereaved person deserves to receive a pension of 45% and more before increase of the pension rate, his pension will be increased by 6% only, up to a maximum of 70% pension.

6.11 **Rights of a parent employee whose child is deceased (applies to all employees)**

Under the Law, an employee who is a parent a whose child is deceased (at any time and for any reason) and who has reached retirement age may apply to continue his work for up to four work years (for a period not exceeding the date of his reaching the age of 71), if he has been employed by the Company for at least 7 years before his mandatory retirement age. An employee from a bereaved family, in accordance with the terms of the HR rule 04-12-08, is entitled to an extension of employment of 5 years from the date of retirement age.

7. **Pension to Survivors Shortly after the Death of an Employee/Pensioner**

7.1 In the case of the death of an employee/pensioner, survivors will receive, respectively, full determining salary (100%) for the 3 months after the death, or the full pension paid to the deceased pensioner before his death. Pension payments to survivors according to pension regulations will begin from the fourth month after the death of the employee/pensioner.

7.2 Survivors of an employee whose death was caused by a work accident will receive the determining salary for pension (100%) paid to the employee for the 1st 6 months after the date of death. Pension payments to survivors of a deceased employee according to pension regulations will begin from the seventh month after the death of the employee/pensioner.

7.3 The pension rate for survivors of a pensioner who capitalized the pension and died will be equal to the pension rate without capitalization.

8. **No Frozen Rights**

Rights cannot be frozen (as applied to civil servants); namely, a person who resigns from the Company will not be eligible for a pension upon reaching the retirement age.

9. **No Continuation of Rights from Other Employers/ Former Employment Period**

Pension rates are calculated only according to work years in the Company.

10. The Division of Pension Savings Among Separated Spouses Law - 2014 entered into effect on February 6, 2015. The Company is implementing the Law word for word.

11. **Transfer of members of management employed within a collective employment to employment by personal contracts.**

As of the date of entry into effect of the collective agreement of May 17, 2018, the Company may employ managers in the format of employment by personal contract.

Below are the main terms in the personal contract for the senior employees that were employed within the framework of a collective agreement and were insured by a budgetary pension.

The salary in the personal contracts will be derived as a percentage of the salary of the CEO of the Electric Company, in classification 10 (1) of the classification of government companies. The percentage of the employee's salary will be determined according to the definition of his position. In addition, these employees will be entitled to global per diem expenses, clothing allowance, holiday gifts (under the collective agreement), birthday gift, convalescence (pursuant to amounts and quotas in the collective agreement), study fund, a quota of 24 days leave, a quota of 30 days (calendar) sick leave, pension provisions for the period of employment under a personal contract.

Determined salary for a budgetary pension - the pension rights of the employee with a budgetary pension will be frozen upon the transition to a personal contract, and his pension rights for the period of his employment by personal contract will be insured in a cumulative pension.

The outline includes an increase in the determining salary for each actual year of employment by personal contract at the rate of change in the CPI in that year, and in addition for a period of up to 7 years of employment by personal contract will be increased by 2%. Such increase or in the amount of NIS 1,250 linked to CPI effective from the transition date to personal contract at his choice.

In addition, the determining salary will be updated in accordance with the provisions of the salary agreement for the years 2013 - 2017. In this regard, the date of transition to the personal contract will be considered the retirement date for the purposes of Appendix A to the collective agreement.

An employee who, at the date of termination of his employment, has completed 25 years of employment with the Electric Company, a 20/25 year salary component (14) will be added to the determining salary for a budgetary pension, even if at the date of transition to a personal contract he was not entitled to this addition.

In addition to a senior employee who has not completed 70% pension, the employee will be entitled to increase the accrual for a budgetary pension by up to 10%, but in any event not more than 70% and not above the rate that the employee would accrue if he continued to work by the collective agreement until the mandatory retirement age or until the end of his employment with the Company.

Dismissal

In the event of dismissal of the transferring employee before he reaches mandatory retirement age, the employee will be entitled to a bridging pension and grants as follows:

First agreement for those transitioning to personal contract by March 31, 2019 (inclusive) – for employees with a budgetary pension arrangement.

Bridging pension – The pension will be calculated according to the weighted average of the determining salary for a budgetary pension and the total salary of the employee prior to the termination of his employment. The weighted average will start from the ratio of 25:75 (the determining salary for the budgetary pension: total salary) and will increase by 5% on each year of employment by personal contract, up to a ratio of 50:50 at most. After 5 years of employment by personal contract, with an increase supplement in the first 7 years of 2% or NIS 1,250, the highest among them. The determining salary for the bridging pension will be multiplied by the percent of accumulation for the employee's budgetary pension (including increase of pension percentage by up to 10% and not exceeding a total of 70%, as stated above under "Determining salary for budgetary pension").

Deposits during the bridging period – preserving rights - employee and employer deposits will be carried out during the bridging period at the rates customary for cumulative pension on the basis of the difference between the employee's pension during the bridging period and his pension in the budgetary pension as of the date of retirement, and up to a ceiling of CPI-linked NIS 15,000. (Termination of employment at less than 7 years –provision for the full bridging pension in the first year).

Dismissal grant in the event of dismissal of an employee before reaching the mandatory retirement age - will be calculated on the day of transition to the personal contract as the difference between the mandatory retirement age (67 years) and the employee's age on the eve of the transition, multiplied by his total salary in the personal contract on the date of termination of his employment, but in any case will not exceed NIS 1 million.

The grant that is calculated will be linearly reduced from the date of transition and over 7 years, to a value of at least 3 salaries.

Second agreement for those transitioning to a personal contract between April 1, 2019 until June 1, 2019 (inclusive), for employees with Budgetary pension arrangement.

Bridging pension – the pension will be calculated according to the determining salary on the eve of the transition to employment under a personal contract, CPI linked, from the day of the transition until the retirement day, and multiplied by the coefficient of 140%.

The determining Salary for the Bridging Pension will be multiplied by the percentage of the employee's pension budget accrual (including increase of the pension percentage by up to 10% and not exceeding a total of 70%, as stated under "Determining salary for a budgetary pension").

Deposits during the bridging period – preserving rights - during the bridging period, employee and employer will execute deposits at the rates customary for accumulative pension on the basis of the gap between the employee's monthly pension during the bridging period and his pension with the budgetary pension as on the date of retirement, and up to a ceiling of CPI-linked NIS 15,000. (Termination of employment at less than 7 years – provision over the full bridging pension in the first year).

Dismissal grant in the event of dismissal of an employee before reaching the mandatory retirement age - will be calculated on the day of transition to the personal contract as the difference between the mandatory retirement age (67 years) and the employee's age on the eve of the transition, multiplied by his total salary in the personal contract on the date of termination of his employment, but in any case will not exceed NIS 1 million.

-The grant that was calculated will be linearly reduced from the date of transition and over 7 years, until a value of at least 3 salaries.

Eligibility for reform supplement - no eligibility.

Third agreement for those transitioning into a personal contract between 2/6/2019 and 31/12/2025 - for employees in a budgetary pension arrangement.

Bridging pension - the pension will be calculated for an employee entitled according to the pension determining salary on the eve of the transition to employment by a personal contract, when it is linked to the index from the date of transition to the date of retirement, and multiplied by a coefficient determined according to the month of transition to personal contract, 140% and reduction at a rate of 0.65% for each month beyond January 2021, inclusive. For example: an employee who transitions to a personal contract in July 2023, (30 months after January 2021 inclusive), is entitled to a coefficient of 120.5%.

- The determining salary for the bridging pension will be multiplied by the percentage of the employee's budgetary pension accrual (including the increase of the pension percentage by up to 10% and not more than a total of 70%, as stated above under "Determining salary for budgetary pension").

Deposits during the bridging period - Preservation of rights - during the bridging period, employee and employer deposits will be made at acceptable rates for cumulative pension based on the gap between the employee's pension during the bridging period and his pension in the budgetary pension as of the retirement date, up to a ceiling of CPI-linked NIS 15,000. (Termination of the employment in less than 7 years - in the first year a provision for the full bridging pension).

Dismissal grant in the event of dismissal of an employee before reaching the mandatory retirement age - a grant of 3 salaries will be paid at the end of the employment.

Eligibility for a reform supplement - there is eligibility according to milestones that have materialized up to the date of transition to a personal contract.

For the purposes of the third agreement, the Company will be able to transfer up to 30 employees (budgetary and cumulative) until the end of 2025, under the terms of this agreement.

First and second agreements for those transitioning to a personal contract by June 1, 2019 (inclusive), - for employees with a cumulative pension arrangement.

Bridging pension - will be calculated for an employee entitled on the day of the transition to a personal contract in accordance with the collective agreement dated May 17, 2018 (the reform agreement). An amount of NIS 1,250 will be added to the amount of the bridging pension, and the amount obtained from calculating the bridging pension together with NIS 1,250, will be multiplied by a coefficient of 140%. The said coefficient will decrease in a linear path from the age of 52 to the age of 62, so that it will be 100% for an employee whose age at the end of his employment is 62, provided that at the end of the employment, at least 5 years have passed since the date of the transfer to the personal contract. The bridging pension will be linked to the CPI and will be updated once a year.

The monthly bridging pension will be calculated according to the lower sum from among the aforesaid and NIS 26,000.

Deposits during the bridging period – preservation of rights – employee and employer deposits will be executed, during the bridging period, to a cumulative pension from the 100% bridging pension at the customary rates.

Dismissal grant in the event of dismissal of an employee before reaching the mandatory retirement age – the grant will be calculated on the date of transition to a personal contract as the difference between the mandatory retirement age (67) and the employee's age prior to the transition, multiplied by his total salary in the personal contract on the date of termination of employment, but in any case will not exceed NIS 1 million.

The calculated grant will be linearly decreased from the date of transition, over 7 years, up to a value of 3-month acclimation at least.

Eligibility for reform supplement - no eligibility.

Third agreement for those transitioning into a personal contract between 2/6/2019 and 31/12/2025 - for employees in a cumulative pension arrangement.

Bridging pension - will be calculated on the day of transition to a personal contract in accordance with the collective agreement dated 17/5/2018 (reform agreement). The said amount will be multiplied by a coefficient to be determined in accordance with the month of transition to a personal contract, 140% and reduction by 0.65% for each month beyond January 2021, inclusive. For example: an employee who transitions to a personal contract in July 2023, (30 months after January 2021 inclusive), will be entitled to a coefficient of 120.5%. Table of multiplication simulators. The bridging pension will be linked to the consumer price index and will be updated once a year. The monthly bridging pension will be calculated according to the lowest amount from among that listed above and NIS 26,000.

Deposits during the bridging period - preservation of rights - during the bridging period, employee and employer deposits will be made, for a cumulative pension from 100% of the bridging pension at the customary rates.

Dismissal grant in the event of dismissal of an employee before reaching the mandatory retirement age - at the end of the employment, a grant of 3 salaries will be paid.

Eligibility for reform supplement - there is eligibility according to milestones that have materialized up to the date of transition to a personal contract. For the purposes of the third agreement, the Company will be able to transfer up to 30 employees (budgetary and cumulative) under the terms of this agreement.

It should be noted that there are a number of individual employees (in a budgetary and cumulative arrangement) who were supposed to be in the third agreement and were attributed to the second agreement with the special approval of the Commissioner of Wages in the Ministry of Finance.

Additional Right Not Taken Into Consideration in Determining the Actuarial Obligation with respect to Benefits After Termination of Employment

1. For the retiree with a budgetary pension

Early retirement to pension grant (due to severance)

A grant of 50% of one monthly salary for each year worked. The grant is calculated on the basis of a normal salary with the addition of the 13th salary. This grant is not calculated for the years for which the retiring employee is entitled to receive excess years grant.

The grant rate (50%) will be offset at the rate of 1.111% for each month of work over age 62 and up to age 65, consequently, the grant rate starting from age 65 after the offset is 10% (similar to the grant for up to 35 years of work).

It is noted, that when a female employee chooses to continue working in the Company after retirement age and retires from the Company due to severance, she will be entitled to a grant at the rate of 50% of the salary, according and subject to the aforementioned, as applied to any other employee.

Severance payments for employment termination without pension

Upon termination without pension entitlement, an employee is eligible to a severance payment of one monthly salary for each year of employment. Upon resigning after a prolonged employment period, the aforesaid severance payment is paid if the authorized authorities approve it. The severance pay is calculated on the basis of the normal salary with the addition of the 13th salary.

2. Additional rights and benefits for Pensioners

In addition to the aforesaid, the pensioners of the Company are entitled to the following rights and benefits:

- Bonuses for marriage and birth (includes the grossing up of tax).
- Holiday gifts for children of pensioners and successors serving in the IDF (including tax grossing up).
- Company participation in cost of setting a tombstone – solely in cases of death as a result of a work accident.
- Partial participation of the Company in meals at Company facilities – up to 10 meals per month.
- Higher Education grants for children of widows of employees who died while working for the Company.
- An outing for widows of workers who died while working for the Company.
- A person entitled to a special rate will be granted a reduction of cost of connecting electricity to the apartment as well as transfer or increase of existing connection.

3. Compensation in cases of death as a result of a work accident

These benefits are not material and therefore no actuarial liability is calculated in respect thereof.

4. Compensation payments for senior executives subject to personal contracts of the Government Companies Authority

Senior executives employed by personal contracts of the Government Companies Authority are entitled, with the approval of the Board of Directors, to additional compensation payment at a rate of up to 100% on the date of termination of their office in the Company.

5. Advance Notice Period - is the period of time between the notice of termination of the employee's employment and the date it enters into effect, which is determined according to the period of employment in the Company. The Company is permitted, within the advance notice period, to continue to employ the employee or waive, under special circumstances, his actual work during the advance notice period (in full or in part) and then he will be paid a regular salary, fixed supplements that do not depend on attendance, and social provisions.
In special cases in which the Company decided to dismiss the employee without giving prior notice in practice (in whole or in part), the Company will pay the employee compensation in lieu of prior notice: his ordinary salary and the 13th salary only without social benefits. It should be noted that in case of compulsory retirement/death of an existing employee, there is exemption from advance notice obligation.

Note: That which is stated in this document constitutes the main rights. Company procedures and agreements include extended details of the rights specified above in this document.