



Israel Electric

The Israel Electric Corporation Ltd.

Financial Reports

For The Nine and Three Months Ended
September 30, 2025

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Israel Electric

The Israel Electric Corporation Ltd.

Updated Chapter A
(Description of the Company's
Business Affairs)
for the 2024 Annual Report

For the Period Ended
September 30, 2025

Prominent Disclaimer

This English translation of the **“Updated Chapter A (Description of the Company’s Business Affairs) for the 2024 Annual Report”** for the period ended September 30, 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.

Updated Chapter A (Description of the Company's Business Affairs)
for the 2024 Periodic Report ("the Periodic Report")¹
of the Israel Electric Corporation Ltd.
("The Company" or "The Electrical Corporation")

According to Regulation 39A to the Securities Regulations (Periodic and Immediate Reports), 1970, the following are details of material developments or changes in the Company's business affairs, in any matter that should be described in the periodic report of the Company during the nine months ended on September 30, 2025 and up to the publication date of this report, according to the order of the sections in the Chapter of Description of the Company's Business Affairs in the Periodic Report for the year 2024 ("the **Periodic Report**").

This report presents opinions, assessments or positions of the Company. The opinions, assessments or positions presented as opinions, assessments or positions of the Company, are those of the Company only and should not be construed as any opinion, assessment or position of the State or any of its authorities. Therefore, such opinions, assessments or positions shall not constrain the State or any of its authorities from acting and/or deciding and/or expressing an opinion in a different manner from the aforesaid opinions, assessments or positions of the Company.

This chapter of the quarterly report was prepared under the assumption that its reader possesses the Chapter "Description of the Company's Business Affairs" of the periodic report.

It should be noted that the terms in this chapter will have the same meaning as presented in the Chapter - Description of the Company's Business Affairs of the periodic report, unless explicitly stated otherwise.

The State of the Company's Business Affairs

Swords of Iron War and Operation "Rising Lion"

For details regarding the effects of the "Swords of Iron" War and Operation "Rising Lion", the expected and possible effects of the above events on the Company's results of operations, its financial position and cash flows, see Notes 1h2 and 1h3 to the Company's Financial Statements as of September 30, 2025 (the "**Financial Statements**").

The contents of this Report and the Company's Financial Statements, with respect to the Company's assessment of the effects of the War and Operation "Rising Lion" 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 occurred in the collector of Unit 4 at the Rutenberg Power Station, while contractor work was being carried out as part of its renovation. At that time, the unit was shut down for conversion to gas.

The fire was extinguished within a few hours with the assistance of external firefighting forces. Also, 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 approval from Noga for commercial operation of the unit.

For details regarding a fire see Note 1h4 to the Financial Statements.

The contents of this report and 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 assessments available to the Company as of the date of this Report. These assessments may not materialize or be partially or materially differently from what was expected, inter alia, as a result of factors beyond the Company's control.

¹ As published on March 27, 2025 (reference number: 2025-01-021733)

1. Section 1: The Company's operations and a description of its business development

1.1. Section 1.3: The nature and results of each significant structural change, merger or acquisition

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

On July 24, 2025, the Electricity Authority published a resolution in which it determined that the value of the land at the Eshkol site, which will be recognized for the Company as part of the sale of the site will amount to NIS 1,740 million. For further details, see Note 3h to the Financial Statements.

2. Section 7: Generation Sector

2.1 Section 7.4: Competition

2.1.1 Section 7.4.1: General: Private electricity generation - Government policy and the resolutions of the Electricity Authority

2.1.1.1 Section 7.4.1.1: General

Following the Minister of Energy and Infrastructure's request of November 25, 2024 to the Electricity Authority for consultations prior to formulating policy principles for setting a target for electricity generation using photovoltaic technology and storage on residential roofs by 2030, the Authority published a position paper on the subject on May 19, 2025, after a public hearing. This document presents an examination of the economic and regulatory significance of setting alternative targets for electricity generation from renewable energy through the installation of 100,000 and 150,000 small solar installations on residential roofs by 2030. The examination was carried out while weighing aspects of economic feasibility, the impact of targets on the electricity tariff, and the implications on the energy sector. The document includes the Authority's position alongside its recommendations regarding the aforementioned target.

In parallel, the Ministry of Energy published at the same time a target of 100,000 new solar installations on the roofs of residential buildings by 2030, in addition to the solar installations that currently exist.

On May 20, 2025, the Electricity Authority published a decision on principles for bilateral market regulation for generation and storage facilities connected to or integrated into the transmission grid. For further details, see Section 4.

On September 29, 2025, the Authority published a decision proposal for a hearing on a temporary mechanism for purchasing availability certificates by virtual providers from the System Manager. For further details, see Section 4 below.

On July 6, 2025, the Authority published a hearing for public review 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 3c to the Financial Statements.

On July 20, 2025, the Authority published a Draft Resolution in which it examines additional enforcement measures for the purpose of collecting payments from all consumers, and in particular from non-domestic load and time consumers. For further details, see Note 3g to the Financial Statements.

2.2 Section 7.9: Raw Materials and Suppliers

2.2.1 Section 7.9.2:

The table below shows the distribution rate of generation in the Company (in percent) according to types of fuels used in the generation segment for generating electricity in the nine months ended on September 30, 2025 and on September 30, 2024:

	For the Nine Months Ended September 30	
	2025	2024
Natural Gas	73.2%	66.1%
Coal	26.2%	33.5%
Diesel Oil	0.5%	0.3%
Crude Oil	0.1%	0.1%
Total	100.0%	100.0%

2.2.2 Section 7.9.3:

The table below shows the total costs of fuels (including related items and attributed wages) used for the generation of electricity in the generation segment in the nine months ended on September 30, 2025 and on September 30, 2024:

	For the Nine Months Ended September 30	
	2025	2024
	in NIS millions	
Natural Gas	2,502	2,441
Coal	1,707	2,143
Liquid gas	5	-
Diesel Oil	186	135
Costs of maintaining diesel oil for emergencies for the electricity sector	63	102
Crude Oil	14	15
Total	4,477	4,836

2.3 Section 7.9.9.2 Natural Gas Purchase Agreements

(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 and 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 see Note 9a1 to the Financial Statements.

(b) Agreement to purchase gas under a SPOT agreement from the "Leviathan" field

For details regarding the extension of the SPOT agreement under which the Company entered into agreement to purchase natural gas from the "Leviathan" reservoir, see Note 9a2 to the Financial Statements.

(c) Agreement to purchase natural gas from the "Karish" reservoir

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 9a3 to the Financial Statements.

For additional details regarding the Company's agreements for the supply of natural gas from the "Tamar", "Leviathan" and "Karish" reservoirs, see Note 35a to the Annual Financial Statements.

2.4 Section 7.10: Working capital; inventory

2.4.1 Section 7.10.1:

Further to Section 7.10.1 of the Description of the Company's Business Affairs Chapter in the Periodic Report, the Company advises that 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 June 2026.

2.5 Section 7.12.7 Asbestos

Further to that stated in Section 7.12.7 of the Description of the Company's Business Affairs Chapter in the Periodic Report regarding the requirement of the Ministry for Environmental Protection (the "Ministry") to remove and bury asbestos-containing seals at power station sites, on May 5, 2025, instructions were received to carry out actions pursuant to Section 9 of the Asbestos and Harmful Dust Hazards 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 response to the Ministry, which includes a plan for the evacuation and removal of seals classified as high risk at the active Company's sites and reference to the evacuation and removal date of seals at closed and shut down generation units. This considers, among other things, the complexity of the removal, the scope of the units and the fact that the removal involves extended shutdowns.

On August 6, 2025, the Ministry's response to the removal plan submitted by the Company was received, in which 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 the removal of the seals in Rutenberg Units 1 and 2 be significantly shortened, and that the seals be removed from Units 1-4 in Orot Rabin be removed by the end of 2026.

On August 27, 2025, the Company submitted its comments to the Ministry of Environmental Protection, in which the Company stated that with regard to the removal of seals in units that are not active, the Company would contact the Ministry of Energy and Infrastructures and the Electricity Authority to obtain their position. In addition, the Company also clarified that any shutdown of units for the purpose of removing seals that is not in accordance with the approved shutdown plan will require the approval of Noga.

As of the Financial Statements approval date, the Company is unable to estimate all of the implications that this matter may have on the Company. Therefore, the provision included in the Financial Statements is in accordance with an estimate based on the plan submitted by the Company to the Ministry.

The contents of 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 be partially or materially different from what was anticipated, inter alia, as a result of factors beyond the Company's control, including regulatory decisions that will be made in this regard.

2.6 Section 7.12.9: Preservation of the coastal environment and prevention of marine pollution

Further to that stated in Section 7.12.9 of the Description of the Company's Business Affairs Chapter in the Periodic Report regarding the alert received by the Company for an alleged violation of the conditions of the Rutenberg site flow into the sea permit and the hearing held on this subject, on April 29, 2025, a summary of the hearing was received, which includes requirements regarding infrastructure aspects of the drainage systems and the implementation of procedures for conducting inspections. On June 3, 2025, the Company submitted its response to the Ministry's claims, in which it requested alternative actions. As of the Financial Statements publication date, the Ministry had not yet submitted its response to the aforementioned request.

Further to that stated in Section 7.12.9 in the Description of the Company's Business Affairs Chapter in the Periodic Report regarding the business license of the marine connectors in Eshkol, in accordance with the extensions received by the Company, the temporary business license is valid until December 1, 2025, in accordance with the conditions given.

3 Section 9: The Distribution Segment

3.1 Section 9.1: General information on the distribution segment

3.1.1 Section 9.1.1: Structure of the field of activity and changes occurring therein

On June 4, 2025, it was published that the Minister of Finance approved the distribution network development plan recommended to him by the Electricity Authority. In addition, on July 28, 2025, approval of the Minister of Energy and Infrastructure of the plan was received by the Company. For further details regarding the plan's approval, see Note 3e to the Financial Statements.

3.2 Section 9.10: Restrictions to and regulation of the operations of the Company in the distribution and supply segments

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

Further to that stated in Section 9.10.2 in the Description of the Company's Business Affairs Chapter in the Periodic Report regarding the consumers non-supply index, the total minutes of customer non-supply for the first three quarters of 2025 is 110.1 minutes compared to 117.5 minutes in the corresponding period last year.

The rate of non-supply minutes caused by high voltage grid and the transmission and transformation segment for the first three quarters of 2025 is 75.6 minutes compared to 78.6 minutes in the corresponding period last year.

The standard deviation between the sub-districts in the first three quarters of 2025 is 25.7 minutes for the components of this index compared to 28.1 minutes in the corresponding period last year.

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

4 Section 10: The Supply Segment

4.1 Section 10.4: Competition

Effective from July 1, 2024, and in accordance with the decision of the Electricity Authority regarding the integration of basic meters in the supply segment, in addition to the switching of customers with smart meters, the process of switching consumers without a smart meter to private distributors has begun. For details, see Note 3q to the Annual Financial Statements. The continuation of this process may affect the Company's share in the supply segment.

As of the Statement of Financial Position date, approximately 316,000 customers have switched to a private supplier².

For details on the results of the Company's activity in the supply segment, see Note 11 to the Financial Statements.

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 the renewable energy targets, the regulation will apply from January 1, 2026, only to renewable energy facilities, including facilities that integrate storage and independent storage facilities.

In accordance with the Authority's decision of May 2025, within the framework of the bilateral market regulation in the transmission network, it was initially determined that the integration of producers using renewable energies only would be allowed. In order to increase the capacity in the competitive market and in light of the problem of the shortage of capacity in the bilateral market, on September 29, 2025, the Electricity Authority published a hearing in which it is proposed to allow virtual suppliers, temporarily, to purchase availability directly from the System Manager by tender procedures, without being required to make private transactions with producers, until the end of 2029. After this date, these suppliers will be required to purchase capacity in the bilateral availability market. The Company submitted its comments for a hearing on October 26, 2025.

To the best of the Company's knowledge, as of the Financial Statements approval date, there are 49 suppliers who do not have means of production.

² Including customers who requested to switch in September 2025 and were actually transferred on October 1, 2025.

5 Section 11: The Storage Segment

5.1 Section 11.1: General information regarding the storage segment

5.1.1 Section 11.1.1: Structure of the activity in the field and the changes occurring therein

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

6 Issues Pertaining to the Operations of the Company as a Whole

6.1 Section 12: Customers – electricity consumers

6.1.1 Section 12.2.5: The East Jerusalem Electricity Company and the Palestinian Authority

For details regarding the outline of agreements to settle all debts of the East Jerusalem Electricity Company Ltd. and the Palestinian Authority, see Note 4b to the Financial Statements.

7 Section 15: Human capital

7.1 Section 15.2: Employee roster by areas of operation

As of September 30, 2025, the Company employs 10,955³ employees, as follows:

Permanent employees	6,232
Management on personal agreements	108
Continuing employees	1,637
Employees on personal ordinary agreements	39
Ordinary temporary employee	2,246
Project temporary employees	182
Students	32
Apprentices and trainees	123
Working retiree	2
“Nitzan Or”	354
Total	10,955

With regard to the expected retirement plan up to and including May 2026, see Note 5f to the Financial Statements.

7.2 Section 15.5: Employee compensation plans, benefits and employment agreements

7.2.1 Section 15.5.1: Employment agreements

For details concerning collective agreements and consents including wage agreement in the public sector, the agreement on remote work, Generation C retirement agreement, “Continuing temporary employee” agreement, Amendment No. 4 to the reform agreement - Eshkol agreement, and collective agreement to reduce employees' salary see Note 12f to the Annual Financial Statements.

For details regarding early retirement agreements, SLA (South Lebanon Army) employees' agreement and vacation days agreement see Note 5f to the Financial Statements.

7.3 Section 15.9: Labor disputes

For details regarding labor disputes, see Note 9c to the Financial Statements.

³ Including workers on unpaid leave and workers associated with the metro project, but not workers loaned to the power stations that were sold.

8 Section 20: Financing

8.1 Section 20.1: General

For details of material raisings and repayments and the Company's credit rating during the report period, see Note 7 to the Financial Statements.

9 Section 23: Restrictions and control over the operations of the Company

9.1 Section 23.1: Provisions of the Electricity Sector Law, relevant Regulations, licenses issued accordingly and Resolutions of the Electricity Authority

9.1.1 Section 23.1.6: Provisions of the Electricity Sector Law and the Resolutions of the Electricity Authority with respect to the electricity charge rate

For details concerning the main developments regarding electricity rates and regulation, see Note 3 of the Financial Statements.

10 Section 25: Legal proceedings – pending actions

10.1 Section 25.1: Class actions

For details of applications for class actions received during and after the report period, as well as regarding developments and updates with respect to existing applications for class actions, see Note 9b to the Financial Statements.

11 Section 27: Objectives and Business Strategy

11.1 Section 27.1: Vision

11.1.1 Section 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.

11.1.2 Section 27.1.2: The goals will be achieved, inter alia, through:

11.1.2.1 Section 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

11.1.2.2 Section 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

11.1.2.3 Section 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

11.1.2.4 Section 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

11.1.2.5 Section 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

11.1.2.6 Section 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

11.1.2.7 Section 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

11.2 Section 27.2: The Company's work plan and targets for 2025

- a) Meeting the structural change goals:
- b) Completing the process of introducing a natural gas-powered generation unit using the CCGT H technology for commercial operation and maintaining the Company's existing generation capacity in accordance with the availability and reliability targets required by the Electricity Authority.
- c) Focusing the Company on its core businesses, with an emphasis on focusing on the network and in the field of customer service.
- d) Improving customer service in commercial and technical aspects.
- e) Expanding service through a variety of digital channels.
- f) Development of human capital in light of the changes in the business environment.
- g) Management Development.
- h) Improvement, streamlining and adaptation of work processes while removing barriers.
- i) Continuing to meet the financial targets, as defined by the Board of Directors.
- j) Completion of a project to continue the conversion to gas at the "Rutenberg" and "Orot Rabin" power plants, subject to the Policy Principles of the Minister of Energy and Infrastructure from November 2019 regarding the end of the coal-fired generation era.
- k) Implementation of the development plan for the transmission and transformation network for the years 2023 - 2030, which was approved by the Minister of Energy and Infrastructure in November 2023.
- l) Implementation of a plan to develop the distribution network.
- m) Continued advancement of the strategic supervision projects: the ADMS project and the TMS project.
- n) Accelerated implementation of the Smart Meter project in accordance with the Electricity Authority's decision.
- o) Advancing the establishment of energy storage facilities in sub-stations, in accordance with the decision of the Electricity Authority.
- p) Advancing a project to integrate and connect charging stations for electric vehicles and electric public transportation to the network.
- q) Promoting the Company's preparation for competition in the supply segment.
- r) Continuing preparation for extreme events (extreme weather, national emergencies and cyber events).
- s) Advancing the purchase of additional services within the framework of "outsourcing".

- t) Safety: Emphasis on the issue of safety and the assimilation of the issue of proactive safety in the Company and the continuation of holding trainings and safety workshops.
- u) Traffic safety: Continuing to hold traffic trainings, increased enforcement and conducting driving simulations.
- v) Continuing to promote the innovation system in the Company, while creating an organizational culture supportive of innovation.
- w) Employee health: Encouraging proper nutrition, sports activity and performing periodic check-ups and early detection tests.
- x) Cyber: Continuing to deal with the cyber threat and information security.
- y) Improving the Company's image among the public while strengthening trust in the Company's commitment and through improving service, improving relations with stakeholders and investors and improving the customer experience.
- z) Sustainability and environmental quality: continued ongoing dialogue with environmental organizations. Taking the initiative to make the Company a leading entity and partner in the development of renewable energy and energy storage sector in Israel.
- aa) Information systems: upgrading the Company's information systems strategy in accordance with the Company's strategy, with an emphasis on service.
- bb) 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.
- cc) Promotion of the Electric Company's heritage program, the main focus of which is the establishment of a heritage center and a focus on sites related to the Company's heritage.
- dd) Promoting the project for the preservation of generation Units 1-4 at Orot Rabin site in accordance with the Government decisions.
- ee) Continued promotion of the process for examining the use of hydrogen as a future green fuel in the various generation units.
- ff) Maintaining leading cross-Company innovation in order to realize its strategic goals and cope with the technological and business changes in the electricity sector.
- gg) Updating the strategic plan with an emphasis on changes in the field of competition in electricity generation and electricity supply and the development of future electricity network.

Meir Spigler
Chief Executive Officer

Doron Arbely
Chairman of the Board of Directors

Date of approval: November 20, 2025



Israel Electric

The Israel Electric Corporation Ltd.

Chapter B

Board of Directors' Report on the
Status of the Corporation's Affairs

For the Nine and Three Months Ended
September 30, 2025

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THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

The Board of Directors of the Israel Electric Corporation (hereinafter: the "Company") hereby presents the Directors' Report for the nine and three months ended on September 30, 2025, ("The Reporting 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 Business Condition of the Company

1. Brief Description of the Company and its Business Environment

a) General

The Company operates as a single integrated and coordinated system engaged in the supply of electricity to consumers, starting from the electricity generation stage, transmission and storage, distribution, supply of electricity, as well as trading in it, 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 defined in the Electricity Sector Law).

The Company is owned by the State of Israel which holds about 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 and Infrastructure). For further details of the Electricity Sector Law, including the details and role of the Electricity Authority, see Note 1 to the Financial Statements as of December 31, 2024 (hereinafter: the "Annual Financial Statements").

b) Condensed Review of the Changes in the Business Environment

- 1) For details regarding the Company's actions to implement the outline for structural change in the reporting period, and particularly with respect to the generation subsidiary see Note 1e to the Financial Statements.
- 2) For details regarding material provisions of the Law applying to the Company in the area of environmental protection, including additional updates regarding the project of conversion to gas and examining alternatives for the future of units 1-4 at Orot Rabin Site, see Note 1g to the Financial Statements.
- 3) For details regarding the collapse of the crane at the coal dock at the "Rutenberg" power station and the settlement arrangement signed between the Company and the insurance company, see Note 1h1 to the Financial Statements.
- 4) For details regarding the effects of the War of Revival ("Swords of Iron" War) on the results of the Company's operations, its financial position and its cash flows, see Note 1h2 to the Financial Statements.
- 5) For details regarding Operation "Rising Lion", see Note 1h3 to the Financial Statements.
- 6) For details regarding the fire in the collector of Unit 4 at the "Rutenberg" power station, see Note 1h4 to the Financial Statements.
- 7) For details regarding electricity tariff amendments and regulations and decision of the Electricity Authority see Notes 3 in this report and 27 to the Annual Financial Statements.
- 8) For details regarding the conversion project of the coal-fired units to gas, see Note 1g and 3d to the Financial Statements.
- 9) For details regarding the change in the estimated lifespan of the coal-fired units and the emission reduction facilities at Orot Rabin 5-6 and Rutenberg 1-4, see Note 2d.
- 10) For details regarding a decision proposal for a hearing on updating the electricity rate structure see Note 3a to the Financial Statements.
- 11) For details regarding a decision proposal for a hearing on the subject of supporting the implementation of the distribution system development plan for the years 2025-2030, see Note 3f to the Financial Statements.
- 12) For details regarding EJEK and the Palestinian Authority's debts including amounts received from the Treasury to offset debts, as well as the outline of agreements approved by the Company's Board of Directors and the Political and Security Cabinet, see Note 4b to the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 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)

b) Condensed Review of the Changes in the Business Environment (continued)

- 13) For details regarding collective agreements and consents, see Note 5f to the Financial Statements.
- 14) For details regarding material raisings and repayments during the Financial Statements period and the Company's credit rating, see Note 7 to the Financial Statements.
- 15) For details regarding commitments, claims and contingent liabilities and labor disputes, see Note 9 to the Financial Statements.
- 16) For details regarding changes in the Company's Board of Directors and Management, see section c below.

c) Information Required in Accordance with the Directives of the Government Companies Authority

Major financial targets

Following are the annual* goals approved by the Company's Board of Directors on December 18, 2024, (and updates to them) for the financial planning period of 2025 - 2030:

- a) A net real financial debt to EBITDA ratio: the target is a ratio of up to 5.2 in each of the years 2025-2027 and a ratio of 5.0 in each of the years 2028-2030.
In practice, as of September 30, 2025, the ratio is approximately 4.5 (the ratio is based on the net financial debt of the Company as of September 30, 2025, in the amount of NIS 32,871 million and on normalized EBITDA which includes movement in regulatory accounts and neutralizing special and non-current events for the four quarters ended September 30, 2025, in the amount of NIS 7,310 million). With regards to non-GAAP financial indicators, see Section a6 below.
- b) The ratio of total debt to total assets (leverage) will not exceed 65% in each of the years 2024-2030.
In practice, as of September 30, 2025, the ratio stands at approximately 60%.
- c) Maintaining the international rating of at least 'BBB'. For details regarding the Company's credit rating, see Note 7b to the Financial Statements.
- d) The safety cushion will have a monetary value of not less than NIS 3 billion (according to target update dated March 20, 2025) and will consist of: cash balances and short-term investments of no less than NIS 1.5 billion at the end of each month; long-term and unused secured credit lines effective for longer than one year supplementing cash balance to NIS 3 billion at any time (possible deviation of 10% downward). As of September 30, 2025, the Company is in compliance with the target.
- 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 the financial ratios specified above, with regards to the debt ratios. For the composition of the financial debt as of September 30, 2025, see Section a6 below.

In addition, the Company's Board of Directors adopted three additional annual* targets pursuant to the circular of the Government Companies Authority (see section a6c below):

- f) FFO to adjusted financial debt ratio ranging between 15%-23%
In practice, as at September 30, 2025, the ratio stands at 18.0%.
- g) FFO + interest expenses divided by interest expenses ratio greater than 3.
In practice, as at September 30, 2025, the ratio stands at 8.1.

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 September 30, 2025, the ratio* stands at 4.8%.

* The Company's compliance with the indicated targets will be reviewed only at the end of the reported year.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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 September 30, 2025 and December 31, 2024 are as follows:

	NIS in millions			
	September 30, 2025	December 31, 2024	Increase (decrease)	Percent %
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	798	2,157	(1,359)	(63%)
Short term investments	923	3,539	(2,616)	(74%)
Trade receivables for sales of electricity	7,193	5,157	2,036	39%
Other current assets	1,057	863	194	22%
Inventory – fuel	348	1,399	(1,051)	(75%)
Inventory – stores	191	167	24	14%
Total current assets	10,510	13,282	(2,772)	(21%)
<u>NON-CURRENT ASSETS</u>				
Inventory - fuel	2,612	1,944	668	34%
Receivables for inventory of fuel	67	-	67	
Long-term receivables	1,287	1,451	(164)	(11%)
Investment in associate companies	15	15	-	0%
	3,981	3,410	571	17%
Assets with respect to benefits after employment termination:				
Excess pension plan assets over pension liability	13,138	11,905	1,233	10%
Funds in trust	1,030	1,057	(27)	(3%)
	14,168	12,962	1,206	9%
Fixed assets, net:				
Fixed assets in use, net	56,213	52,263	3,950	8%
Fixed assets under construction	9,735	11,345	(1,610)	(14%)
	65,948	63,608	2,340	4%
Intangible assets, net	1,291	1,219	72	6%
Total assets	95,898	94,481	1,417	1%
Debit balances of regulatory deferral accounts	11,618	10,168	1,450	14%
Total assets and debit balances of regulatory deferral accounts	107,516	104,649	2,867	3%

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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 Position on September 30, 2025 and December 31, 2024 are as follows: (continued)

	NIS in millions			
	September 30, 2025	December 31, 2024	Increase (decrease)	Percent %
<u>CURRENT LIABILITIES</u>				
Credit from banks and other credit providers	2,507	4,046	(1,539)	(38%)
Trade payables.....	3,680	3,184	496	16%
Other current liabilities.....	1,304	1,329	(25)	(2%)
Current taxes liabilities	1,408	744	664	89%
Customer advances, net of work in progress	1,303	1,199	104	9%
Provisions.....	845	739	106	14%
Total current liabilities	11,047	11,241	(194)	(2%)
<u>NON-CURRENT LIABILITIES</u>				
Debentures	32,945	33,989	(1,044)	(3%)
Liabilities to banks	1,405	1,134	271	24%
Liabilities with respect to other benefits after employment termination	4,359	4,728	(369)	(8%)
Deferred taxes, net.....	9,112	8,448	664	8%
Liability to the State of Israel	1,980	1,981	(1)	(0%)
Lease liabilities.....	569	740	(171)	(23%)
Other liabilities	487	491	(4)	(1%)
Total non-current liabilities	50,857	51,511	(654)	(1%)
<u>EQUITY</u>				
Share capital	908	908	-	0%
Capital reserves	832	785	47	6%
Capital remeasurement reserve	412	(73)	485	(664%)
Retained earnings	40,790	36,677	4,113	11%
	42,942	38,297	4,645	12%
Total liabilities and equity	104,846	101,049	3,797	4%
Credit balances of regulatory deferral accounts and taxes with respect to regulatory deferral accounts.....	2,670	3,600	(930)	(26%)
Total liabilities, equity and credit balances of regulatory deferral accounts.....	107,516	104,649	2,867	3%

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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 decrease in cash and cash equivalents is mainly due to repayment of loans and debentures offsetting receipts from the realization of investment in monetary funds and issuance of bonds. For additional details see the Cash Flow Statement in the Financial Statements.
- 2) The decrease in short-term investments is mainly due to realization of investment in financial funds.
- 3) The increase in trade receivables is due to the effect of seasonality and the increase in the electricity rate, which is partially offset by the decrease in the debt balance of EJEK and the PA, in light of the outline of the agreements for closing the debt. For details, see Note 4 to the Financial Statements.
- 4) The increase in other current assets is mainly due to an increase in prepaid expenses for all-risks insurance and municipal taxes and an increase in income receivable for Giborei Israel Center (included in long term receivables in the Financial Statements) and interest receivable for Egyptian debt.
- 5) The decrease in current, non-current fuel inventory and receivables for inventory of fuel is mainly from a decrease in the quantity of the coal inventory.

b) Investments in Fixed Assets

Below are details of Company investments in Fixed Assets in the Reporting Period and in the corresponding period of the previous year:

	For the nine months ended on	
	September 30, 2025	September 30, 2024
	NIS in millions	
Power stations, CCGTs, structures	702	637
Sub-stations and high voltage lines	1,430	996
Switching stations and ultra-high 400 Kilowatt voltage lines	472	481
Distribution grids and meters	2,104	1,929
Inventory – stores	331	240
CCGTs 70-80	181	429
Others	568	513
Total	5,788	5,225

The investments include the implementation of IAS 19.

With exclusion of the impact of IAS 19, the increase in investments in fixed assets is NIS 557 million.

c) Current and Non-Current Liabilities

The decrease in total financial liabilities is mainly from partial repayment of negotiable debenture Series 29 and the early repayment of bank loans net of the issuance of debentures. For more details, see Note 7a to the Financial Statements.

d) Regulatory deferral account

For details regarding the change in the regulatory deferral accounts, see Note 6 to the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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 Profit (Loss) and Other Comprehensive Income in NIS Millions:

Statements of Profit (Loss)	For the nine months ended on						Paragraph
	September 30, 2025		September 30, 2024		Change		
	NIS in millions	%	NIS in millions	%	NIS in millions	%	
Revenues.....	21,123	100%	20,560	100%	563	3%	b
Cost of operating the electricity system	16,692	79%	17,862	87%	(1,170)	(7%)	c
Profit from operating the electricity system.....	4,431	21%	2,698	13%	1,733		
Other revenues	(586)	(3%)	(6,796)	(33%)	6,210		f1
Sales and marketing expenses	692	3%	679	3%	13	2%	
Administrative and general expenses..	680	3%	656	3%	24	4%	
Income from liabilities to pensioners, net	(221)	(1%)	(260)	(1%)	39	(15%)	
Reform agreement and other agreements' results.....	104	0%	170	1%	(66)	(39%)	f2
Profit from current operations	3,762	18%	8,249	40%	(4,487)		
Financial expenses, net	1,406	7%	1,652	8%	(246)	(15%)	
Other financial income.....	(545)	(3%)	(413)	(2%)	(132)	32%	
Financial expenses	861	4%	1,239	6%	(378)	(31%)	e
Profit before income tax	2,901	14%	7,010	34%	(4,109)		
Expenses from income taxes	691	3%	1,626	8%	(935)		
Profit after income tax	2,210	10%	5,384	26%	(3,174)		
Company's share of the profits of associate companies	-	0%	(6)	(0%)	6	(100%)	
Profit before regulatory deferral accounts.....	2,210	10%	5,378	26%	(3,168)		
Movement in regulatory deferral accounts balances, net of tax.....	1,903	9%	(2,518)	(12%)	4,421	(176%)	
Profit for the period	4,113	19%	2,860	14%	1,253		
Consolidated Reports of Other Comprehensive Income (Loss):							
Profit with respect to cash flow hedging, net of tax	47	0%	54	0%	(7)		
Remeasurements of a defined benefit plan, net of tax	460	2%	298	1%	162	54%	f3
Movement in regulatory deferral accounts, net of tax.....	25	0%	(39)	(0%)	64	(164%)	
Other Comprehensive Income for the period	532	3%	313	2%	219		
Comprehensive Income for the period	4,645	22%	3,173	15%	1,472		

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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

The revenues for the reporting period amount to a sum of approximately NIS 21,123 million compared to NIS 20,560 million for the corresponding period of last year, an increase of approximately NIS 563 million deriving mainly from an increase in revenues from infrastructure services and from an increase in electricity rate offset mostly by a decrease in the quantity of electricity sold by the Company compared to the corresponding period last year. Also, the Company recognized revenues for previous periods that were not previously recognized in the amount of approximately NIS 391 million, due to receipts received for EJEK's debts (a total of NIS 389 million in the corresponding period last year), for details see Note 4b 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 16,692 million, as compared to approximately NIS 17,862 million in the corresponding period of last year, a decrease of approximately NIS 1,170 million (approximately 7%) mainly deriving from a decrease in purchases of electricity and decrease in fuel consumption cost.

1) Fuels consumption cost

The cost of fuels consumed in the report period amounted to a sum of approximately NIS 4,477 million, compared to approximately NIS 4,836 million in the corresponding period of last year, a decrease of NIS 359 million representing a decrease of approximately 7%.

The change in fuel consumption costs derives mainly from a change in fuel consumption mix and from a decrease in the generation compared to the corresponding period last year.

Following are details of the changes in NIS millions

Fuel Type	Change in Consumption	Change in Prices	Total
Fuel oil.....	(2)	1	(1)
Coal	(509)	96	(413)
Diesel oil.....	37	4	41
Natural gas	134	(92)	42
Total.....	(340)	9	(331)
Change in fuel related costs and emergency diesel oil			(28)
Total.....			(359)

- 2) A decrease in electricity purchases of approximately NIS 949 million deriving mainly from a decrease in purchases of electricity from Noga, net, offset by an increase in the quantities of electricity purchased from producers at high and low voltage.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

- 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 expenses and amortization presented in the profit and loss statement:

	The nine months ended on September 30		Difference	Change in %
	2025	2024		
Depreciation and Amortization Expenses	NIS in millions			
Electricity system operation general	2,989	2,988	1	0%
Sales and marketing	159	138	21	15%
Administrative and general.....	116	116	-	-
Total depreciation expenses.....	3,264	3,242	22	1%

The net increase in depreciation expenses stems mainly from an increase in investments in distribution, transmission, transformation and operation of CCGT 70, offset by a decrease as a result of extending the lifespan of coal-fired power plants and emission reduction facilities.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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 nine months ended on September 30		Difference
	2025	2024	
	NIS in millions		
a. <u>Financing expenses (income) due to exchange rate differences and linkage differences and revaluation of hedge transactions</u>			
Exchange rate differences due to foreign currency financial liabilities mainly deriving from NIS/Dollar differences as a result of a decrease in the exchange rate of approximately 9.35%.....	(674)	291	(965)
Revaluation of hedging transactions resulting from changes in the exchange rates during the period	766	(326)	1,092
Revaluation of hedging transactions resulting from changes in the Consumer Price Index during the period	235	450	(215)
Revaluation of hedge transactions to their fair value due to capitalization interest rates and credit risk.....	(162)	5	(167)
Linkage differentials due to index linked financial liabilities which increased at a rate of 2.95%	835	914	(79)
Total expenses due to exchange rate differences and linkage differences and revaluation of hedge transactions	1,000	1,334	(334)
b. <u>Interest and Other Expenses</u>			
Interest expenses	730	877	(147)
Other financing expenses	123	21	102
Total interest and other expenses:	853	898	(45)
Total financing expenses before capitalization	1,853	2,232	(379)
c. <u>Capitalization of credit costs</u>			
Financing expenses which were capitalized on projects under construction	447	580	(133)
Total financing expenses.....	1,406	1,652	(246)
Other financing income (1)	(545)	(413)	(132)
Total financing expenses, net.....	861	1,239	(378)

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 to swap foreign currency in substance replaced the foreign currency liabilities with fixed interest CPI linked or nominal NIS liabilities. Additionally, the Company recognizes regulatory deferral accounts with respect to CPI linkage differentials. For details see Note 6 to the Financial Statements.

- (1) The increase in other financing income is primarily due to interest income from the EJEC arrangement - see Note 4b to the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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 income mainly derives from the sale of Eshkol station that was carried out in the corresponding period last year offset by the recognition of insurance proceeds in the period following a settlement agreement between the Company and the insurance company in respect of the crane collapse at Rutenberg and from selling the lease rights in the Technical Center in the reporting period, for details see Note 1h1 and 1f to the Financial Statements.
- 2) For details on the results of the impact of the reform agreement and other agreements in the reporting period in the amount of approximately NIS 104 million, see Note 5f to the Financial Statements.
- 3) The increase in other comprehensive income in respect of re-measurement of a defined benefit plan, net of tax, compared to the corresponding period last year, in the amount of approximately NIS 162 million, deriving mainly from an increase in return in the fund in the reported period, offset by actuarial losses during the reporting period in the actuarial liability compared to actuarial profits last year mainly deriving from an increase in the interest rates vector for discounting the actuarial liability offset by losses from remeasurements last year in the fund.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

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 11 to the Financial Statements):

		Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	Total
Explanation		NIS in millions					
Segmental profit for the nine months ended September 30, 2025		1,518	790	1,535	(57)	(3)	3,783
Segmental profit for the nine months ended September 30, 2024		1,652	766	1,355	(5)	11	3,779
Difference		(134)	24	180	(52)	(14)	4
<u>Mainly derives from -</u>							
Revenue recognition not yet recognized for past debts of EJEC and PA and cancellation of provision for doubtful debts	(a)	(70)	1	(30)	(2)	-	(101)
Fuel		(28)	-	-	-	-	(28)
Operating expenses	(b)	19	(3)	119	(56)	-	79
One-time and past repayments	(c)	(30)	(76)	(58)	17	(14)	(161)
Capital servicing	(d)	84	107	161	(11)	-	341
Seasonality	(e)	(109)	(5)	(12)	-	-	(126)
		(134)	24	180	(52)	(14)	4

Explanations:

- (a) The decrease in profit is due to the revenue recognition and the cancellation of the provision for doubtful debts in the comparative period exceeding the recognition in the period for prior periods due to the outline signed to settle the debt of EJEC. For details, see Note 4b to the Financial Statements.
- (b) The increase in profit in the distribution segment is mainly due to a decrease in expenses for provisions for doubtful debts, legal claims and meter reading costs due to the transition to smart meters offset by an increase in revenue due to an increase in outputs and indexation. The decrease in profit in the supply segment is due to a decrease in revenue due to the transition of customers to private offset by an increase in expenses due to increased activity in collection from customers.
- (c) The decrease in one-time profit stems from revenues from the Authority's decision regarding receipts from the sale of the Eshkol site and clarification of additional issues following the decision that occurred in the corresponding period last year. The above is offset by excess costs resulting from transportation required following the collapse of the coal pier at the Rutenberg site in the corresponding period last year, as well as additional income due to an increase in yield for 2024.
- (d) The increase in profit from capital servicing is primarily due to an increase in expanding investment in the transmission and distribution segments and the entry into operation of CCGT 70 in Orot Rabin (for details, see Note 3i to the Annual Financial Statements).
- (e) The change in profit due to the seasonal component stems from variation in the distribution of the Company's revenues between the quarters in each of the reporting periods.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. 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				Change		Paragraph
	September 30, 2025		September 30, 2024				
	NIS in millions	%	NIS in millions	%	NIS in millions	%	
Revenues.....	8,806	100%	8,979	100%	(173)	(2%)	b
Cost of operating the electricity system.....	6,609	75%	7,482	83%	(873)	(12%)	c
Profit from operating the electricity system.....	2,197	25%	1,497	17%	700	47%	
Other income	(252)	(3%)	-	-	(252)		
Sales and marketing expenses	238	3%	234	3%	4	2%	
Administrative and general expenses...	244	3%	141	2%	103	73%	f1
Income from liabilities to pensioners, net.....	(75)	(1%)	(87)	(1%)	12	(14%)	
Results of the reform agreement.....	41	0%	49	1%	(8)		
Profit from current operations	2,001	23%	1,160	13%	841		
Financial expenses, net	506	6%	469	5%	37	8%	e
Profit before income tax	1,495	17%	691	8%	804		
Tax on income	351	4%	157	2%	194	124%	
Profit after income tax	1,144	13%	534	6%	610		
Company share in profits of associated companies	-	0%	-	0%	-		
Profit before regulatory deferral accounts.....	1,144	13%	534	6%	610		
Transactions in balances of regulatory deferral accounts, net of tax.....	-	0%	710	8%	(710)	(100%)	
Income for the period	1,144	13%	1,244	14%	(100)		
Consolidated Reports of Other Comprehensive Income (Loss):							
Profit (loss) with respect to hedge of cash flow, net of tax.....	(2)	(0%)	64	1%	(66)	(103%)	
Re-measurements of a defined benefit plan, net of tax	428	5%	215	2%	213	99%	f2
Movement in regulatory deferral accounts, net of tax.....	7	0%	(7)	(0%)	14		
Other Comprehensive Income for the period	433	5%	272	3%	161		
Comprehensive Income for the period	1,577	18%	1,516	17%	61		

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Quarter compared to the Corresponding Quarter in the Previous Year (continued)

b) Revenues

The revenues for the quarter amount to a sum of approximately NIS 8,806 million compared to approximately NIS 8,979 million for the corresponding period of last year, a decrease of approximately NIS 173 million, mainly deriving from a decrease in the quantity of electricity sold and from revenue recognition in the corresponding period that was not recognized in the amount of NIS 261 million offset partly by an increase in the electricity rate and revenues from sale of infrastructure services.

c) Cost of Operating the Electricity System

The cost of operating the electricity system in the quarter amounted to approximately NIS 6,609 million, as compared to approximately NIS 7,482 million compared to the corresponding quarter in the previous year, a decrease of approximately NIS 873 million (approximately 12%), mainly deriving from a decrease in electricity purchases and a decrease in fuel consumption costs.

1) Fuels consumption cost

The cost of fuels consumed in the quarter amounted to a sum of approximately NIS 1,604 million, compared to approximately NIS 1,877 million in the corresponding quarter in the previous year, a decrease of approximately NIS 273 million representing a decrease of approximately 15%.

The change to the cost of fuels consumption derives mainly from change in fuel consumption mix and from a decrease in gas price compared to the corresponding period last year.

Following are details of the changes in NIS millions

Fuel Type	Change in Consumption	Change in Prices	Total
Fuel oil	2	1	3
Coal	(372)	12	(360)
Diesel oil	5	2	7
Natural gas	200	(70)	130
Total	(165)	(55)	(220)
Change in associated fuel and emergency diesel oil			(53)
Total			(273)

- 2) A decrease in electricity purchases in the amount of NIS 614 million mainly deriving from a decrease in electricity purchases from Noga, net, offset by an increase in the quantities of electricity purchased from high voltage and low voltage producers.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

- a. Explanations of the Board of Directors on the Business Condition of the Company (continued)
4. Comparison and Analysis of Operating Results for the Quarter compared to the Corresponding Quarter in the Previous Year (continued)

d) Depreciation and Amortization

Following are details of depreciation and amortization expenses presented in the profit and loss statement:

	The three months ended on September 30		Difference	Change in %
	2025	2024		
<u>Depreciation and Amortization Expenses</u>	<u>NIS in millions</u>			
Electricity system operation general	934	995	(61)	(6%)
Sales and marketing	55	45	10	22%
Administrative and general	42	37	5	14%
Total depreciation expenses	1,031	1,077	(46)	(4%)

The net decrease in depreciation expenses is mainly from extending the lifespan of the coal fired stations offset by an increase in depreciation from an increase in investments in distribution, transmission, transformation and operation of CCGT 70.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Quarter compared to the Corresponding Quarter in the Previous Year (continued)

e) Financial Expenses

	For the three months ended on September 30		Difference
	2025	2024	
	NIS in millions		
a. <u>Financing expenses (income) due to exchange rate differences and linkage differences and revaluation of hedge transactions</u>			
Exchange rate differences due to foreign currency financial liabilities mainly deriving from NIS/Dollar differentials as a result of a decrease of the exchange rate of approximately 1.96% and NIS/Yen differentials as a result of a decrease in the exchange rate of 4.45%.	(195)	2	(197)
Revaluation of hedging transactions resulting from changes in the exchange rates during the period.....	201	4	197
Revaluation of hedging transactions resulting from changes in the Consumer Price Index during the period	110	207	(97)
Revaluation of hedge transactions to their fair value mainly deriving from changes of capitalization interest rates and credit risk which occurred during the report quarter	(4)	(37)	33
Linkage differentials due to index linked financial liabilities which increased at a rate of 1.36% in the quarter.....	391	438	(47)
Total expenses due to exchange rate differences and linkage differences and revaluation of hedge transactions	503	614	(111)
b. <u>Interest and Other Expenses</u>			
Interest expenses	227	290	(63)
Other financing expenses.....	32	8	24
Total interest and other expenses:	259	298	(39)
Total financing expenses before capitalization	762	912	(150)
c. <u>Capitalization of credit costs</u>			
Financing expenses which were capitalized on projects under construction	191	245	(54)
Total financing expenses.....	571	667	(96)
Other financing income	(65)	(198)	133
Total financing expenses, net.....	506	469	37

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 to swap foreign currency in substance replacing the foreign currency liabilities with fixed interest CPI linked or nominal NIS liabilities. Additionally, the Company recognizes regulatory deferral accounts with respect to CPI linkage differentials. For details, see Note 6 to the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

- a. **Explanations of the Board of Directors on the Business Condition of the Company (continued)**
4. **Comparison and Analysis of Operating Results for the Quarter compared to the Corresponding Quarter in the Previous Year (continued)**
- f) **Additional Business Results during the Quarter:**
- 1) The increase in general and administrative expenses mainly derives from cancellation of the provision for doubtful debts of EJEK and PA in the corresponding period last year. For details see Note 4 to the Financial Statements.
 - 2) The increase in other comprehensive income in respect of re-measurement of a defined benefit plan, net of tax, compared to the corresponding period last year, in the amount of approximately NIS 213 million, deriving mainly from profits in the fund plus actuarial gains in the actuarial liability due to an increase in the interest rate vector, while last year there were profits in the fund offset by losses in the liability due to a decrease in the interest rate vector.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

4. Comparison and Analysis of Operating Results for the Quarter compared to the Corresponding Quarter 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 11 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 the three months ended September 30, 2025	495	375	725	(4)	3	1,594	
Segmental profit for the three months ended September 30, 2024	650	322	631	8	10	1,621	
Difference	(155)	53	94	(12)	(7)	(27)	
<u>Mainly derives from -</u>							
Revenue recognition not yet recognized for past debts of EJEC and PA and cancellation of provision for doubtful debts	(a)	(305)	(27)	(30)	(2)	-	(380)
Fuel		(24)	-	-	-	-	(24)
Operating expenses		2	(6)	19	(6)	-	9
One-time and past repayments	(b)	135	42	63	3	(7)	252
Capital servicing	(c)	25	43	44	(7)	-	105
Seasonality	(d)	12	1	(2)	-	-	11
		(155)	53	94	(12)	(7)	(27)

Explanations:

- (a) The decrease in profit is due to the recognition of income and cancellation of provision for doubtful debts in the corresponding period last year, that was not yet recognized for prior periods due to the outline signed to settle the debt of EJEC and PA from settlement funds.
- (b) The increase in one-time profit is due to the excess expenses from transportation required due to the collapse of the coal pier at the Rutenberg site in the corresponding period last year and from additional income due to an increase in yield for 2024.
- (c) The increase in profit from capital servicing is primarily due to an increase in expanding investments in the transmission and distribution segments and due to entry into operation of CCGT 70 at Orot Rabin.
- (d) The change in profit due to the seasonal component stems from a different distribution of the Company's revenues between the quarters in each of the reporting periods.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

5. Liquidity for the Reporting Period

a) General:

1) Cash Flow from Operating Activities:

In the nine months ended on September 30, 2025, the cash flow deriving from operating activities amounted to NIS 4,911 million, compared to NIS 3,213 million deriving from operating activities in the corresponding period last year.

The change in cash flow from operating activities in the amount of approximately NIS 1,698 million is mainly due to a capital gain from selling fixed assets last year offset by a decrease in profit before regulatory deferral accounts.

For details of the change, see Appendix A to the Statement of Cash Flow in the Financial Statements.

2) Cash Flow for Investing Activities:

In the nine months ended on September 30, 2025, the cash flow used for investing activities amounted to NIS 2,309 million, compared to NIS 287 million derived from investment activities in the corresponding period last year.

The change in the cash flow from investment activity of approximately NIS 2,596 million derives mainly from receipt of proceeds from realizing fixed assets last year (sale of Eshkol power station) and by an increase in the investment in fixed assets and intangible assets offset by the repayment of investment in ETFs and short term investments in the corresponding period.

3) Cash Flow for Financing Activity:

In the nine months ended on September 30, 2025, cash flow used for financing activities amounted to NIS 3,929 million, compared to NIS 1,211 million derived from financing activities in the corresponding period last year.

The change in the cash flow from financing activity of NIS 5,140 million derives mainly from an increase in repayments of debentures and bank loans in addition to a decrease in the issuance of debentures compared to the corresponding period last year.

For additional details regarding the cash flow of the Company see the Statement of Cash Flow of the Company in the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

a. **Explanations of the Board of Directors on the Business Condition of the Company (continued)**

5. **Liquidity for the Reporting Period (continued)**

b) **Financing Sources**

1) **General:**

The Company finances its activities from internal sources, from offering debentures in Israel and abroad and from loans from banking corporations in Israel and abroad. For details regarding this, as well as details concerning material fundraising and repayments during and after the reporting period, see Note 7 to the Financial Statements.

2) **Debentures and long-term loans (without liabilities with respect to lease):**

The balance of long-term financial liabilities of the Company as of September 30, 2025 and December 31, 2024, is approximately NIS 36,330 million, and approximately NIS 37,104 million, respectively, detailed as follows:

	As of September 30, 2025	As of December 31, 2024
	NIS in millions	
Index-Linked NIS Liabilities:		
Negotiable debentures	26,487	26,534
Non-negotiable debentures	608	738
Loans from the State of Israel	2,063	2,025
Total	29,158	29,297
Non-linked NIS Liabilities:		
Loans	-	1,500
Total	-	1,500
Dollar Linked Liabilities:		
Debentures in the US	6,910	7,622
Loans	42	96
Total	6,952	7,718
Liabilities denominated in other foreign currencies:		
Debentures in Japan in Yen	1,228	1,281
Loans in Euros	107	140
Total liabilities	37,445	39,936
Premiums, discount and deferred expenses	(305)	(230)
Classification to current maturities	(2,180)	(3,646)
Long term hedge transactions	1,370	1,044
Total debentures, liabilities to banks and long-term liabilities to the State of Israel	36,330	37,104

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
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a. **Explanations of the Board of Directors on the Business Condition of the Company (continued)**

4. **Liquidity for the Reporting Period (continued)**

b) **Financing Sources (continued)**

3) **Average Long-Term Credit for the nine months ended September 30, 2025**

Credit is taken from banking corporations, debenture issuances and others. The average credit for the reporting periods was approximately NIS 37,681 million and is mainly long-term loans and debentures (including hedging transactions, deferred, premium/discount of debentures and liabilities with respect to leasing).

4) **Suppliers' and Customers' Credit**

	As of September 30				As of December 31	
	2025		2024		2024	
	Days	Credit average **	Days	Credit average **	Days	Credit average **
Trade payables	34	2,241	33	2,208	33	2,267
Trade receivables * (1)	56	4,241	71	5,141	61	4,406
Trade receivables excluding the debts of the Palestinian Authority and the East Jerusalem Electricity Company (see Note 4 to the Financial Statements) *	54	3,609	59	3,809	51	3,240

* The credit days presented above represent the credit days from the invoice issue date until the payment date.

** In NIS millions

(1) The decrease in credit days is mainly due to past debt repayments by EIEC and PA. See Note 4b to the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
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a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

6. 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 comply with the targets defined and approved by the Company's Board of Directors (for details, see Section 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, amortization and tax on income, in addition to movement in regulatory deferral accounts (without depreciation, financial, and tax components), while neutralizing special non-current events. The results for the reporting periods are as follows:

	For the nine months ended on September 30		For the year ended on December 31
	2025	2024	2024
	NIS in millions		
Profit before tax	2,901	7,010	6,617
Financial expenses	861	1,239	1,341
Depreciation and amortization	3,264	3,242	4,358
Total	7,026	11,491	12,316
Movement in regulatory deferral accounts (1)	1,155	(4,759)	(3,746)
Neutralizing special and non-current events (*)	(2,375)	(1,013)	(1,347)
Normalized EBITDA	5,806	5,719	7,223

(1) before taxes and excluding movements relating to depreciation and financing expenses.

(*) below is an explanation on neutralizations carried out:

For the nine months of 2025 – Mainly resulting from the rate recognition of the land component of Eshkol Station (including the forfeiture amount as well as interest and linkage) in the amount of approximately NIS 1,386 million (for details, see Note 3h to the Financial Statements) and recognition of income for receipts from the Treasury for debts of EJEK and the Palestinian Authority in the amount of approximately NIS 391 million (for details, see Note 4 to the Financial Statements). In addition, income was recognized for receipts from the insurance company for compensation for the damage caused by the collapse of the crane at 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).

For the nine months of 2024 – Mainly resulting from neutralizing the net impact of the Electricity Authority's decision regarding the recognition of proceeds from the sale of the Eshkol site in the amount of approximately NIS 594 million and neutralizing the impact of the decrease in the provision for doubtful debts and revenue recognition for past debts of EJEK in the amount of NIS 419 million.

For the Year 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 EJEK and the PA in the amount of approximately NIS 706 million (for details, see Note 6c to the Annual 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 3o to the Annual 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 o to the Annual Financial Statements less expenses in respect of a special retirement campaign for 300 employees (for details, see Note 12f1c to the Annual Financial Statements).

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BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
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a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

6. 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, 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 balances for this report period are as follows:

	As of September 30,		As of
	2025	2024	December 31,
	NIS in millions		2024
Credit from banking corporations and other credit provider	2,507	8,046	4,046
Debentures	32,945	34,310	33,989
Liabilities to banking corporations	1,405	2,604	1,134
Liabilities to the State of Israel	1,980	1,980	1,981
Liabilities for leases	569	621	740
CPI linkage differentials regulatory account	(3,869)	(3,480)	(3,321)
Real financial debt, gross	35,537	44,081	38,569
Less:			
Cash and cash-equivalents	798	7,340	2,157
Hedging transactions and deposits for securing the swap transactions	945	1,090	980
Short-term investments	923	3,579	3,539
Real financial debt, net	32,871	32,072	31,893

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 nine months ended on		For the year ended
	September 30		on December 31
	2025	2024	2024
	NIS in millions		
Real net financial debt (see section b above)	32,871	32,072	31,893
Neutralizing regulatory asset for linkage differential	3,869	3,480	3,321
Neutralizing hedge transactions debit balances and deposits to secure swap transactions	945	1,090	980
Plus interest and accrued expenses	590	803	618
Total debt pursuant to the Companies Authority circular	38,275	37,445	36,812

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BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
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a. Explanations of the Board of Directors on the Business Condition of the Company (continued)

6. 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 statement) and other expenses (revenues), net, less interest and taxes paid (from cash flow statement):

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, employee benefits with respect to the reform and return to consumers in respect of sale of sites):

	For the nine months ended on September 30		For the year ended on December 31
	2025	2024	2024
	NIS in millions		
EBITDA before normalizations (see section a above)	7,026	11,491	12,316
Change in employee benefits according to Statement of Cash Flow	(199)	(183)	328
Other revenues, net	(586)	(5,803)	(5,457)
Interest paid according to the Statement of Cash Flow	(700)	(579)	(850)
Taxes paid according to the Statement of Cash Flow	(50)	(553)	(558)
FFO	5,491	4,373	5,779
Plus interest and taxes paid according to the Statement of Cash Flow	750	1,132	1,408
Less depreciation and amortization	(3,264)	(3,242)	(4,358)
Plus movement in regulatory deferral accounts	175	1,009	1,243
Return (ROCE)	3,152	3,272	4,072

(*) In the other income, net, item the effects of the reduction in current income arising from the excess proceeds from the sale of the Eshkol site were neutralized. For details, see Note 3f to the Annual Financial Statements.

3) Capital employed: adjusted gross financial debt (before deduction of cash and short-term investments) plus equity

	For the nine months ended on September 30		For the year ended on December 31
	2025	2024	2024
	NIS in millions		
Equity	42,942	38,643	38,297
Debt pursuant to the circular of the Companies Authority	38,275	37,445	36,812
Plus cash and short-term investments	1,721	10,919	5,696
Capital employed	82,938	87,007	80,805

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

b. Linkage Basis Report

	As of September 30, 2025						
	NIS in millions						
	Linkage to USD	Linkage to Euro	Linkage to Japanese Yen	Linkage to CPI *	Unlinked	Non-financial and others	Total
Assets							
Cash and cash equivalents	66	-	-	-	732	-	798
Short term investments	-	-	-	-	923	-	923
Trade receivables for sale of electricity	-	-	-	-	7,193	-	7,193
Other current assets	168	-	-	287	153	449	1,057
Inventory – fuels	-	-	-	-	-	348	348
Inventory – stores	-	-	-	-	-	191	191
Long term inventory – fuels	-	-	-	-	-	2,612	2,612
Receivables for inventory of fuel	-	-	-	-	-	67	67
Long term receivables	899	-	-	-	388	-	1,287
Investment in associates	-	-	-	-	-	15	15
Assets with respect to benefits after employment termination	-	-	-	-	-	14,168	14,168
Fixed assets, net	-	-	-	-	-	65,948	65,948
Intangible assets, net	-	-	-	-	-	1,291	1,291
Debit balances of regulatory deferral accounts	-	-	-	-	-	11,618	11,618
Total	1,133	-	-	287	9,389	96,707	107,516

- * Including adjustments to fair value of hedging transactions (including due to credit risk)
Commencing from January 1, 2016, the Company recognizes a deferred regulatory account in respect of index differentials on the foreign capital component in the financing of fixed assets.

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b. Linkage Basis Report (continued)

	As of September 30, 2025						
	NIS in millions						
	Linkage to USD	Linkage to Euro	Linkage to Japanese Yen	Linkage to CPI *	Unlinked	Non-financial and others	Total
Liabilities							
Credit from banks and other credit providers	35	70	-	2,235	167	-	2,507
Trade payables	625	187	-	-	2,868	-	3,680
Other current liabilities	93	1	9	218	983	-	1,304
Current tax liabilities	-	-	-	-	-	1,408	1,408
Customer advances from work orders, net of work in progress	-	-	-	-	-	1,303	1,303
Provisions	-	-	-	-	-	845	845
Debentures, liabilities to banks and other long-term liabilities.....	6,891	38	1,225	24,834	-	479	33,467
Long term Lease liabilities.....	1	-	-	567	1	-	569
Liabilities with respect to long term hedging transactions	(7,260)	(262)	(1,234)	8,504	1,622	-	1,370
Liability to the State of Israel	-	-	-	1,980	-	-	1,980
Liabilities with respect to benefits after employment termination	-	-	-	-	-	4,359	4,359
Deferred taxes, net	-	-	-	-	-	9,112	9,112
Equity	-	-	-	-	-	42,942	42,942
Credit balances of regulatory deferral accounts, net of tax	-	-	-	-	-	2,670	2,670
Total	385	34	-	38,338	5,641	63,118	107,516
Total, net	748	(34)	-	(38,051)	3,748	33,589	-
Exposures covered by the electricity tariff**	(471)	-	-	471	-	-	-
Total exposure, net	277	(34)	-	(37,580)	3,748	33,589	-

* Including adjustments of hedging transactions to fair value (including due to credit risk).

Commencing from January 1, 2016, the Company recognizes a deferred regulatory account in respect of index differentials on the foreign capital component in the financing of fixed assets.

** The Company has a financial asset of NIS 471 million for proceeds in dollars expected to be received as part of the compromise agreement with the Egyptian Gas Companies, which will be fully returned to the consumers through the electricity rate.

For details regarding the linkage bases report as of December 31, 2024, see Note 26g to the Annual Financial Statements.

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c. Aspects of Corporate Governance

1. The Internal Audit

Following are details regarding the activity of the Internal Auditor during the reporting period:

During the period of January to September 2025, 75 reports were prepared in total.

During this period, the Audit Committee of the Board of Directors held 6 discussions on internal audit reports on: February 6, 2025, March 27, 2025, April 24, 2025, June 26, 2025, July 31, 2025 and September 2, 2025.

2. Appointments and Termination of Office Holders in the Company:

- a) Mr. Amir Livne, Senior VP of Strategy, Innovation and Structural Change ended his term in the Company on March 31, 2025.
- b) Mr. Gilad Hassid, Chief Financial Officer, Economics and Risk Management, is expected to end his term with the Company on December 31, 2025. In accordance with the terms of Mr. Gilad Hassid's retirement, Mr. Hassid served as the Company's Chief Financial Officer until June 30, 2025.
- c) Mr. Eyal Hermony serves as Acting Chief Financial Officer, Economics and Risk Management, effective July 1, 2025, replacing Mr. Gilad Hassid, as detailed in Section b above.
- d) Mr. Nayif Hino, began serving as Senior VP of Human Resources in the Company on May 15, 2025.
- e) Mr. Herzal Friedman, began serving as Senior VP of Engineering and Strategy in the Company on November 6, 2025.

3. Auditor

On November 9, 2025, the Company received a notice from the Companies Authority according to which the Committee for the Appointment of Auditors in Government Companies recommended appointing the firm EY Kost Forer Gabbay Kasierer ("EY") as the Company's Auditor. The appointment is expected to begin with the review/audit of the financial statements for the first quarter of 2026. Such an appointment is subject to the receipt of a resolution by the Company's General Meeting pursuant to the Companies Law, 1999 and the approval of the Government Companies Authority pursuant to Section 44 of the Government Companies Law, 1975.

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d. 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 in accordance with International Financial Reporting Standards (IFRS) and the interpretations thereof which were published by the International Accounting Standards Board (IASB). Furthermore, the Financial Statements are prepared in accordance with the Securities Regulations (Annual Financial Statements), 2010. The Company consolidates the National Coal Supply Company Ltd. (hereinafter: 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 Annual Financial Statements.

2. Critical Accounting Estimates

Preparation of the Financial Statements in accordance with accepted accounting principles requires the Management of the Company to make evaluations and estimates that affect the reported values of the assets, liabilities, revenues and expenses and also the disclosure concerning contingent assets and liabilities.

For details on the policy regarding use of critical accounting estimates of the Company and for details regarding key factors of the uncertainty in estimates in the period, see Note 2y to the Annual Financial Statements.

3. Material and Highly Material Valuations

- a) For details of the Company's policy regarding the issue see Section c3 of the Board of Directors' Report as of December 31, 2024.
- b) The Company has highly material valuations regarding actuarial liability with respect to benefits for employees in accordance with International Accounting Standard 19 (IAS 19).

Identifying the valuation subject	Actuarial obligation with respect to employee benefits in accordance with International Accounting Standard 19 (IAS 19)
Valuation date:	September 30, 2025
The value of the subject of the valuation determined in accordance with the evaluation	NIS 33,262 million
Assessor identity and characteristics thereof	The evaluation was performed by Alan Fefferman - Actuarial Services Ltd by Alan Fefferman and the staff under his supervision. Alan Fefferman holds an MBA from the Booth School of Business at the University of Chicago in the United States and is qualified as an actuary (a full member of the Israel Association of Actuaries - FILAA , and the Society of Actuaries in the United States - FSA). His professional experience of 42 years includes actuarial estimates of employee benefits in similar types of companies, actuarial valuations of pension funds, and determining assumptions and actuarial methods for pension funds and insurance companies as an assessing actuary, a reviewing actuary, or an examining actuary as well as an actuary regulator.
Date of agreement with the evaluator	May 26, 2016
Dependence on the actuary requester	The actuary of the Company is not dependent on the work or the Company, except for the fact that he receives a fee for this work and for other consulting services. The fee is not contingent on the results of the work.
The valuation model used by the appraiser	Discounted Cash Flow (hereinafter: "DCF")

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

d. Disclosure Related to the Financial Reporting of the Company: (continued)

3. Material and Highly Material Valuations (continued)

- b) The Company has a highly material valuation regarding actuarial liability with respect to benefits for employees in accordance with International Accounting Standard 19 (IAS 19) (continued)

The assumptions under which the evaluation assessor made the valuation, in accordance with the evaluation model:	<p>The real weighted interest rate inherent in the present value of liability – 3.03%</p> <p>A real update of salaries during the period of work - individual salary development model of active employees and a salary increase with respect to current salary agreements . A real amendment of the pension amounts following the termination of employment – pension development model, from January 2012 the pensions are linked to the CPI.</p> <p>Pensioner and survivor mortality, including the updating of the mortality data - in accordance with the Ministry of Finance circular 2024-9-8, and mortality study for pensioners and survivors of the Company.</p> <p>Other actuarial assumptions - see actuary opinions in Appendix A.</p>
The function in the Company which decided on the agreement with the appraiser	Head of Accounting, Finance and Risk Management Division
Preapproval of the evaluator to attach the evaluation	Existing
Indemnification agreement	On May 26, 2016 the Company granted the evaluator an undertaking to indemnify (also valid as of this date, as part of the extension of the contract) with respect to any sum or expense that will be paid by him with respect to an action or a demand filed against him and directly or indirectly related to an act or omission that the Company is responsible for the results deriving therefrom, all insofar as the said sum or expense exceeds three times the scope of the Company's basic engagement with the evaluator

4. Disclosure of the Forecasted Cash Flow of the Company for Financing Repayment of the Corporation's Liabilities:

As of the Financial Statements date, the Company has a working capital deficit and therefore the warning signs detailed in Section 10(b)(14)(a)(4) of the Securities Regulations (Periodic and Immediate Reports) – 1970, would have existed in the Company to the extent that the Company's Board of Directors would not have determined that the working capital deficit does not indicate a liquidity problem in the Company.

The Company's Board of Directors, at its meeting on November 20, 2025, after examining the significant events during and after the reporting period, including an examination of the effects of the Swords of Iron War on the Company's financial position, cash flows and financial strength, as detailed in Note 1h2 to the Financial Statements, and after examining the response to the possible risks detailed in that Note, including obtaining sources of financing and receiving support from State Authorities, and after examining the Company's cash flow forecast and after hearing Management's assessments regarding the possibility of obtaining financing and raising debt in the capital markets and/or in the banking system in Israel and/or abroad, considering the cash flow from current operations for the reporting period, which amounts to approximately NIS 4,911 million, and the balance of cash and short-term investments as of September 30, 2025, which amounts to NIS 1,721 million (see also the Company's policy for maintaining a security cushion in Section a1c above), and taking into account the measures taken by the Company, including increasing credit lines and the measures taken by the Company to raise additional amounts it requires, it has determined that the working capital deficit as aforesaid does not indicate a liquidity problem in the Company, and therefore, the Company is not required to publish a projected cash flow statement.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

e. Dedicated Disclosure to Debentures Holders - Details of Debentures of the Group

Following are details regarding the negotiable debentures as of September 30, 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)	395		585	
	Accumulated interest	5		7	
	Stock exchange value (which also constitutes fair value)	408		621	
	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 7a to the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

e. Dedicated Disclosure to Debentures Holders - Details of Debentures of the Group (continued)

Following are details regarding the negotiable debentures as of September 30, 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 Oren Ofer, Joint CEO
Address:	30 Sheshet HaYamim Rd., Bnei Brak
Tel.:	03-5544553
Fax:	03-5271451
Website:	www.hermetic.co.il

3) Undertaking to comply with the Debentures' terms

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.

Following are details regarding the negotiable debentures as of September 30, 2025, issued prior to the reporting period, as required by the eighth supplement to the Securities Regulations:

	Debenture series						
	Series 27	Series 29	Series 31	Series 32	Series 33	Series 34	Series 35
	NIS in millions						
Nominal value	2,527	1,478	3,889	1,202	4,292	4,080	4,924
Index linkage basis	Linked	Linked	Linked	Linked	Linked	Linked	Linked
Nominal value including linkage to the CPI	3,019	1,778	4,600	1,405	5,016	4,390	5,299
Accumulated interest	54	7	3	3	21	40	51
Stock exchange value (which also constitutes fair value)	3,115	1,779	4,561	1,372	4,336	4,548	5,563

For details on the partial repayment of the Series 29 debentures during the reporting period, see Note 7a to the Financial Statements.

For additional details regarding the corporation's liability certificates see section D to the Board of Directors' Report for the year ended on December 31, 2024.

Compliance with liabilities deriving from terms of the debentures as of the date of the report:

- The Company has complied with all the conditions and commitments according to the deeds of trust for the debentures.
- There was no cause to classify the debentures as immediately repayable.
- 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 these deeds of trust.

THE ISRAEL ELECTRIC CORPORATION LIMITED
BOARD OF DIRECTORS' REPORT ON THE STATUS OF THE CORPORATION'S AFFAIRS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

The Board of Directors and Management wish to express their appreciation to the Company's employees and its managers.

Meir Spigler
Chief Executive Officer

Doron Arbely
Chairman of the Board of Directors

Date of Approval: November 20, 2025



Israel Electric

The Israel Electric Corporation Ltd.

Supplement

Additional Report Regarding the Effectiveness of the
Internal Control Over Financial Reporting

For the Nine Months Ended
September 30, 2025

Prominent Disclaimer

This English translation of the **“Additional Report Regarding the Effectiveness of the Internal Control Over Financial Reporting”** for the nine months ended September 30, 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 CONTROL OVER FINANCIAL REPORTING IN ACCORDANCE WITH GOVERNMENT COMPANIES REGULATIONS (ADDITIONAL REPORTS REGARDING THE EFFECTIVENESS OF THE INTERNAL CONTROL 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 are a process designed to provide a reasonable measure of assurance regarding the reliability of the financial reporting 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 system of internal control over financial reporting is not intended to provide absolute assurance that a misstatement in the financial statements will be prevented or detected.

The Board of Directors and the Management conducted an examination and assessment of the internal controls in the Company over financial reporting and their efficiency, including its consolidated corporations, based on criteria defined in a control model named the "COSO Model".

In the annual report on the internal controls over financial reporting which was attached to the periodic report for the period ended on December 31, 2024, the internal controls were found to be ineffective due to the material weakness described below:

The Company did not maintain effective controls to ensure that the rights and benefits, according to which salaries and pensions are paid, and actuarial liabilities are included, are authorized in accordance with the provisions of the law.

Disclosure with respect to the material weakness was first reported in the report on the internal controls over financial reporting, which was attached to the 2009 periodic annual report.

Correcting the material weakness and actions to ensure the appropriateness of financial reporting:

The Company took action to reinforce the controls pertaining to this issue and has formulated a procedure that was approved by the Company's Board of Directors in 2011, concerning the rights and benefits under which salary and pension payments are paid, and actuarial liabilities are included. The procedure is implemented in practice. With regard to salary rights originating in the past, the Company has received an opinion from its legal counsel, and in 2011 applied to the Commissioner of Wages for his approval of the validity of salary rights that have not yet been approved. In 2024, the Company reapplied to the Commissioner of Wages to settle the issue. The comprehensive approval has not yet been received from the Commissioner.

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 estimates that these measures have strengthened the internal control over financial reporting on issues pertaining to the treatment of the employee salary rights item from 2011 onwards.

The possible impact of the material weakness described above on the financial reporting and the disclosure is not quantifiable.

The Company is working with all relevant factors to remove the material weakness.

In the nine months ended on September 30, 2025, no changes occurred that had a material effect or that are expected to have a material effect on the internal control over financial reporting in the Company.

Eyal Hermony
Acting Senior Vice-President of
Finance, Economics and Risk
Management

Meir Spigler
Chief Executive Officer

Doron Arbely
Chairman of the Board of
Directors

Date: November 20, 2025



Israel Electric

The Israel Electric Corporation Ltd.

Chapter C Consolidated Interim Financial Statements

For the Nine and Three Months Ended
September 30, 2025

Prominent Disclaimer

This English translation of the **“Consolidated Interim Financial Statements”** for the nine and three months ended September 30, 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.

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Translated to English from the Hebrew original

Review Report of the Auditors to the Shareholders of The Israel Electric Corporation Ltd

Introduction

We have reviewed the accompanying financial information of The Israel Electric Corporation Ltd and consolidated companies (hereinafter – the Company) comprising of the condensed consolidated interim statement of financial position as of September 30, 2025 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the nine and three month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”, and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970 and according to the instructions of the Government Companies Authority. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

We did not review the condensed financial information for the interim period of a consolidated company whose assets included in consolidation represent less than 1% of total consolidated assets as at September 30, 2025, and the income included in consolidation represents 0% of all consolidated income for the nine and three month periods ended on that date. The interim condensed financial information of that company were reviewed by other auditors whose review report was presented to us and our conclusion, inasmuch as it relates to financial information in respect of that company, is based on the review report of the other auditors.

Scope of Review

We conducted our review in accordance with the Review Standard (Israel) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review report of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information was not prepared, in all material respects, in accordance with IAS 34 and the instructions of the Government Companies Authority.

In addition to that mentioned in the previous paragraph, based on our review and the review report of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Item Emphasis Paragraph (Drawing of attention)

Without qualifying our above conclusion, we draw attention to that mentioned in Notes 9b and 1g regarding class actions, requests to recognize claims as class actions, pending claims connected to the Law for the Protection of the Environment and other material claims filed against the Company, where their chances of success and the expected effect on the Company's financial situation and results cannot be estimated.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

Haifa, November 20, 2025

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 Ltd 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 draft shelf prospectus to be published by the Company insofar as this will be published in respect of the relevant shelf prospectus from April 2024.

The review report of the auditors dated November 20, 2025 on the condensed consolidated financial information of the Company as at September 30, 2025 and for the nine and three month periods ended on that date.

Yours truly

Somekh Chaikin

Haifa, November 20, 2025

**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 Quarterly Report within the meaning of Regulation 38 of Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970, of The Israel Electric Corporation Limited (hereinafter: the “Company”) for the nine and three months ended September 30, 2025 (hereinafter: 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 consolidated companies, 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 any other person, pursuant to any law.

November 20, 2025

Eyal Hermony
Acting Senior Vice-President of Finance, Economics
and Risk Management

**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 Quarterly Report within the meaning of Regulation 38 of Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970, of The Israel Electric Corporation Limited (hereinafter: the “Company”) for the nine and three months ended September 30, 2025 (hereinafter: 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 consolidated companies, 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 any other person, pursuant to any law.

Meir Spigler
Chief Executive Officer

November 20, 2025

**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 Quarterly Report within the meaning of Regulation 38 of Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970, of The Israel Electric Corporation Limited (hereinafter: the “Company”) for the nine and three months ended September 30, 2025 (hereinafter: 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 consolidated companies, 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 any other person, pursuant to any law.

November 20, 2025

Doron Arbely
Chairman of the Board of Directors

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(NEW ISRAELI SHEKELS, IN MILLIONS)

	Note	As of September 30,		As of
		2025	2024	December 31
		Unaudited		2024
				Audited
<u>CURRENT ASSETS</u>				
Cash and cash equivalents		798	7,340	2,157
Short term investments	10c	923	3,579	3,539
Trade receivables for sales of electricity	4	7,193	7,396	5,157
Other current assets.....		1,057	946	863
Inventory - fuel.....		348	1,236	1,399
Inventory - stores		191	152	167
Total current assets.....		10,510	20,649	13,282
<u>NON-CURRENT ASSETS</u>				
Inventory - fuel.....		2,612	2,085	1,944
Receivables for inventory of fuel		67	-	-
Long-term receivables.....		1,287	1,579	1,451
Investment in associates		15	15	15
Assets with respect to benefits after employment termination:	5			
Excess pension plan assets over pension liability ...		13,138	13,041	11,905
Funds in trust		1,030	1,060	1,057
		14,168	14,101	12,962
Fixed assets, net:				
Fixed assets in use, net.....		56,213	51,595	52,263
Fixed assets under construction.....		9,735	10,571	11,345
		65,948	62,166	63,608
Intangible assets, net		1,291	1,204	1,219
Total non-current assets.....		85,388	81,150	81,199
Total assets		95,859	101,799	94,481
Debit balances of regulatory deferral accounts	6	11,618	8,476	10,168
Total assets and debit balance of regulatory deferral accounts.....		107,516	110,275	104,649

The accompanying notes are an integral part of the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(NEW ISRAELI SHEKELS, IN MILLIONS)

	Note	As of September 30,		As of
		2025	2024	December 31
		Unaudited		2024
				Audited
<u>CURRENT LIABILITIES</u>				
Credit from banks and other credit providers.....	7	2,507	8,046	4,046
Trade payables		3,680	3,647	3,184
Other current liabilities		1,304	1,679	1,329
Current tax liabilities	9b	1,408	563	744
Customer advances, net of work in progress.....		1,303	933	1,199
Provisions		845	731	739
Total current liabilities		11,047	15,599	11,241
<u>NON-CURRENT LIABILITIES</u>				
Debentures.....	7	32,945	34,310	33,989
Liabilities to banks.....	7	1,405	2,604	1,134
Liabilities with respect to other benefits after employment termination	5	4,359	4,354	4,728
Deferred taxes, net		9,112	8,671	8,448
Liability to the State of Israel	7	1,980	1,980	1,981
Lease liabilities		569	621	740
Other liabilities		487	483	491
Total non-current liabilities.....		50,857	53,023	51,511
Total liabilities		61,904	68,622	62,752
<u>EQUITY</u>				
Share capital.....		908	908	908
Capital reserves		832	891	785
Capital remeasurement reserve.....		412	668	(73)
Retained earnings		40,790	36,176	36,677
Total equity.....		42,942	38,643	38,297
Total liabilities and equity.....		104,846	107,265	101,049
Credit balances of regulatory deferral accounts and deferred taxes with respect to regulatory deferral accounts	6	2,670	3,010	3,600
Total liabilities, equity and credit balance of regulatory deferral accounts.....		107,516	110,275	104,649

The accompanying notes are an integral part of the Financial Statements.

Mr. Eyal Hermony
Acting Senior Vice-President of Finance,
Economics and Risk Management

Mr. Meir Spigler
Chief Executive Officer

Mr. Doron Arbely
Chairman of the Board of
Directors

Date of approval of the Financial Statements: November 20, 2025

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)
(NEW ISRAELI SHEKELS, IN MILLIONS)

		For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	Note	2025	2024	2025	2024	2024
		Unaudited		Unaudited		Audited
Consolidated Statements of Profit (Loss):						
Revenues	8	21,123	20,560	8,806	8,979	26,184
Cost of operating the electricity system:						
Fuels		4,477	4,836	1,604	1,877	6,302
Purchases of electricity		7,109	8,058	3,319	3,933	9,840
Operation of the generation system		2,710	2,647	870	859	3,549
Operation of the transmission and distribution system and others		2,396	2,321	816	813	3,134
		16,692	17,862	6,609	7,482	22,825
Profit from operating the electricity system		4,431	2,698	2,197	1,497	3,359
Other income, net	1h1	(586)	(6,796)	(252)	-	(6,857)
Sales and marketing expenses		692	679	238	234	913
Administrative and general expenses		680	656	244	141	898
Income from liabilities to pensioners.....	5m	(221)	(260)	(75)	(87)	(341)
Reform agreement and other agreements' results.....	5f	104	170	41	49	788
		669	(5,551)	196	337	(4,599)
Profit from current operations.....		3,762	8,249	2,001	1,160	7,958
Financial expenses.....		1,406	1,652	571	667	1,907
Financial income.....	4	(545)	(413)	(65)	(198)	(566)
Financial expenses, net		861	1,239	506	469	1,341
Profit before income taxes		2,901	7,010	1,495	691	6,617
Income Tax expenses		691	1,626	351	157	1,601
Profit after income tax		2,210	5,384	1,144	534	5,016
Company's share of the loss of associate companies		-	(6)	-	-	(6)
Profit before regulatory deferral accounts		2,210	5,378	1,144	534	5,010
Movement in regulatory deferral accounts balances, net of tax.....	6	1,903	(2,518)	-	710	(1,649)
Profit for the period.....		4,113	2,860	1,144	1,244	3,361
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		47	54	(2)	64	(52)
Amounts that will not be attributed in the future to the Statement of Profit (Loss):						
Remeasurement of a defined benefit plan, net of tax	5k	460	298	428	215	(437)
Movement in regulatory deferral accounts balances, net of tax.....	6	25	(39)	7	(7)	(45)
		485	259	435	208	(482)
Other comprehensive income (loss) for the period, net of tax		532	313	433	272	(534)
Comprehensive income for the period..		4,645	3,173	1,577	1,516	2,827

The accompanying notes are an integral part of the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(NEW ISRAELI SHEKELS, IN MILLIONS)

For the Nine Months ended on September 30, 2025					
	Paid-up share capital	Capital reserves	Capital remeasurement reserves	Retained earnings	Total
	Unaudited				
Balance as of January 1, 2025.....	908	785	(73)	36,677	38,297
Profit for the period.....	-	-	-	4,113	4,113
Other comprehensive income for the period.....	-	47	485	-	532
Balance as of September 30, 2025.....	908	832	412	40,790	42,942
For the Nine Months ended on September 30, 2024					
	Paid-up share capital	Capital reserves	Capital remeasurement reserves	Retained earnings	Total
	Unaudited				
Balance as of January 1, 2024.....	908	837	409	33,316	35,470
Profit for the period.....	-	-	-	2,860	2,860
Other comprehensive income for the period.....	-	54	259	-	313
Balance as of September 30, 2024.....	908	891	668	36,176	38,643
For the Three Months ended on September 30, 2025					
	Paid-up share capital	Capital reserves	Capital remeasurement reserves	Retained earnings	Total
	Unaudited				
Balance as of July 1, 2025.....	908	834	23	39,646	41,365
Profit for the period.....	-	-	-	1,144	1,144
Other comprehensive income (loss) for the period.....	-	(2)	435	-	433
Balance as of September 30, 2025.....	908	832	412	40,790	42,942
For the Three Months ended on September 30, 2024					
	Paid-up share capital	Capital reserves	Capital remeasurement reserves	Retained earnings	Total
	Unaudited				
Balance as of July 1, 2024.....	908	827	460	34,932	37,127
Profit for the period.....	-	-	-	1,244	1,244
Other comprehensive income for the period.....	-	64	208	-	272
Balance as of September 30, 2024.....	908	891	668	36,176	38,643
For the Year Ended on December 31, 2024					
	Paid-up share capital	Capital reserves	Capital remeasurement reserves	Retained earnings	Total
	Audited				
Balance as of January 1, 2024.....	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

The accompanying notes are an integral part of the Financial Statements.

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
(NEW ISRAELI SHEKELS, IN MILLIONS)

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	Unaudited		Unaudited		Audited
Cash flow from operating activities:					
Profit before regulatory deferral accounts according to the statement of profit and loss	2,210	5,378	1,144	534	5,010
Adjustments required to present cash flow from operating activities - Annex A	2,701	(2,165)	676	72	1,402
Net cash deriving from operating activities	4,911	3,213	1,820	606	6,412
Cash flow for investing activities:					
Investment in fixed assets and intangible assets....	(5,730)	(4,650)	(2,008)	(1,725)	(6,984)
Proceeds from sale of fixed assets and insurance receipts	404	8,818	148	(437)	8,812
Long-term receivables, net	(14)	27	(4)	1	13
Repayment (investment) in exchange traded funds, net.....	2,663	-	-	-	(3,393)
Interest received (see Note 4b)	403	-	20	-	-
Taxes paid in respect of investment activity.....	(35)	(538)	(35)	(397)	(538)
Repayment (deposit) of short-term investments, net.....	-	(3,370)	(1)	(3,491)	100
Net cash deriving from (used for) investing activities.....	(2,309)	287	(1,880)	(6,049)	(1,990)
Cash flow from financing activities:					
Issuance of long-term debentures.....	949	3,389	-	3,389	3,389
Repayment of long-term debentures	(1,913)	(722)	-	-	(5,408)
Repayment of long-term loans and liability to the State of Israel	(1,607)	(1,121)	1	-	(1,208)
Proceeds (payment) from settlement of derivatives, net	(86)	(10)	(31)	8	(922)
Repayment (deposit) of deposits to secure swap transactions, net	(350)	292	(164)	193	165
Changes in short-term credit from banks, net.....	(93)	87	5	149	117
Repayment of lease liabilities	(129)	(125)	(39)	(41)	(175)
Interest and commissions paid, net.....	(700)	(579)	(155)	(72)	(850)
Net cash deriving from (used for) financing activities.....	(3,929)	1,211	(383)	3,626	(4,892)
Increase (decrease) in cash and cash equivalents ..	(1,327)	4,711	(443)	(1,817)	(470)
Effect of exchange rate fluctuations on cash and cash equivalent balances	(32)	(22)	(4)	(1)	(24)
Balance of cash and cash equivalents at the beginning of the period	2,157	2,651	1,245	9,158	2,651
Balance of cash and cash equivalents at the end of the period	798	7,340	798	7,340	2,157

THE ISRAEL ELECTRIC CORPORATION LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
(NEW ISRAELI SHEKELS, IN MILLIONS)

ANNEX A - ADJUSTMENTS REQUIRED TO PRESENT CASH FLOW FROM OPERATING ACTIVITIES

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	Unaudited		Unaudited		Audited
	2025	2024	2025	2024	2024
Income and expenses not affecting cash flow:					
Company's share in losses of associates.....	-	6	-	-	6
Depreciation and amortization.....	3,264	3,242	1,031	1,077	4,358
Income tax expenses	691	1,626	351	157	1,601
Change in liabilities with respect to employee benefits, net.....	(199)	(183)	(60)	(69)	328
Financing expenses, net, recognized in Statement of Profit and Loss	861	1,239	506	469	1,341
Other income and capital loss (gain) on disposal and sale of fixed assets	(518)	(6,742)	(229)	8	(6,776)
	<u>4,099</u>	<u>(812)</u>	<u>1,599</u>	<u>1,642</u>	<u>858</u>
Changes in assets and liabilities:					
Change in trade receivables for sales of electricity	(2,036)	(1,914)	(1,746)	(1,537)	325
Change in other current assets (including long-term receivables).....	(112)	280	(68)	198	386
Change in inventory and receivables for inventory of fuel (including noncurrent inventory)	292	(148)	107	(191)	(185)
Deposits in funds, and non-fund payments.....	(662)	(639)	(29)	(74)	(735)
Change in customer advances for work ordered, net of work in progress.....	194	113	77	96	508
Change in trade payables (including long-term).....	627	690	562	(154)	223
Change in other current liabilities (including those presented in long-term).....	314	280	176	98	42
	<u>(1,383)</u>	<u>(1,338)</u>	<u>(921)</u>	<u>(1,564)</u>	<u>564</u>
Taxes on income, which have been paid	<u>(15)</u>	<u>(15)</u>	<u>(2)</u>	<u>(6)</u>	<u>(20)</u>
	<u>2,701</u>	<u>(2,165)</u>	<u>676</u>	<u>72</u>	<u>1,402</u>

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 its services of 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").

4. These condensed statements should be read in conjunction with the Annual Financial Statements of the Company as of December 31, 2024, and for the year ended on that same date, and their accompanying Notes (hereinafter: the "Annual Financial Statements").

b. Definitions

The Company	–	The Israel Electric Corporation Ltd.
Interested Parties	–	As "Interested Party" is defined in Section 1 of the Securities Law, 1968.
Related Parties	–	As defined under International Accounting Standard 24.
Companies Authority	–	The Government Companies Authority.
Dollar	–	US Dollar.
Subsidiary Companies	–	Companies 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 subsidiaries.
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	–	Minister of Energy and Infrastructure
The Authority	–	The Electricity Authority
Netiv Ha'Or, The Generation Subsidiary	–	Netiv Haor – Orot Rabin Ltd.
Noga	–	Noga – Independent System Operator Ltd
The Coal Company	–	National Coal Supply Company Ltd.

NOTE 1: - GENERAL (continued)

c. Regulation and Statutory Provisions Applicable to the Company

1. For details of the regulations of the law applying to the Company, including the provisions of the Government Companies Law and the relevant regulations, as well as additional provisions applying to the Company as a Government Company, see Note 1c1 to the Annual Financial Statements.
2. For details of the Electricity Sector Law, see Note 1c2 to the Annual Financial Statements.

d. Decisions of the Government Regarding the Electricity Sector and Activities of the Company

For details regarding Government Resolutions that concern the electricity sector and the Company's operation, see Note 1d of the Annual Financial Statements.

e. Structural Change

Actions to implement the structural change

For details regarding the implementation of the Structural Change Outline, see Note 1e to the Annual Financial Statements.

Developments concerning actions to implement the structural change during the reporting period are detailed below:

Generation subsidiary

On January 26, 2025, Netiv Ha'Or received a license to operate CCGT 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, following the Electricity Authority's decision on the matter which was received on January 22, 2025.

In accordance with the Electricity Authority's decision, CCGT 70's activity with the System Manager will be similar to the Company's other generation units. The return on the investment and operating costs will be through recognition of costs to be determined by the Electricity Authority and after the review to be performed by the Electricity Authority, and the determination of the tariff derived from these costs will be made as part of the tariff updates for all the Company's generation units and in a manner that will be determined in the Company's rate base. Upon receipt of the aforementioned generation license, CCGT 70 was transferred to Netiv Ha'Or and its commercial operation began.

In addition, the Company has undertaken to Netiv Ha'Or to support it in order to enable its operations and the 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 November 18, 2026.

Pursuant to that stated in Note 1e9 in the Annual Financial Statements regarding CCGT 70 and the tests with the System Manager (Noga) – the frequency response tests have been completed and approved by Noga.

After the Statement of Financial Position date, on October 19, 2025, the acceptance testing and relevant procedures for Unit 80 were completed, and the wording of the approval of the tests by the System Manager at "Noga" Company is being advanced, which is a requirement for obtaining a generation license according to the Electricity Sector Law. The commercial operation of Unit 80 is subject to obtaining the final approval of the System Manager and the completion certificate from the Local Planning and Building Committee - Hadera. As of the Financial Statements approval date, final approval for the tests from the System Manager and the completion certificate, as stated, have not yet been received.

After the Statement of Financial Position date, 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 4.7 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)

f. Assets Arrangement

For details regarding the Assets Arrangement, see Note 1f to the Annual Financial Statements.

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.

As of the Financial Statements approval date, the Company is continuing to apply the outline of the Assets Arrangement in accordance with the timetables stipulated in the agreements, while implementing adjustments as required by circumstances, performed with mutual consent and in accordance with the terms of the arrangement.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws

1. Conversion of units to gas

Pursuant to that stated in Note 1g2 to the Annual Financial Statements regarding the conversion of the units 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 1h4), 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 September 30, 2025, the Company received a draft update to the emission permit for the Rutenberg site. The Company forwarded its comments to the Ministry

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 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. As of the Financial Statements approval date, the Ministry's response to this request has not yet been received.

Further to Note 3n to the Annual Financial Statements regarding the Authority's recommendation to continue the project to convert the coal-fired power stations Rutenberg 1-4 and Orot Rabin 5-6 to gas, on August 25, 2025, the Company received Noga 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 the 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, 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 3d.

In light of the above, the Company's management estimates that the Company will meet the timetable in Noga's letter and the Authority's decision subject to deferrals, if any, that are not are its control and therefore, the chances of completing the conversion in full outweigh the chances of not completing the conversion in full.

NOTE 1:- GENERAL (continued)

g. Environmental Protection Laws (continued)

1. Conversion of units to gas (continued)

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. See Note 2d.

Regarding the implications of the fire at Rutenberg Collector on the schedules for the conversion of the coal-fired units, see Note 1h4.

2. Orot Rabin Power Station – the future of Units 1-4

Pursuant to that stated in Note 1g3 to the Annual Financial Statements regarding the future of Units 1-4, on May 5, 2025, a letter was received from Noga to the Ministry of Energy and the Company, in which Noga performed an analysis of the significant and basic assumptions regarding the preservation of these units. In this regard, 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' emission 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 3c 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.

3. Underground fuel pipelines - Reading:

Further to that stated in Note 1g5 to the Annual Financial Statements, as of the Financial Statements approval date, the Company cannot estimate all the possible implications that this matter may have for the Company, this due, inter alia, to the possibility of the existence of asbestos in additional lines and in the area of the station, the length of the pipeline, 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. Therefore, the provision that was included in the Financial Statements is in accordance with the current plan submitted by the Company.

NOTE 1:- GENERAL (continued)

h. Material events during the reporting period

1. The crane collapse at Rutenberg

Pursuant to that stated in Note 1h1 to the Annual Financial Statements regarding the collapse of the crane in Rutenberg, on April 20, 2025, a settlement agreement was signed for a compromise arrangement in the amount of approximately NIS 396 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. In accordance with the settlement letter, until June 30, 2025, the entire balance was received.

2. Effects of the War of Revival ("Swords of Iron" War)

In light of the outbreak of the War of Revival ("Swords of Iron" War) (hereinafter: "the war"), 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 that day 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.

On October 9, 2025, Government Decision No. 3396 was adopted regarding an outline for the release of all Israeli hostages, which began with a ceasefire between Israel and Hamas. As a result, the decision on the Special Situation on the Home Front which had been extended from time to time expired on October 28, 2025.

In this regard it should be indicated that the decision on the Special Situation in the Home Front applied to all State territories until March 4, 2025, then was reduced so it will apply only to areas adjacent to Gaza Envelope as specified in the decision (except during Operation "Rising Lion" when it was extended to apply to the entire area of the State, as specified below).

Due to the security situation, on October 7, 2023, the Minister of Labor signed an order regarding the application of Chapter D of the Emergency Labor Service Law - 1967, that was declared as "a 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. The aforementioned decision was cancelled on July 13, 2025. During the applicable period, no such orders have been issued to employees of the Company.

For details regarding the events that occurred following the effects of the war such as equipping Emergency Inventories and the tariff recognition on the matter, deterioration in collection from customers and delays in projects, the Accountant General's letter on the subject, see Note 1h2 to the Annual Financial Statements.

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 diesel fuel stocks.

After the Statement of Financial Position date, in October 2025, an agreement was signed to extend the contract with Energy Infrastructures for one year. As of the Financial Statements approval date, the Company is negotiating the matter with EAPC. For details, see Note 9d.

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

NOTE 1:- GENERAL (continued)

h. Material events during the reporting period (continued)

2. Effects of the "Swords of Iron" War (continued)

Regarding the credit rating of the State of Israel:

The following is the rating of the State of Israel by international rating companies at the beginning of the Swords of Iron War compared to its rating as of the Financial Statements approval 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 negative 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 downgraded to A with a negative outlook as of the Financial Statements approval date.

For details regarding the Company's credit rating as of the Financial Statements approval date, see Note 7b.

For details regarding the issuance of debentures in the second quarter of 2025, see Note 7a1.

It should be clarified that as of the Financial Statements approval date, 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, its expansion into additional arenas, 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 September 30, 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.

3. Operation "Rising Lion"

Operation "Rising Lion" was conducted from June 13, 2025 to June 24, 2025. Upon the opening of the operation on June 13, 2025, the Government declared a Special Situation in the entire territory of the State of Israel. The aforementioned decision was extended until June 30, 2025. During the operation, damage was sustained at several of the Company's sites, 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.

4. 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 310 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 83 million.

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 there is no certainty of receiving indemnity from the insurance.

NOTE 2:- REPORTING RULES AND ACCOUNTING POLICIES

a. Declaration of Compliance with International Financial Reporting Standards:

The Condensed Consolidated Interim Financial Statements (hereinafter: the "Interim Financial Statements") of the Company were prepared in accordance with International Accounting Standard no. 34 "Interim Financial Reporting" (hereinafter: "IAS 34"). In preparing these Interim Financial Statements, the Company implemented accounting policies, presentation rules, calculation methods and consideration of key factors for uncertainty in estimates and discretion in implementation of accounting policies identical to those detailed in Note 2 to the Annual Financial Statements (hereinafter: the "Annual Statements"). For more information about new Standards, amendments of Standards, and interpretations that were not yet adopted for the period, see also section c below. Furthermore, these statements were prepared in accordance with the provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The Condensed Interim Financial Statements were approved for publication by the Company's Board of Directors on November 20, 2025.

b. Operating cycle period:

The Company's regular operating cycle period is 12 months.

c. Main points of the accounting policy:

Except as detailed below, the accounting policy of the Company in these Interim Financial Statements is the accounting policy applied in the Annual Statements. Below is a description of the major changes in the accounting policy in these Interim Financial Statements and their impact:

New Standards, Amendments of Standard, and Interpretations not yet adopted:

International Financial Reporting Standard IFRS 18, Presentation and Disclosure in Financial Statements

This Standard replaces 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, at this stage without intention for early adoption.

d. Use of estimates and judgment

In preparing the Condensed Consolidated Interim Financial Statements in accordance with IFRS, the Management of the Company is required to use judgment for the purpose of making evaluations, estimates and assumptions concerning the implementation of policies and the amounts of the assets, liabilities, income and expenses. It should be clarified that the actual results may differ from these estimates.

The judgment of Management when applying the accounting policies of the Company and the main assumptions used in assessments involving uncertainty, are consistent in all material respects with those specified in Note 2y to the Annual Financial Statements and that stated in Note 1h2 above, concerning the effects of the war, other than what is specified below:

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.

NOTE 2:- REPORTING RULES AND ACCOUNTING POLICIES (continued)

d. Use of estimates and judgment (continued)

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:

	Quarter 3	Quarter 4					
	2025	2025	2026	2027	2028	2029	Afterwards
	NIS in millions						
Decrease in depreciation expense (increase in profit from operating the electricity system).....	127	298	1,182	985	568	350	(3,510)
Decrease in movement in regulatory deferral accounts debit balances	113	272	1,081	900	531	330	(3,227)
Impact on profit before the effect of tax	14	26	101	85	37	20	283

e. Non-inclusion of a separate financial statement in the periodic report:

The Company fully owns the Coal Company and Netiv Ha'Or. The Company did not include separate financial information (hereinafter: "Solo Reports") in these Financial Statements as required by Regulations 9C and 38D, since the Solo Reports do not provide an investor with material information.

The criteria used by the Company in reaching this conclusion are based on the negligible scope of the assets, liabilities, income and expenses, and cash flows of the subsidiaries in the consolidated Financial Statements. As of the Statement of Financial Position date, the Group's business activity is carried out almost entirely within the framework of the Company, and therefore the publication of separate financial statements would not constitute additional material information for a reasonable investor.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION

The revenues of the Company are based on the electricity charge rate that the Company charges consumers. In accordance with the Electricity Sector Law, the electricity charge rates and their manners of update are determined by the Electricity Authority (hereinafter: the "Authority"). For additional details regarding the manner of determining the electricity charge rate, the rate update mechanism and the date of its update, the 2025 Annual Update, the 2022-2027 Rate Base for the generation segment, the grid segments' Rate Base for 2018-2022, and additional Authority decisions, see Note 3 to the Annual Financial Statements.

a. Updating the electricity tariff structure

On September 30, 2025, the Electricity Authority published a decision proposal for a hearing on the subject of updating the electricity tariff structure which will apply from January 1, 2026, for a period of 3 years, so that the tariffs will be fixed and will change only in accordance with the indicators detailed in the decision and the coefficient determined. The updates will apply once a quarter automatically and without the need for approval by the Authority's plenary session. The proposal separates the generation component into a fixed component and a variable component based on the tariff costs for 2025. In addition, a mechanism was established to enable the tariff update when differences arise between the costs reflected in the tariff and the actual costs, which accumulate to over a NIS 1 billion for the Electricity Company and NIS 500 million for Noga. In addition, additional changes are proposed to the network, including the unification of demand hour clusters and the cancellation of the "TOU" rates (a rate that varies according to the seasons and hours of the day throughout the day) and changing the weights between the capacity component and the energy component in the network, so that the rate will more accurately reflect the costs and create the right incentives. The Authority also left in place the automatic update mechanism for the rate when emergency diesel is consumed. The Company forwarded its comments on the subject, emphasizing the need to establish a mechanism for making ongoing decisions with defined deadlines, updating the level of the band, updating the structure of generation and supply tariffs, and updating the level of supply tariff.

b. 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 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.

c. 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 28, 2024, the Minister of Energy contacted the Electricity Authority to request the Authority's position on the matter of preserving Units 1-4 at Orot Rabin and transitioning to coal-fired electricity generation activity when necessary.

In response to the Minister's request, on July 6, 2025, the Authority published a public hearing on the subject of "Examining the alternatives regarding the manner and scope of preserving Units 1-4 at the "Orot Rabin" site".

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

c. Preservation Project for Units 1-4 at the "Orot Rabin" Power Plant (continued)

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. In the hot preservation outline, the units are in a shutdown mode that allows for cold starts, periodic testing is to be performed once a quarter, and the return to full operation takes between 3-6.5 days.
- At the same time, the Ministry of Energy should promote additional solutions at a lower cost, both financially and environmentally, for the purpose of insuring the electricity sector. To this end, the Authority recommends taking a number of measures to increase the reliability of electricity supply capacity, including:
 1. Adding emergency diesel tanks beyond what exists today.
 2. Establishing 2 CCGTs beyond what is specified in the draft development plan for 2030.
- Operating generation units not in the framework of the preservation plan will be limited to 500 hours per year per unit, except in the framework of an emergency event of damage to gas generation capacity.

On August 7, 2025, the Company submitted to the Authority its response to the hearing.

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. For further details, see Note 1g2.

d. Conversion project to gas of coal fired units

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, following the presentation of updated costs for the conversion of the 6 units by the Company, which are approximately 200% 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 - 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. 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 2d.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

e. Approval of Distribution Network Development Plan for the Years 2025-2030

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 in 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, (as described in Note 3s to the Annual Financial Statements) 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.

f. Decision proposal for a hearing on the subject of supporting the implementation of the distribution system development plan for the years 2025-2030

Following previous decisions on the subject, on September 8, 2025, the Authority published a decision proposal for a hearing 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) 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."

The Company estimates that the proposed decision is not expected to have material impact on the Company's financial results.

NOTE 3:- THE ELECTRICITY RATE AND REGULATION (continued)

g. Debt collection procedures and enforcement tools - consumers on non-domestic load and time tariffs

In light of the ongoing and significant increase in the consumption debts of various consumers, which may lead to a tariff increase for all consumers, on July 20, 2025, the Authority published a draft resolution in which it examines additional enforcement measures for the purpose of collecting payments from all consumers, and in particular from consumers on non-domestic load and time tariffs. These consumers are characterized by a high volume of consumption used mainly for commercial purposes. In addition, these consumers may be businesses that have closed or gone bankrupt, and therefore these are debts that are difficult to collect, if at all. In addition, the Authority seeks to determine that the supplier should be authorized with default to request collateral from consumers as part of the process for renewing electricity supply and that it will also be able to offer alternatives for providing collateral. The consumer will be entitled to these alternatives provided that he has not been disconnected from electricity in the 24 months prior to the date of the choice offer. The Company submitted its comments to the hearing on September 1, 2025. As of the Financial Statements approval date, a final decision by the Electricity Authority had not yet been published.

h. 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, the Company recorded revenues from movement in regulatory assets in the amount of NIS 1,386 million in the second quarter.

NOTE 4:- TRADE RECEIVABLES FOR SALES OF ELECTRICITY

a. Composition

	As of September 30,		As of
	2025	2024	December 31,
	NIS in millions		2024
	Unaudited		Audited
Open debts.....	5,303	6,385	4,666
Provision for doubtful debts	(769)	(790)	(826)
Unrecognized income (1)	-	(686)	(473)
	4,534	4,909	3,367
Income receivable (2)	2,659	2,487	1,790
Total customer receivables with respect to electricity sales.....	7,193	7,396	5,157

- (1) The above-mentioned relates to income from the East Jerusalem Electricity Company (hereinafter: "EJEC") as detailed in section b below. Regarding the examination of the manner of recognizing the income see Note 2p of the Annual Financial Statements.
- (2) Income with respect to the relative part of the electricity invoices issued after the Statement of Financial Position date, allocated according to an estimate to the reporting period.

b. 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 September 30,		As of
	2025	2024	December 31,
	NIS in millions		2024
	Unaudited		Audited
Open invoices (1)	419	1,175	774
Receivables	246	215	226
Total debt.....	665	1,390	1,000
Less:			
Provision for doubtful debts as of January 1	-	(104)	(104)
Decrease in provision for doubtful debts in the period.....	-	104	104
Income not recognized as of January 1.....	(473)	(1,075)	(1,075)
Income recognized with respect to previous periods.....	473	389	602
Total debt with respect to sale of electricity	665	704	527

The payments of the Palestinian Authority and EJEC are executed both through direct payment transfers and through transfers that the Company receives from the Ministry of Finance, out of the sums held by the Ministry of Finance that are at the disposal of the Palestinian Authority.

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.

NOTE 4:- TRADE RECEIVABLES FOR SALES OF ELECTRICITY (continued)

b. The Palestinian Authority and the East Jerusalem Electricity Company (continued)

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 on the results of the first quarter (recognition of previously unrecognized electricity revenue and revenue from arrears interest) is approximately NIS 713 million before tax.

- (1) After the Financial Statements date, the Company received a transfer from the Ministry of Finance to cover most of the Palestinian Authority's debts.

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS

a. Excess of amounts of pension plan assets over the pension obligation

	As of September 30,		As of
	2025	2024	December 31,
	NIS in millions		2024
	Unaudited		Audited
Fair value of plan assets (see section i2 below)	40,887	38,545	39,415
Present value of pension obligations (see section h1 below)	(27,661)	(25,421)	(27,424)
	13,226	13,124	11,991
Present value of pension obligations with respect to special agreements on early retirement (see section h3 below)	(88)	(83)	(86)
Excess of pension plan assets over the pension obligations	13,138	13,041	11,905

b. Funds in Trust

	As of September 30,		As of
	2025	2024	December 31,
	NIS in millions		2024
	Unaudited		Audited
Fair value of funds in trust (see section j2 below)	1,030	1,060	1,057

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

c. Liabilities with respect to other post-employment benefits

	As of September 30,		As of
	2025	2024	December 31,
	NIS in millions		2024
	Unaudited		Audited
Present value of obligation with respect to other post-employment benefits (see section h2 and i3 below)	4,359	4,354	4,728

Composed of:

	As of September 30,		As of
	2025	2024	December 31,
	NIS in millions		2024
	Unaudited		Audited
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 h2a below):			
Discounted electricity	1,123	1,028	1,106
VAT and grossed up tax with respect to discounted electricity	497	439	490
Retirement benefits	735	684	701
Welfare Fund for pensioners insured in the budgetary pension	65	61	65
Holiday gifts including grossed up tax	393	357	394
	<u>2,813</u>	<u>2,569</u>	<u>2,756</u>
2) Present value of liability with respect to other post-employment benefits as a result of the collective agreement with respect to the reform and special collective agreements (see section h2b below)	2,700	2,582	2,776
Plan asset – insurance policy with the insuring company (see section i3 below)	(1,154)	(797)	(804)
Present value of liability with respect to other post-employment benefits as a result of the collective agreement with respect to the reform and special collective agreements less the plan asset	<u>1,546</u>	<u>1,785</u>	<u>1,972</u>
Total	<u>4,359</u>	<u>4,354</u>	<u>4,728</u>

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

d. The Pension Plan of the Company and Other Post-Employment Benefits

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 h1 below).

For additional details also see Note 12d to the Annual Financial Statements.

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 and employees with a personal contract, are insured by default under a 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 Section 14 of the Severance Pay Law - 1963 applies with regards to them.

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
			NIS in millions		
	Unaudited		Unaudited		Audited
Defined deposit plan - Amount recognized under the wage cost and fixed assets	200	176	68	60	236

For additional details also see Notes 12e, 12f1a to the Annual Financial Statements and section f5 below.

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents

1) Special Collective Agreement, Reform (organizational and structural change) and Special Collective Agreement (Early Retirements, Permanence Quota, One Time Grant to EPE and SMC Employees and Additional Matters) and Special Collective Agreement (Early Retirements):

a) Special Collective Agreement, Reform (organizational and structural change)

For details regarding the Special Collective Agreement, Reform (organizational and structural change) see Note 12f1a to the Annual Financial Statements:

- (1) Transition to personal contracts – the Company may employ up to 160 managers and additional employees by personal contract according to the criteria determined in the Collective Agreement, on a personal contract and not in accordance with the collective agreements applicable to the Company's employees. As of the date of the Financial Statements, the Company continues to implement the Agreement's instructions concerning the employment of senior managers (from the level of Vice Division Manager and above) to employment through personal contracts.
- (2) As of 2022, management of the funds and payment of pension to those eligible regarding the reform allowance supplement is carried out by 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 Note 12f1a 2,3,5,6,7 of the Annual Financial Statements (hereinafter: the "Insuring Company"). In the nine months ended on September 30, 2025, the Company transferred approximately NIS 83 million to the insuring company, thus discharging the liability with respect to the eligible employees who retired in this period and are over 60 years old, in accordance with the scope of their eligibility. In addition, in accordance with the reform agreement, the Company transferred a total of approximately NIS 372 million which constitutes the third installment out of six annual installments (June 2023 to June 2028) in June 2025.

b) Special Collective Agreement (Early Retirements, Permanence Quota, One Time Grant to EPE and SMC Employees and Additional Matters)

For further details concerning the Special Collective Agreement (Early Retirements, Permanence Quota, One Time Grant to private electricity units and SMC Employees, and Additional Matters) see Note 12f1b of the Annual Financial Statements

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. The agreement was approved by the Commissioner of Wages. As of the Financial Statements date, 101 employees had retired in accordance with the outline of the agreement.

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

1) Special Collective Agreement, Reform (organizational and structural change) and Special Collective Agreement (Early Retirements, Permanence Quota, One Time Grant to EPE and SMC Employees, and Additional Matters) and Special Collective Agreement (Early Retirements): (continued)

d) Following is the composition of costs of the reform and the Special Collective Agreement according to benefits given with respect to the Collective Agreements:

	For the Nine Months ended September 30						For the Three Months ended September 30						For the Year Ended December 31		
	2025			2024			2025			2024			2024		
	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total
	NIS in millions						NIS in millions						NIS in millions		
	Unaudited						Unaudited						Audited		
Early retirement plan including pension supplement.....	55	43	98	62	7	69	15	9	24	27	2	29	73	567	640
Pension supplement for mandatory retirees during and after the reform period	65	-	65	101	-	101	42	-	42	24	-	24	128	-	128
Current salary costs	13	-	13	11	-	11	4	-	4	2	-	2	18	-	18
Retirement plan for employees loaned to purchasers of the sold generation units.....	34	-	34	(1)	-	(1)	8	-	8	10	-	10	7	-	7
Total.....	167	43	210	173	7	180	69	9	78	63	2	65	226	567	793
Total attributed to statement of profit and loss.....	*83	21	104	*160	10	170	*34	7	41	*46	3	49	*206	582	788
Total attributed to fixed assets	*51	18	69	*63	(1)	62	*26	4	30	*26	(1)	25	*78	(4)	74
Total attributed to other comprehensive income	*33	4	37	*(50)	(2)	(52)	*9	(2)	7	*(9)	-	(9)	*(58)	(11)	(69)

(*) For details regarding a regulatory asset with respect to the reform costs attributed to profit and loss and other comprehensive income - see Note 6 below.

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

1) Special Collective Agreement, Reform (organizational and structural change) and Special Collective Agreement (Early Retirements, Permanence Quota, One Time Grant to EPE and SMC Employees, and Additional Matters) and Special Collective Agreement (Early Retirements): (continued)

- e) Following is the composition of costs of the reform and the Special Collective Agreement as included in the actuarial liabilities after deducting insurance policy plan asset in the insurer company and in the current salary:

	For the Nine Months ended September 30						For the Three Months ended September 30						For the Year Ended December 31		
	2025			2024			2025			2024			2024		
	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total
	NIS in millions						NIS in millions						NIS in millions		
	Unaudited						Unaudited						Audited		
Obligation for pension															
Past service cost – change in plan terms due to implementation of collective agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	318	318
Current service cost and interest.....	48	22	70	63	8	71	15	7	22	19	2	21	83	12	95
Losses (profits) from remeasurement	7	10	17	(9)	(2)	(11)	(2)	(2)	(4)	8	1	9	(15)	(15)	(30)
Other post-employment benefits resulting from the collective agreement with respect to the reform and special collective agreements after deducting insurance policy plan asset in the insurer company															
Past service cost - change in the plan’s terms following implementation of special collective agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	19	19

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

	For the Nine Months ended September 30						For the Three Months ended September 30						For the Year Ended December 31		
	2025			2024			2025			2024			2024		
	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total	Collective Reform Agreement – see Section A above	Special Collective Agreements – see Section B and Section C above	Total
	NIS in millions						NIS in millions						NIS in millions		
	Unaudited						Unaudited						Audited		
Past service cost - change in the plan's terms following implementation of a special collective agreement (early retirements).....	-	-	-	-	-	-	-	-	-	-	-	-	-	230	230
Current service cost and interest	56	12	68	180	2	182	33	4	37	50	-	50	223	5	228
Losses (profits) from remeasurement	43	(1)	42	(72)	(1)	(73)	19	-	19	(16)	(1)	(17)	(83)	(2)	(85)
Current Salary Costs	13	-	13	11	-	11	4	-	4	2	-	2	18	-	18
Total.....	167	43	210	173	7	180	69	9	78	63	2	65	226	567	793
Total attributed to statement of profit and loss	83	21	104	160	10	170	34	7	41	46	3	49	206	582	788
Total attributed to fixed assets	51	18	69	63	(1)	62	26	4	30	26	(1)	25	78	(4)	74
Total attributed to other comprehensive income	33	4	37	(50)	(2)	(52)	9	(2)	7	(9)	-	(9)	(58)	(11)	(69)

For details regarding the accounting policy pertaining to the manner of implementation of the agreement - see Note 2u4 of the Annual Financial Statements.

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

f. Collective Agreements and Consents (continued)

2) 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. The impact of the agreement on the Financial Statements is immaterial.

3) 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.

- 4)** 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, for the period September 2025-December 2026, which includes the payment of an increased grant in addition to regular grants for employees who choose to join the agreement and are approved by the Company. As of the Financial Statements date, the Company has not yet begun implementing the agreement. As of the Financial Statement approval date, 40 employees requested and were approved to be included in the agreement. The estimated cost of the agreement for 40 employees is approximately NIS 33 million.

- 5)** For details of the Special Collective Agreement (continuing temporary employees), Special Collective Agreement (Generation C employees retiring as pensioners), agreement regarding remote work, a salary (framework) agreement in the public sector and its implications on the Company's actuarial liability, Amendment No. 4 to the Reform Agreement - Eshkol Agreement, the Collective Agreement to reduce wages for employees and the Termination of the validity of the Labor Law, see Note 12f Sections 2-8 of the Annual Financial Statements.

- g.** The total liabilities items, with respect to post-employment employee benefits according to the calculations of the Company as of September 30, 2025, September 30, 2024, and December 31, 2024, respectively, amount to a total of NIS 33,262 million, NIS 30,655 million and NIS 33,042 million, respectively.

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

h. Defined Benefit Liability

1) Changes in the present value of the obligation for pensions

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Present value of the obligation for pensions as of the beginning of the period.....	27,424	26,113	27,849	24,963	26,113
Cost of interest	1,109	1,145	371	382	1,531
Current service cost	44	55	14	19	74
Past service cost – changes in the plan's terms following implementation of collective agreements	2	-	-	-	319
Employee deposits.....	11	12	4	4	15
Benefits paid	(1,070)	(1,015)	(363)	(339)	(1,343)
	<u>27,520</u>	<u>26,310</u>	<u>27,875</u>	<u>25,029</u>	<u>26,709</u>
<u>Losses (gains) with respect to remeasurement:</u>					
Actuarial losses (gains) deriving from changes in financial assumptions.....	(11)	(1,218)	(206)	308	577
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") .	154	329	(8)	84	181
	<u>141</u>	<u>(889)</u>	<u>(214)</u>	<u>392</u>	<u>715</u>
Present value of the obligation for pensions as of the end of the period	<u>27,661</u>	<u>25,421</u>	<u>27,661</u>	<u>25,421</u>	<u>27,424</u>

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

h. 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 Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Present value of the obligation for other post-employment benefits that are not part of the collective agreement with respect to the reform and the special collective agreements as of the beginning of the period	2,756	2,623	2,816	2,525	2,623
Cost of interest.....	113	116	38	41	155
Current service cost	42	37	14	11	50
Past service cost – changes in the plan's terms following implementation of collective agreements	-	-	-	-	19
Past service cost - implementation of collective agreements	3	-	3	-	-
Benefits paid	(105)	(108)	(37)	(44)	(156)
	<u>2,809</u>	<u>2,668</u>	<u>2,834</u>	<u>2,533</u>	<u>2,691</u>
<u>Losses (gains) with respect to remeasurement:</u>					
Actuarial losses (gains) deriving from changes in financial assumptions.....	(9)	(132)	(22)	25	70
Actuarial losses (gains) deriving from demographical assumptions	3	-	4	-	(7)
Adjustments based on past experience	10	33	(3)	11	2
	<u>4</u>	<u>(99)</u>	<u>(21)</u>	<u>36</u>	<u>65</u>
Present value of the obligation for other post-employment benefits that are not part of the collective agreement with respect to the reform and the special collective agreement as of the end of the period.....	<u>2,813</u>	<u>2,569</u>	<u>2,813</u>	<u>2,569</u>	<u>2,756</u>

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

h. 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 Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
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 beginning of the period	2,776	2,610	2,682	2,560	2,610
Past service cost – changes in the plan's terms following implementation of collective agreements	-	-	-	-	230
Cost of interest.....	112	117	37	40	155
Cost of current service	(4)	90	13	17	107
Benefits paid	(118)	(86)	(35)	(18)	(144)
Payments transferred to the insurance company*	(83)	(98)	(21)	(23)	(126)
	2,683	2,633	2,676	2,576	2,832
<u>Losses (gains) with respect to remeasurement:</u>					
Actuarial losses (gains) deriving from changes in financial assumptions.....	(14)	(32)	3	18	(14)
Adjustments based on past experience	31	(19)	21	(12)	(42)
	17	(51)	24	6	(56)
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 end of the period	2,700	2,582	2,700	2,582	2,776

* See section f1a2 above

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

h. Defined Benefit Liability (continued)

3) Changes in present value of the obligation with respect to special agreements on early retirement

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Present value of the obligation with respect to special agreements for early retirement as of the beginning of the period	86	88	89	85	88
Cost of interest	3	3	1	2	4
Additional provision with respect to employee retirement within the special retirement plan.....	16	11	4	3	18
Benefits paid	(18)	(21)	(6)	(7)	(27)
Actuarial losses with respect to the obligation charged to the Profit and Loss..	1	2	-	-	3
Present value of the obligation with respect to special agreements for early retirement as of the end of the period	88	83	88	83	86

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

i. Plan 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 pensions to the employees entitled to 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. From February 2022, the Phoenix Holdings Company manages the Central Pension Fund. For further details see Note 12j to the Annual Financial Statements.
- b) According to the Financial Statements of the Fund, the actuarial liability as of September 30, 2025, is NIS 31,786 million and the Company's surplus in the fund is approximately NIS 9,101 million. According to the Financial Statements of the Company, its actuarial liability for the pension obligations as of September 30, 2025, is NIS 27,749 million.

For details regarding the nature of the difference and differences in calculation of the liability between the Company and the Fund, the response of the Commissioner of Capital Markets, Insurance and Savings of the Ministry of Finance, and the Companies Authority's notification to the Company that it is executing an examination in this matter, see Note 12j1b to the Annual Financial Statements.
- c) For details of the Control of Financial Services (Provident Funds) (Rules for Management of a Central Provident Fund) Regulations – 2012 and the circular of the Commissioner of Capital Markets, Insurance and Savings "Instructions for Management of a Central Provident Fund", see Note 12j1c to the Annual Financial Statements. As part of the Company's reports to the Capital Market Authority regarding the execution of actual deposits with respect to the early retirement plan in accordance with the Collective Agreement and the forecasted provisions with respect to the reform years, it reported the expansion of early retirements by 200 additional retirements in accordance with the Collective Agreement signed in November 2020, so that the payment plan of the fund also applies to these retirements. In addition, it was also reported that the early retirement arrangement was expanded by 300 additional retirements in accordance with a collective agreement signed in November 2024, so that the aforementioned outline also applies to these retirements.
- d) The Company deposited in the fund, including the costs of the plan's assets, a total of NIS 101 million during the nine months ended on September 30, 2025.
- e) The Fund approved its financial statements of September 30, 2025, on November 5, 2025.
- 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 from the Statement of Financial Position date until the end of 2025 will amount to approximately NIS 4 million (not including forecast with respect to early retirement campaigns).

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

i. Plan Assets (continued)

2) Changes in the fair value of the assets of the plan

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Fair value of plan assets as of the beginning of the period	39,415	38,410	40,287	37,596	38,410
Interest income on plan assets	1,600	1,688	536	566	2,257
Deposits including costs of the plan assets	101	24	8	8	31
Benefits paid	(1,070)	(1,025)	(361)	(345)	(1,348)
<u>Gains (losses) with respect to remeasurements of plan assets:</u>					
Yield on plan assets (except for sums included in interest income)	841	(552)	417	720	65
Fair value of plan assets as of the end of the period	40,887	38,545	40,887	38,545	39,415
	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Interest income on plan assets	1,600	1,688	536	566	2,257
Gains (losses) with respect to remeasurements of plan assets	841	(552)	417	720	65
Actual yield on plan assets	2,441	1,136	953	1,286	2,322

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

i. Plan Assets (continued)

3) Changes in the fair value of the insurance policy plan in the insurance company

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Fair value of plan assets of the insurance policy of the insuring company as of the beginning of the period	804	386	1,150	774	386
Interest income on plan assets	40	25	13	7	34
Deposits including costs of the plan assets	372	379	-	-	379
Benefits paid	(37)	(15)	(14)	(7)	(24)
	<u>1,179</u>	<u>775</u>	<u>1,149</u>	<u>784</u>	<u>775</u>
<u>Gains (losses) with respect to remeasurements and excess of plan assets of the insurance policy of the insuring company:</u>					
Excess of plan assets over liabilities.....	(84)	-	(28)	-	-
Yield on plan assets (except for sums included in interest income)	<u>59</u>	<u>22</u>	<u>33</u>	<u>23</u>	<u>29</u>
Total yield recognized on plan assets (except for sums included in interest income)	<u>(25)</u>	<u>22</u>	<u>5</u>	<u>23</u>	<u>29</u>
Fair value of plan assets of the insurance policy of the insuring company as of the end of the period	<u>1,154</u>	<u>797</u>	<u>1,154</u>	<u>797</u>	<u>804</u>

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Interest income on plan assets of the insurance policy of the insuring company .	40	25	13	7	34
Gains (losses) with respect to remeasurements and excess of plan assets of the insurance policy of the insuring company	<u>(25)</u>	<u>22</u>	<u>5</u>	<u>23</u>	<u>29</u>
Actual yield recognized on plan assets of the insurance policy of the insuring company	<u>15</u>	<u>47</u>	<u>18</u>	<u>30</u>	<u>63</u>

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

j. Funds in Trust

- 1) Funds in trust are designated to cover actuarial liabilities for pension payments to pensioners with budgetary pensions, with respect to non-pension salary components and liabilities, as related to the termination of employer-employee relationships and are invested in Government and corporate bonds, deposits and Exchange Traded Funds, presented according to their fair value. See Note 12k to the Annual Financial Statements.
- 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 Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Fair value of funds in trust as of the beginning of the period	1,057	1,095	1,072	1,040	1,095
Interest income from funds in trust	42	47	14	15	63
Current refunds.....	(98)	(52)	(66)	(13)	(99)
<u>Gains (Losses) with respect to remeasurement:</u>					
Yield on plan assets (except for sums included interest income)	29	(30)	10	18	(2)
Fair value of funds in trust as of the period end	<u>1,030</u>	<u>1,060</u>	<u>1,030</u>	<u>1,060</u>	<u>1,057</u>

- 3) Yield of funds in trust:

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Interest income from funds in trust	42	47	14	15	63
Gains (losses) with respect to remeasurement of funds in trust	29	(30)	10	18	(2)
Actual yield on funds in trust	<u>71</u>	<u>17</u>	<u>24</u>	<u>33</u>	<u>61</u>

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

k. Capital Reserves with Respect to Remeasurements of Actuarial Profits (Losses), net, which were not attributed to fixed assets and to regulatory deferral accounts (Before Tax Effect)

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Balance as of the beginning of the period ..	(96)	529	(30)	597	529
Gains (losses) from remeasurements	598	388	556	279	(567)
Losses (gains) from remeasurements attributed to movement in the balance of a regulatory deferral asset due to the reform	33	(50)	9	(9)	(58)
Balance as of the end of the period	<u>535</u>	<u>867</u>	<u>535</u>	<u>867</u>	<u>(96)</u>
Gains (losses) from remeasurements, net of tax	<u>460</u>	<u>298</u>	<u>428</u>	<u>215</u>	<u>(437)</u>

l. Re-measurements which were Capitalized to Assets Cost (Fixed Assets)

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Increase (decrease) in fixed assets	<u>(85)</u>	<u>(91)</u>	<u>(87)</u>	<u>(48)</u>	<u>65</u>

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

m. Amounts Presented in Cost of Salaries, in Expenses with respect to Liabilities to Pensioners, the results of the Reform Agreements and other agreements, and in fixed assets

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
1) Cost of Salaries Results of the Reform Agreement and other agreements and Expenses with respect to Liabilities to Pensioners					
Current service cost.....	82	182	41	47	231
Past service cost – change in the plan's terms following implementation of collective agreements	5	-	3	-	568
Cost of interest except for cost of interest with respect to early retirement	1,334	1,378	446	463	1,841
Interest revenues (*)	(1,682)	(1,760)	(563)	(588)	(2,354)
Costs due to early retirement and other costs	24	21	5	6	32
Total cost recognized in salaries cost with respect to liabilities to pensioners	(237)	(179)	(68)	(72)	318
2) Income with respect to Liabilities to Pensioners only					
Cost of interest except for cost of interest with respect to early retirement	792	818	265	274	1,094
Interest revenues (*)	(1,035)	(1,096)	(345)	(367)	(1,464)
Costs due to early retirement and other costs	22	18	5	6	29
Total cost recognized in income with respect to liabilities to pensioners	(221)	(260)	(75)	(87)	(341)

(*) For plan assets and funds in trust

NOTE 5:- POST EMPLOYMENT EMPLOYEE BENEFITS (continued)

n. Main Actuarial Assumptions Applied to the Actuarial Liability and Plan Assets

	For the Nine Months ended September 30		For the Year ended December 31
	2025	2024	2024
	NIS in millions		
	Unaudited		Audited
The weighted real discount rate for the end of the period grossed in the present value of the obligation	3.03%	3.52%	2.99%
Nominal rate of return used to calculate the interest cost	5.52%	5.99%	5.99%
Anticipated annual nominal rate of return grossed in the fair value of plan assets	5.52%	5.99%	5.99%
Average liability lifetime	13.04 years	13.03 years	13.6 years
Real update of salaries during the working period.....	Personal salary development model of the active employees (according to the salary table + promotion in ranks according to the work agreements + seniority promotion + personal promotion assessment 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 determination of the determining salary for employees that will retire from 2028 onwards, the Company assumes an annual salary erosion of approximately 0.90% in real terms (an estimate that has been determined by taking into account past experience and is derived from a forecasted inflation rate).		

Regarding real update of pension sums after employment termination and pensioners' mortality and survivors including mortality data update see Note 12o to the Annual Financial Statements.

o. Analysis of sensitivity of main actuarial assumptions as of September 30, 2025 (in NIS millions):

Actuarial assumptions	Change %	Increase in liability	Change %	Decrease in liability
Rate of interest for capitalization	(0.1)	385	0.1	377
Rate of salary annual increase assumption for the years after 2027	0.5	154	(0.5)	149

Manner of determining the sensitivity – the actuarial liability for each of the aforementioned 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.

p. 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.

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 6:- BALANCE OF REGULATORY DEFERRAL ACCOUNTS

- a. For additional information regarding regulatory deferral accounts see Note 15 to the Annual Financial Statements.
- b. Details of the amounts and transactions in regulatory deferral accounts for the nine months ended on September 30, 2025:

Balance As of January 1, 2025	Transactions for the nine months ended on September 30, 2025			Classification	Balance As of Sept 30, 2025	Period remaining for refund/ cancellation Years
	Creation / recognition	Refund / cancellation				
	(NIS millions)					
Audited	Unaudited					
175	240	(325)	-	90	1	
408	270	(279)	-	399	1	
45	15	(43)	-	17	1	
62	14	(44)	-	32	1	
21	155	(195)	19	-	1	
509	401	(346)	-	564	1	
81	(305)	(179)	403	-	1	
3,321	729	(181)	-	3,869	10-45	
2,267	633	-	-	2,900	1-45	
3,279	148	(657)	-	2,770	3-45	
-	-	-	977	977	1-3	
10,168	2,300	(2,249)	1,399	11,618		
638	-	(38)	-	600	11-17	
-	-	-	403	403	1	
	-	-	19	19	1-2	
1,220	(1,269)	(928)	977	-	1	
591	(35)	(134)	-	422	3	
95	24	(73)	-	46	1	
2,544	(1,280)	(1,173)	1,399	1,490		
1,056				1,180		
3,600				2,670		
					Change	
6,568				8,948	2,380	

The change in the nine months ended on September 30, 2025, is divided as follows:

Movement in regulatory deferral accounts before tax, attributed to profit and loss (*)	2,471
Movement in regulatory deferral accounts before tax, attributed to other comprehensive income (**).....	33
Change in deferred taxes included in credit balances of regulatory deferral accounts and deferred tax	(124)
Total	2,380
* Movement in regulatory deferral accounts attributed to profit and loss, net of tax	1,903
** Movement in regulatory deferral accounts attributed to other comprehensive income, net of tax	25

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 6:- BALANCE OF REGULATORY DEFERRAL ACCOUNTS (continued)

c. Details the amounts and transactions in regulatory deferral accounts for the nine months ended on September 30, 2024:

	Transactions for the nine months ended					Balance	Period remaining for refund / cancellation Years
	Balance	on September 30, 2024			Classification		
	As of	Creation / recognition	Refund / cancellation	For Eshkol site sale			
	January 1, 2024						
	(NIS millions)					As of Sept 30, 2024	
	Audited	Unaudited					
Debit balance of regulatory deferral accounts							
With respect to income balancing.....	36	-	-	(36)	-	-	1
With respect to non-consecutive update of the fuels component in the rate.....	2,105	287	(100)	(2,449)	157	-	1
With respect to social rate	360	286	(234)	(34)	-	378	1
With respect to load management arrangements	-	66	(46)	22	-	42	1
With respect to gap between update date of fixed payment component	81	37	(11)	(42)	-	65	2
With respect to replacement of meters	153	126	(72)	(210)	3	-	1
With respect to electricity purchases from private electricity producers and photovoltaic installations	984	615	(73)	(1,002)	-	524	1
With respect to linkage differentials	2,724	1,043	(287)	-	-	3,480	10-45
With respect to depreciation differences and rate recognition for the fixed assets	1,657	596	(90)	(59)	(47)	2,057	1-45
With respect to sale of sites	12	(6,507)	993	5,024	478	-	1
With respect to reform costs.....	3,943	141	(632)	(45)	-	3,407	3-45
With respect to proceeds from sale of Eshkol that was not yet designated	-	-	-	(1,477)	-	(1,477)	-
Total	12,055	(3,310)	(552)	(308)	591	8,476	
Credit balance of regulatory deferral accounts							
With respect to consumer participation in financing sites sold	690	-	(39)	-	-	651	12-18
With respect to non-consecutive update of the fuel component in the rate.....	-	-	-	-	157	157	1-2
With respect to the gap between actual rate update dates and the theoretical rate	801	(355)	(42)	(308)	(47)	49	1-3
With respect to replacement of meters	-	-	-	-	3	3	1-2
With respect to sale of sites	-	-	-	-	478	478	1
With respect to the compromise agreement with the Egyptian Gas Companies	742	40	(147)	-	-	635	5
Total	2,233	(315)	(228)	(308)	591	1,973	
Deferred taxes with respect to part of the regulatory deferral accounts	978					1,037	
Total credit balances of regulatory deferral accounts and deferred tax	3,211					3,010	
Total balance of regulatory deferral accounts, net	8,844					5,466	Change (3,378)

The change in the nine months ended on September 30, 2024, is divided as follows:

Movement in regulatory deferral accounts before tax, attributed to profit and loss (*)	(3,269)
Movement in regulatory deferral accounts before tax, attributed to other comprehensive income (**).....	(50)
Change in deferred taxes included in credit balances of regulatory deferral accounts and deferred tax	(59)
Total	(3,378)

* Movement in regulatory deferral accounts attributed to profit and loss, net of tax (2,518)

** Movement in regulatory deferral accounts attributed to other comprehensive income, net of tax (39)

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 6:- BALANCE OF REGULATORY DEFERRAL ACCOUNTS (continued)

d. Details of the amounts and transactions in regulatory deferral accounts for the three months ended on September 30, 2025:

Balance As of July 1, 2025	Transactions for the three months ended on September 30, 2025			Classification	Balance As of Sept 30, 2025	Period remaining for refund/ cancellation Years
	Creation / recognition	Refund / cancellation				
(NIS millions)						
Audited	Unaudited					
469	(201)	(178)	-	90	1	
414	94	(109)	-	399	1	
35	2	(20)	-	17	1	
51	(5)	(14)	-	32	1	
5	52	(76)	19	-	1	
268	516	(220)	-	564	1	
-	(171)	(122)	293	-	1	
3,776	169	(76)	-	3,869	10-45	
2,770	130	-	-	2,900	1-45	
2,994	53	(277)	-	2,770	3-45	
602	-	-	375	977	1-3	
11,384	639	(1,092)	687	11,618		
613	-	(13)	-	600	11-17	
110	-	-	293	403	1	
-	-	-	19	19	1-2	
-	17	(392)	375	-	1	
478	(2)	(54)	-	422	3	
65	12	(31)	-	46	1	
1,266	27	(490)	687	1,490		
1,148				1,180		
2,414				2,670		
8,970				8,948	Change (22)	

The change in the three months ended on September 30, 2025, is divided as follows:

Movement in regulatory deferral accounts before tax, attributed to profit and loss (*)	1
Movement in regulatory deferral accounts before tax, attributed to other comprehensive income (**)	9
Change in deferred taxes included in credit balances of regulatory deferral accounts and deferred tax	(32)
Total	(22)
(*) Movement in regulatory deferral accounts attributed to profit and loss, net of tax	-
(**) Movement in regulatory deferral accounts attributed to other comprehensive income, net of tax	7

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 6:- BALANCE OF REGULATORY DEFERRAL ACCOUNTS (continued)

e. Details of the amounts and transactions in regulatory deferral accounts for the three months ended on September 30, 2024:

	Transactions for the three months ended on				Period remaining for refund / cancellation
	Balance	September 30, 2024		Classification	Years
	As of July 1, 2024	Creation / recognition	Refund / cancellation		As of Sept 30, 2024
		(NIS millions)			
	Unaudited				
Debit balance of regulatory deferral accounts					
With respect to non-consecutive update of the fuels component in the rate	41	(140)	(58)	157	- 1
With respect to social rate.....	376	95	(93)	-	378 1
With respect to load management arrangements.....	42	20	(20)	-	42 1
With respect to gap between update date of fixed payment component	44	25	(4)	-	65 2
With respect to electricity purchases from private electricity producers and photovoltaic installations.....	60	464	-	-	524 1
With respect to the gap between actual rate update dates and the theoretical rate.....	221	(179)	(91)	49	- 2-3
With respect to linkage differentials.....	3,160	396	(76)	-	3,480 10-45
With respect to depreciation differences and rate recognition for the fixed assets	1,851	206	-	-	2,057 1-45
With respect to reform costs.....	3,604	48	(245)	-	3,407 3-45
With respect to proceeds from sale of Eshkol that was not yet designated	(1,477)	-	-	-	(1,477) 1-3
Total.....	7,922	935	(587)	206	8,476
Credit balance of regulatory deferral accounts					
With respect to consumer participation in financing sites sold	664	-	(13)	-	651 12-18
With respect to non-consecutive update of the fuel component in the rate	-	-	-	157	157 1-2
With respect to the gap between actual rate update dates and the theoretical rate.....	-	-	-	49	49 1-3
With respect to replacement of meters	24	(49)	28	-	3 1-2
With respect to sale of sites	949	-	(471)	-	478 1
With respect to the compromise agreement with the Egyptian Gas Companies.....	696	(1)	(60)	-	635 5
Total.....	2,333	(50)	(516)	206	1,973
Deferred taxes with respect to part of the regulatory deferral accounts	1,000				1,037
Total credit balances of regulatory deferral accounts and deferred tax	3,333				3,010
Total balance of regulatory deferral accounts, net.....	4,589				5,466
					Change 877

The change in the third quarter of 2024 is divided as follows:

Movement in regulatory deferral accounts before tax, attributed to profit and loss (*)	923
Movement in regulatory deferral accounts before tax, attributed to other comprehensive income (**)	(9)
Change in deferred taxes included in credit balances of regulatory deferral accounts and deferred tax	(37)
Total.....	877
* Movement in regulatory deferral accounts attributed to profit and loss, net of tax	710
** Movement in regulatory deferral accounts attributed to other comprehensive income, net of tax	(7)

NOTE 6:- BALANCE OF REGULATORY DEFERRAL ACCOUNTS (continued)

Transactions for the year ended on					Balance	Period remaining for refund / cancellation Years
Balance	December 31, 2024					
As of January 1, 2024	Creation / recognition	Refund / cancellation	For Eshkol site sale	Classification	As of December 31, 2024	
(NIS millions)						
Audited						

With respect to income balancing.....	36	-	-	(36)	-	-	1
With respect to non-consecutive update of the fuels component in the rate.....	2,105	621	(102)	(2,449)	-	175	1
With respect to social rate	360	387	(305)	(34)	-	408	1
With respect to load management arrangements	-	80	(57)	22	-	45	1
With respect to gap between update date of fixed payment component	81	37	(14)	(42)	-	62	1
In respect of exchange of meters	153	105	(27)	(210)	-	21	1
With respect to electricity purchase from private electricity producers and photo-voltaic installations.....	984	603	(76)	(1,002)	-	509	1
With respect to a gap between actual rate update dates and the theoretical tariff	-	-	-	-	81	81	1
With respect to linkage differentials	2,724	926	(329)	-	-	3,321	10-45
With respect to depreciation differences and rate recognition for the fixed assets	1,657	759	(149)	-	-	2,267	1-45
With respect to sale of sites	12	(6,000)	1,288	3,480	1,220	-	1
With respect to reform costs.....	3,943	192	(811)	(45)	-	3,279	3-45
Total	12,055	(2,290)	(582)	(316)	1,301	10,168	

With respect to consumer participation in financing sites held for sale.....	690	-	(52)	-	-	638	11-17
With respect to a gap between actual rate update dates and the theoretical update.....	801	(533)	(33)	(316)	81	-	1
With respect to sale of sites	-	-	-	-	1,220	1,220	1
With respect to the compromise agreement with the Egyptian Gas Companies	742	36	(187)	-	-	591	5
With respect to capacity coefficient.....	-	95	-	-	-	95	1
Total	2,233	(402)	(272)	(316)	1,301	2,544	

Total credit balances of regulatory deferral accounts and deferred tax	3,211	3,600
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Total balance of regulatory deferral accounts, net	8,844	6,568	(2,276)
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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)
Reclassification	-
Total	(2,276)

** Movement in regulatory deferral accounts attributed to other comprehensive income, net of tax	(45)
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NOTE 6:- BALANCE OF REGULATORY DEFERRAL ACCOUNTS (continued)

- g. Regulatory accounts are measured on a non-capitalized basis. In some cases, the non-capitalized balance accumulates interest until the collection date in accordance with the interest rate determined by the Electricity Authority, as applicable. For additional details, see Note 3i of the Annual Financial Statements.
- h. For details regarding the Authority's decision regarding the value of the land at the Eshkol site and its impact on the balances of regulatory deferral accounts, see Note 3h.
- i. For details regarding the decision proposal regarding updating the rate structure, see Note 3a. To the extent that the proposal becomes a final decision, it may affect the repayment period of regulatory assets and liabilities in accordance with the coefficients and the total cumulative differences between the effective rate and the theoretical rate as detailed in the decision proposal.

NOTE 7:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS

a. Material Fundraisings and Repayments:

1. Material Fundraisings during the Financial Statements period

- a) On May 12, 2025, the Company raised a total of approximately NIS 960 million through the issuance of negotiable debentures Series 36 and 37 pursuant to a Shelf Prospectus dated April 18, 2024 as detailed below:
 - Series 36 (index-linked) – in the amount of NIS 387 million par value for a consideration of 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 debentures principal shall be repaid in one installment on May 11, 2041.
- b) During the Financial Statement period, the Company made withdrawals from short-term credit lines in the amount of NIS 100 million, which were repaid in full after the Statement of Financial Position date.

2. Material repayments during the Financial Statements 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 (non-negotiable) debentures from the "Linked Electric Linked 2029" series were partially repaid in an amount of approximately NIS 128 million par value (a total of approximately NIS 149 million including linkage differentials) issued to institutional investors in 2014.

NOTE 7:- DEBENTURES AND LIABILITIES TO BANKING CORPORATIONS AND OTHERS (continued)

b. Credit rating:

Below are updates on the credit rating of the Company in the reported period and after the Statement of Financial Position date:

	Rating company	The subject of the rating	Date	Rating	Outlook	The nature of rating action
a. Events during the reported period						
International rating	S&P Global Ratings	Issuer and Senior Secured Foreign Currency Debt Rating	January 29, 2025	BBB+	Negative	Rating ratification, removal from watch list with negative implications and determining negative outlook
			May 20, 2025	BBB+	Negative	Rating ratification
Local rating	S&P Maalot	Issuer and Senior Secured Local Currency Debt Rating	February 5, 2025	ilAAA	Negative	Rating ratification, removal from watch list with negative implications and determining negative outlook
			May 26, 2025	ilAAA	Negative	Rating ratification
	Midroog	Debenture rating in local currency	March 31, 2025	Aaa.il	Stable	Rating upgrade and change of outlook from positive to stable
b. Events after the Statement of Financial Position date:						
International rating	Moody's	Issuer and Senior Secured Foreign Currency Debt Rating	October 21, 2025	Baa2	Negative	Determining an issuer rating and ratification of a senior secured foreign currency debt rating

For additional details regarding the Company's credit rating, see Note 20g to the Annual Financial Statements.

c. Terms of the Company's financing agreements which might result in immediate repayment:

The Company's financing contracts include provisions that provide the lender with the right to demand immediate repayment of the unpaid balance of the loan and the accrued interest. For details, see Note 20e to the Annual Financial Statements.

In the Company's opinion, at the time of reporting and on the Financial Statements approval date, none of the lenders with whom it has contracted have grounds to demand immediate repayment of the Company's debt to them, including with regard to compliance with the MAC conditions.

NOTE 8:- REVENUES

- a. Demand for electricity in Israel is seasonal. In this context, the seasons are defined as summer (the months of June to September), winter (the months of December through February) and the transitional seasons – spring (the months of March to May) and autumn (the months of October to November).

Demand is higher in summer (due to the use of air conditioners) and in winter (due to the use of heaters) in comparison to the transitional seasons. In summer and winter, the average electricity consumption is higher than during the transitional seasons and is even characterized by peak demand due to extreme conditions of heat or cold.

In addition, the Company's revenues in the various seasons are affected by changes in rates for consumers paying in accordance with load and time, since average load and time rates are higher in summer and winter, in comparison to the load and time rates in the transitional seasons.

b. Composition:

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	NIS in millions				
	Unaudited				Audited
Revenue from the sale of electricity	17,228	17,322	7,382	7,552	21,789
Revenue from the sale of infrastructure services and system management	1,276	803	539	345	1,073
Revenue from the sale of electricity to the East Jerusalem Electric Company and the Palestinian Authority	2,390	2,219	795	993	2,979
Other income (1)	229	216	90	89	343
	21,123	20,560	8,806	8,979	26,184

(1) Mainly included in the sectors of distribution, supply and activity that is not part of the electricity chain.

Rate update

On January 1, 2025, the domestic consumer tariff increased by approximately 3.5% as compared to the tariff published on February 1, 2024.

For additional details regarding updates of the electricity rate, see Note 27 to the Annual Financial Statements. For details regarding the decision proposal for updating the tariff structure, see Note 3a above.

c. Scope of sales arising from electricity purchases:

	For the Nine Months ended September 30		For the Three Months ended September 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	Unaudited				Audited
Electricity sales of the Company (in millions of kWh) (*)	36,620	37,995	14,601	15,529	48,692
Scope of electricity purchases by the Company (in millions kWh)	15,373	15,716	6,612	7,392	19,856
Their part of the total electricity sales of the Company (in %)	42%	41%	45%	48%	41%

(*) Without infrastructure services which are mainly electricity transmission and distribution services provided for private electricity producers and private suppliers.

NOTE 9:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES, AND LABOR DISPUTES

a. Agreements

1. Agreement for the supply of gas from "Tamar Field"

Further to Note 35a1 to the Annual Financial Statements, regarding the negotiations conducted by the Company and Tamar Partners regarding the opening of the price tender for the minimum quantity on July 24, 2025, the Company entered into a non-binding memorandum of understanding with most of the Tamar Partners regarding the price opening for the minimum quantity, as stipulated in the agreement for the purchase of natural gas from the Tamar reservoir between the Company and Tamar Partners dated March 2012 (as amended in July 2021).

According to the Memorandum of Understanding, the parties will allow the other partners to join as additional parties to the Memorandum of Understanding within a period of 30 days from the date of its signing, or a longer period as agreed between the parties. To the extent that at the end of said period the other partners do not join as additional parties as stated, it was agreed that the parties (even without the other partners) will negotiate in good faith to enter into a new agreement based on the same principles of the Memorandum of Understanding. It was further determined that the Memorandum of Understanding will remain in effect until the earlier of: (a) the signing of a final agreement; and (b) the expiration of a period of 90 days from the date of signing the Memorandum of Understanding (unless extended by written agreement of the parties).

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. Adjacent to receiving Isramco's notice, an extension was granted by the Company at the request of some partners who did not sign the MOU to examine joining the MOU and/or agreement to the extent it is formulated until the end of the date set forth in the MOU effective October 23, 2025.

After the Statement of Financial Position date, 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.

The Company is studying the implications of Isramco's and Tamar Petroleum's notices and their conduct, its effects on the negotiation process and examining the alternatives available to it according to the Tamar agreement and the provisions of any Law with respect to all partners including resorting to arbitration.

In light of the aforementioned, gas expenses in the nine months ended September 30, 2025, were recorded in accordance with the binding agreement in effect as of the Financial Statement date.

2. Agreement to purchase gas under a SPOT agreement from the Leviathan field

On July 4, 2021, a SPOT agreement was signed to purchase natural gas from the Leviathan reservoir. The original agreement expired on July 1, 2022. The agreement has been extended several times, the current agreement is valid until July 1, 2026.

3. Entry into a SPOT agreement to purchase natural gas from the Karish reservoir

On March 14, 2022, a SPOT agreement was signed to purchase natural gas from the Karish reservoir. The original agreement expired on October 17, 2023. The agreement has been extended several times, the current agreement is valid until October 17, 2026.

For additional details regarding the Company's agreements for supply of natural gas from the "Tamar", "Leviathan" and "Karish" fields, see Note 35a to the Annual Financial Statements.

NOTE 9:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES, AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities:

1. Following are the main changes that occurred up to the date of approval of the Financial Statements in respect of requests to certify class actions and petitions approved as class actions that were filed against the Company in relation to that detailed in Note 35b to the Annual Financial Statements:
 - a) After the Statement of Financial Position date, 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. At this preliminary stage of the proceedings, the Company is unable to assess the prospects of the application being accepted.
 - b) On May 11, 2025, an application for approval of a class action was filed against the Company in an amount of NIS 21 million alleging that the Company overcharges its customers for transactions by credit card. After the grant of an extension, the Company must submit its response to the application by November 23, 2025. At this preliminary stage of the proceedings, the Company's legal advisors are unable to assess the prospects of the application being accepted.
 - c) 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 Beersheva 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.
 - d) Further to that stated in Note 35b1a to the Annual Financial Statements regarding an application to approve a class action alleging discrimination against minority shareholders that was rejected in a judgment dated May 16, 2022, which was appealed on September 8, 2022. On June 26, 2025, the State and the appellants submitted their arguments regarding the purchase value. The Court granted several extension requests filed by the parties for filing their responses to arguments filed in the first round and in the decision dated October 1, 2025, it was determined that the second round of the parties' arguments will be filed by October 30, 2025. The Company granted its consent to the State's request for an additional extension until November 30, 2025. The Company's legal advisors estimate that with regard to the appeal against the Company, it is more likely than not that the appeal will be dismissed.
 - e) Further to that stated in Note 35b1b to the Annual Financial Statements regarding the application to approve a class action regarding environmental hazards from coal dust and coal ash at the Orot Rabin power station in Hadera, on April 24, 2025, a compromise arrangement was submitted to the Court for an immaterial amount. On May 25, 2025, the applicants submitted the application for approval of the compromise arrangement to the Attorney General's representative. In addition, in accordance with the same decision, an announcement regarding the compromise arrangement was published in the press and on the Company's website. In accordance with the Court's decision, an extension was granted for submitting the position of the Attorney General by November 9, 2025. On November 10, 2025, the State Attorney filed an additional motion to extend the time for filing the position of the Attorney General and as of the Financial Statements approval date, the Court's decision was not yet rendered on the motion. The Company's legal advisors estimate that, at this stage of the proceeding, it can be said that it is more likely than not that the application for approval in its current form will not be approved and it is more likely than not that the case will end in a compromise arrangement for an insignificant amount.
 - f) Further to that stated in Note 35b1e to the Annual Financial Statements regarding the application for approval of a class action alleging artificial and deliberate inflating of project costs, a mediation process was held between the parties. After the grant of an extension, the Court ordered the parties to return and update regarding the mediation process by December 4, 2025. At this preliminary stage of the procedure, before the evidentiary process begins, it can be assessed, with all due caution, that it is more likely than not that the application for approval will be rejected.

NOTE 9:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES, AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

1. (continued)

- g) Further to that stated in Note 35b1f to the Annual Financial Statements alleging violation of the provisions of the collection proceedings criteria taken by the Company unlawfully, on September 21, 2025, a request for approving a settlement agreement was filed. A preliminary hearing regarding the request to approve the settlement agreement was scheduled for November 20, 2025. At this stage of the proceedings, the Company's legal advisors estimate that it is more likely than not that the compromise arrangement between the parties for an insignificant amount for which a provision was made in the Financial Statements will be approved by the Court.
- h) Further to that stated in Note 35b1g to the Annual Financial Statements regarding a request to approve a class action alleging the publication of the privacy policy on the Company's website as well as a claim regarding the collection of identifying information about customers and its transfer to third parties without the customers' informed consent. On May 26, 2025, the Court approved the settlement agreement submitted to it by the parties, the outcome of which is not material and validated it as a judgment.
- i) Further to that stated in Note 35b1h to the Annual Financial Statements regarding the consideration paid by the Company to its customers who request to connect to the electricity grid for the construction of transformer rooms, the parties are conducting negotiations in an attempt to reach agreements out of Court. After receiving several extensions, the applicant must submit its position and update the results of the negotiations between the parties by November 30, 2025.

At this preliminary stage of the procedure, before the evidentiary process has begun, in the assessment of the Company's legal advisors, it is more likely than not that the application for approval will be rejected.

- j) Further to that stated in Note 35b1i of the Annual Financial Statements regarding the application to approve a class action alleging 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, 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.
- k) Further to that stated in Note 35b1j of the Annual Financial Statements regarding the application to approve a class action alleging that the Company does not credit anyone charged by the Company for the cost of sending a notification before disconnection (bill payment alert) despite receiving the notification via e-mail in accordance with the criteria, on May 28, 2025, the District Court issued a ruling approving the request to withdraw and the termination of the case for an immaterial amount, which has already been refunded by the Company to consumers.
- l) Further to that stated in Note 35b1k of the Annual Financial Statements regarding the application to approve a class action alleging 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. 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.
- m) Further to that stated in Note 35b1l of the Annual Financial Statements regarding the approval of a class action lawsuit in excess of NIS 2.5 million alleging unlawful overcharging for a fixed payment in distribution and a fixed payment in supply at an incorrect rate and with an incorrect billing frequency. On July 21, 2025, the applicant submitted to the Court an agreed application for withdrawal with no order for compensation and professional fees. On August 11, 2025, the Court approved the agreed-upon withdrawal request.
- n) Further to that stated in Note 35b1m of the Annual Financial Statements regarding the approval of a class action on the charging of meter reading fees in cases where a smart meter is installed and the Company does not perform meter reading, on July 10, 2025, a pre-trial hearing was held. On July 24, 2025, a notice was filed on behalf of the parties under which they stand by their allegations and seek that the Court will hear and decide the application for approval. At this preliminary stage of the proceedings and considering that a request for approval of a similar class action filed against the Company ended with the applicants withdrawing from the request for approval after two pre-trial hearings were held and after receiving the position of the Electricity Authority, the Company's legal advisors estimate that it is more likely than not that the application for approval will be rejected.

NOTE 9:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES, AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

1. (continued)

- o) Further to that stated in Note 35b2a to the Annual Financial Statements regarding the approval of a class action regarding the claim that the Company is causing prolonged and unreasonable delays in sending the 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 failing to pay arrears interest due to these producers for such delays, contrary to the agreement between the parties and/or the binding criteria on the Company and/or the provisions of the Law, a mediation procedure is underway between the parties. The Company will submit a response to the approval application if the mediation procedure is unsuccessful. Given the preliminary stage of the procedure, the Company's legal advisors are unable to assess the chances of the application being approved.
- p) Further to that stated in Note 35b2b to the Annual Financial Statements regarding the approval of a class action on the grounds that in the absence of the possibility for people with disabilities to perform meter readings themselves, since, according to the applicant, the electrical cabinet and the meter are not accessible, people with disabilities are prevented from reporting self-reading in situations where the Company has performed an estimate. Regarding the approval of a class action on the grounds that the electricity meters are not accessible to people with disabilities and therefore they cannot benefit from self-meter reading service, with respect to the first application, disputes arose between the parties regarding the compromise agreement that was formed. On August 17, 2025, the Court issued a decision ordering to strike off the first application for approval. The applicant filed an appeal on this decision to the Supreme Court, however, a decision was not yet given by the Court ordering the filing of response to the appeal. A hearing in Court on the second application to approve the settlement agreement is scheduled for January 15, 2026. The Company's legal advisors estimate that it is more likely than not that the settlement agreement in an immaterial amount will be approved rather than be rejected.
- q) Further to that stated in Note 35b2c of the Annual Financial Statements regarding the approval of a class action lawsuit alleging 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. After the Statement of Financial Position date, 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. The Court determined that the parties must file an update notice by December 1, 2025. 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.
- r) Further to that stated in Note 35b2d to the Annual Financial Statements regarding the approval of a class action on the grounds that the Company collects from electricity producers with whom accounting is done according to the flow-through method, unlawful charges for " domestic systemic 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, in 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 conducting the procedure. In light of the Court's proposal, the parties are conducting negotiations that have not yet come to agreements. In the assessment of the Company's advisors, it is more likely than not that the application for approval will be rejected.
- s) Further to that stated in Note 35b2e of the Annual Financial Statements regarding the approval of a class action lawsuit alleging an excess charge of interest. On August 10, 2025, the parties filed a compromise agreement for the Court's approval. After the Statement of Financial of Position date, on October 29, 2025, an objection to approve the compromise agreement was filed by Yesh Tzedek La'am Ltd. The Attorney General's position with respect to the request has not yet been filed. The amount of the compromise in an immaterial amount was provided for in the Financial Statements.

NOTE 9:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES, AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

1. (continued)

- t) Further to that stated in Note 35b2f to the Annual Financial Statements regarding the request for approval of a class action alleging that the Company is not diligent in providing 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 provision of 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 13, 2025, the Company submitted its response to the request for approval. On September 30, 2025, the Applicant submitted its response to the Company's response. After the Statement of Financial Position date, on October 20, 2025, a pre-trial hearing was held, as part of the hearing, and in light of the Court's comments, the applicant withdrew the claims that the Company is delaying in provision of a satisfactory response. In its decision dated November 17, 2025, the Court ordered the parties to submit written briefs (without questioning the affiants) with respect to two legal questions that remain to be decided. The applicant must submit its briefs on these questions by December 31, 2025, the Company must submit its briefs by February 15, 2026, and the applicant must submit response briefs by March 1, 2026. Given the preliminary stage of the procedure, the Company's legal advisors are unable to assess the chances of the application being approved.
 - u) Further to that stated in Note 35b3aa of the Annual Financial Statements regarding a class action in the sum of approximately NIS 5,000 million that was approved against the Company regarding an allegation of illegal salary payments, and further to that stated in Note 35b3a regarding the request for approval of a class action in the amount of approximately NIS 2,000-3,000 million, an update notice on the progress of the mediation process was filed with the Court after the Statement of Financial Position date, on November 14, 2025. An additional update notice will be submitted by January 2, 2026. The Company's legal advisors estimate remains without change as set forth in Note 35b3a of the Annual Financial Statements.
 - v) Further to that stated in Note 35b3ab to the Annual Financial Statements regarding the approval of a class action lawsuit alleging discrepancies between the rate and method of calculating the meter reading and the amount of the credit for not reading the meter, on June 3, 2025, the Company filed a statement of defense in the case. The first pre-trial hearing was held on September 29, 2025. At this preliminary stage, the Company's legal advisors are unable to assess the prospects of the lawsuit.
 - w) On September 7, 2025, a class action lawsuit was filed against the Company 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 is required to submit a response to the approval request by December 16, 2025. A pre-trial hearing in the case was set for February 25, 2026. In the opinion of the Company's legal advisors, given the preliminary stage of the approval request and as the Company's response has not yet been submitted and a preliminary hearing in the proceedings has not yet been held, it is not possible to assess the prospects of the request at this stage.
- 2. For details regarding the monetary demands of fixed asset contractors, see Note 35b6d of the Annual Financial Statements.
 - 3. Further to that stated in Note 35b to the Annual Financial Statements, there were no additional material changes in the reporting period and thereafter in material claims, monetary demands, other contingent liabilities and other legal proceedings in relation to that stated in the Annual Financial Statements, except for the aforesaid changes.
 - 4. With regards to contingencies related to environmental protection laws, see Note 1g above.

NOTE 9:- AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES, AND LABOR DISPUTES (continued)

b. Contingent Claims and Liabilities: (continued)

5. Further to that stated in Note 35b6a to the Annual Financial Statements regarding municipal tax claims, there are demands against the Company for municipal taxes in amounts exceeding the provision by about NIS 193 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. 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.
6. Further to that stated in Note 35b6c to the Annual Financial Statements, regarding fees and betterment levies, 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. As of the Financial Statements approval date, the Company's legal advisors are unable to assess the exposure in their respect.

Regarding the betterment levy for the two CCGTs at the Orot Rabin site in a total amount of NIS 575 million, on December 2, 2024, the Court decided to schedule the case for hearing and also ordered the Attorney General to consider presenting her position and submitting it. On July 30, 2025, the Court determined at the request of the Attorney General to adjourn the hearing date to February 2, 2026, and the deadline for submitting the position of the Attorney General until January 12, 2026. As of the approval date of the Financial Statements, the Company's legal advisors are unable to estimate the exposure in their respect, among other things, due to the lack of material factual information regarding these cases, given their legal complexity and the failure to receive a response from the relevant Local Authority to the claims raised by the Company.

In the event that the Company is required to pay any amounts as a result of levies, 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.

7. Further to that stated in Note 21c to the Annual Financial Statements on the subject of income tax assessments of the Company and the Coal Company:
 - a) The objection date for the Company's tax assessments has been extended until February 1, 2026. The position of the Company's professional advisors remains unchanged from that detailed in the Annual Financial Statements. Accordingly, no provision was recognized in the Financial Statements for the above assessments.
 - b) Regarding the objection submitted by the Coal Company to the Tax Authority, as of the Financial Statements approval date, no assessment order was issued to the Coal Company. Therefore, since the period in which the Tax Assessment Officer may determine the assessment by order expired on April 26, 2025, the tax years 2018 and 2019 have become statutorily barred. As for the tax years 2020-2022, at the end of October 2025, the Tax Assessment Officer requested to hold an additional assessment hearing in his office with the Company's legal advisors. After a clarification was required regarding his request he clarified that in the hearing an expert on his behalf will present the market price of coal, as per his opinion. After further clarifications were requested, the Tax Assessment Officer clarified that he wishes to continue the hearing on the objection for the open tax years 2020-2022, and to hold Phase A hearings in relation to the tax years 2023-2024. As of the Financial Statements approval date, the requested hearing had not yet taken place and no economic work had been presented on behalf of the Tax Assessment Officer. The opinion of the Company's legal advisors, as of this stage, before the assessment hearing in relation to the open tax years was held, and since economic work was not yet presented on behalf of the Tax Assessment Officer, it seems that the Company has substantive arguments against being charged with the assessment, and it therefore seems more likely than not that the Company's claims will be accepted. Accordingly, no provision was made in the financial statements of the Coal Company in respect of the assessment. The estimated amount of assessments demand as of September 30, 2025, for tax years 2020-2022 is approximately NIS 227 million.

NOTE 9: - AGREEMENTS, CLAIMS, CONTINGENT LIABILITIES, AND LABOR DISPUTES (continued)

c. Labor disputes

Further to that stated in Note 35c to the Annual Financial Statements regarding labor disputes, and the labor dispute received by the Company on April 6, 2025, on the subject of a "Notice of Strike or Shutdown" pursuant to Sections 5A-5B of the Labor Disputes Settlement Law, 1957, which is directed towards the purchasers of the Ramat Hovav Power Station ("Orot Yosef") and towards the Company.

The dispute concerns labor relations at the Orot Yosef power station after the end of the lending period of the Company's employees (expected in December 2025). Therefore, the Company's position is that it is not a party to the dispute, which is also inconsistent with the reform agreement. Following the announcement of the dispute, direct negotiations took place between the station's management and the labor organization representing the station's employees (the Employees Histadrut - Negev Region).

On July 2, 2025, the management of the power station filed a request for an injunction with the Beersheva Regional Labor Court against anticipated organizational measures. The request did not include allegations or demands against the Company. At the end of the hearing, it was agreed to continue the negotiations and hold an employees' meeting and the case was closed.

d. Transactions with related parties and interested parties:

1. Holding temporary diesel fuel stock for emergency purposes

Further to that stated in Note 34b2g2 to the Annual Financial Statements regarding the agreement with Energy Infrastructures regarding the purchase, storage and sale of temporary diesel fuel stock by Energy Infrastructures, on October 26, 2025, the agreement was extended by one year under the same conditions until October 31, 2026.

e. Investments in IBC

Further to that stated in Note 11e to the Annual Financial Statements, as of the Statement of Financial Position date, IBC is held by the Company and IBC (Unlimited) Holdings Limited Partnership (hereinafter: the "Partnership"), which holds 70% of the share capital of IBC and the Company holds 30% of the share capital of IBC. The Partnership was held by Cellcom Israel Ltd. (hereinafter: "Cellcom") and Israel Infrastructure Fund III Limited Partnership (hereinafter: "IIF") and Hot Communication Systems Ltd. and/or its associated companies ("Hot"), in equal parts.

After the Statement of Financial Position date, 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.

f. Investment in CyberGym Control Ltd.

Further to that stated in Note 11f to the Annual Financial Statements, as of the Financial Statements Approval date, the transaction for the sale of CyberGym shares 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.

NOTE 10:- FINANCIAL INSTRUMENTS

a. Financial instruments measured at fair value for disclosure purposes only

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, current and long-term assets, short term investments, deposits, long and short-term credit, trade payables, other current liabilities are presented at or close to their fair value.

	Book value		Fair Value			
	As of		As of		As of	
	September 30		December 31		September 30	
	2025	2024	2024		2025	2024
	(in NIS millions)					
	Unaudited		Audited		Unaudited	Audited
<u>Financial liabilities – level 1</u>						
<u>Long term debentures (including current maturities and interest payable)</u>						
Fixed interest negotiable debentures in Israel	26,408	26,580	26,510		26,303	25,458
						26,116
<u>Financial liabilities – level 2</u>						
<u>Debentures and long-term loans (including current maturities and interest payable)</u>						
Long term loans at fixed interest	2,049	2,005	1,999		2,009	1,951
Long term loans at variable interest	149	1,870	1,741		150	1,876
Fixed interest non-negotiable debentures in Israel	649	797	781		661	815
Fixed interest non-negotiable debentures abroad.....	8,179	13,948	8,966		8,381	13,998
						8,993

For details regarding the policy of determining fair value see Note 26j to the Annual Financial Statements.
For details of classification of the financial instruments according to levels see section b below.

NOTE 10:- FINANCIAL INSTRUMENTS (continued)

b. Hierarchy of Fair Value of Instruments Measured at Fair Value

Following are details of the financial instruments of the Company that are measured at fair value through profit and loss and the cash flow hedging reserve according to levels:

Classification of the financial instruments that are measured at fair value is based on the lowest level in which substantial use is made for measuring the fair value of the instrument in general.

Level 1: Quoted (unadjusted) prices of assets and financial liabilities in active markets.

Level 2: Data that is not quoted prices included in level 1, but that are observed directly (i.e. prices) or indirectly (data derived from prices), regarding assets and financial liabilities.

Level 3: Data regarding financial assets and financial liabilities that are not based on observed market data.

The hedge transactions, located at level 2, are calculated according to fair value that is based on observed interest curves.

	As of September 30 2025	As of September 30 2024	As of December 31 2024
	Level 2		
	(NIS in millions)		
	Unaudited		Audited
<u>Financial assets</u>			
Swap transactions designated for cash flow hedging .	92	659	397
Other swap and forward transactions.....	308	339	369
<u>Financial liabilities</u>			
Swap transactions designated for cash flow hedging .	309	198	140
Other swap and forward transactions.....	1,124	1,629	942
Total liabilities (assets) with respect to hedge transactions, net.....	1,033	829	316

c. Short-term investments:

In the first half of 2025, the Company realized investments in financial funds for a net total of approximately NIS 2,663 million.

NOTE 11:- 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) as from the fourth quarter of 2021.

b. Detailed Reportable Operational Segments

The operations of the Company, according to the reports to the Chief Operating Decision Maker, comprised during the period of the Financial Statements are of six main operational segments making up the entire electricity chain.

These operations are:

- Electricity generation and purchases - includes the operations at the electricity generating power stations and electricity purchases at extra-high voltage from the Noga Company.
- Transmission - includes the transmission and transformation system of 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 for 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 determining the recognized cost for storage facilities to be built by the Company see Note 3b above. For more details regarding the balances of fixed assets under construction in the storage segment, see Section f 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 items. 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 and taxes, after movements in regulatory deferral account balances gross before tax and neutralizing movements 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 those 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.

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 11:- SEGMENTAL REPORTING (continued)

d. Income and Results according to operating segments

	For the Nine Months ended September 30, 2025					Total Company
	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	
	(NIS in millions) (Unaudited)					
Revenues from electricity	12,198	2,300	6,018	378	-	20,894
Other income	26	1	126	36	40	229
Total revenues	12,224	2,301	6,144	414	40	21,123
Cost of operating the electricity system:						
Fuels	4,477	-	-	-	-	4,477
Purchases of Electricity:						
Purchases of Electricity	14	-	3,377	-	-	3,391
Purchasing and accounting with Noga, net	4,753	(28)	(1,077)	-	-	3,718
	4,767	(28)	2,370	-	-	7,109
Operation of the generation system	2,710	-	-	-	-	2,710
Operation of the transmission, distribution system and others	-	747	1,606	-	43	2,396
Total cost of operating the electricity system	11,954	719	3,976	-	43	16,692
Profit (loss) from operating the electricity system	270	1,582	2,168	414	(3)	4,431
Other revenues, net	(344)	-	(9)	-	-	(353)
Sales and marketing expenses	-	-	329	363	-	692
Administrative and general expenses ...	311	83	217	69	-	680
	(33)	83	537	432	-	1,019
Profit (loss) from current operations ...	303	1,499	1,631	(18)	(3)	3,412
Profit (loss) before regulatory deferral accounts	303	1,499	1,631	(18)	(3)	3,412
Movements in regulatory deferral accounts balances, gross	1,215	(709)	(96)	(39)	-	371
Segmental profit (loss)	1,518	790	1,535	(57)	(3)	3,783
<u>Unallocated revenues (expenses)</u>						
Other income, net						233
Income from liabilities to pensioners						221
Reform agreement and other agreements results						(104)
Financial expenses						(861)
Movements in regulatory deferral accounts, gross, that were not allocated to segments						2,100
Tax expense included in net movement of regulatory deferral accounts						(568)
Income tax						(691)
Profit for the period in accordance with the consolidated statements						4,113
<u>Additional details:</u>						
Depreciation and amortization expenses	1,563	513	1,139	49	-	3,264

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 11:- SEGMENTAL REPORTING (continued)

d. Income and Results according to operating segments (continued)

	For the Nine Months ended September 30, 2024					
	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)					
Revenues from electricity	12,303	1,741	5,943	357	-	20,344
Other income	25	1	107	24	59	216
Total revenues	12,328	1,742	6,050	381	59	20,560
Cost of operating the electricity system:						
Fuels	4,836	-	-	-	-	4,836
Purchases of Electricity:						
Purchases of Electricity	64	-	3,088	-	-	3,152
Purchasing and accounting with Noga, net	5,333	(13)	(414)	-	-	4,906
	5,397	(13)	2,674	-	-	8,058
Operation of the generation system	2,647	-	-	-	-	2,647
Operation of the transmission, distribution system and others	-	702	1,577	-	42	2,321
Total cost of operating the electricity system	12,880	689	4,251	-	42	17,862
Profit (loss) from operating the electricity system.....	(552)	1,053	1,799	381	17	2,698
Other revenues, net	-	-	(6)	-	-	(6)
Sales and marketing expenses	-	-	360	319	-	679
Administrative and general expenses	302	63	230	61	-	656
	302	63	584	380	-	1,329
Profit (loss) from current operations	(854)	990	1,215	1	17	1,369
Company's share of the loss of associate companies	-	-	-	-	(6)	(6)
Profit (loss) before regulatory deferral accounts.....	(854)	990	1,215	1	11	1,363
Movements in regulatory deferral accounts balances, gross	2,506	(224)	140	(6)	-	2,416
Segmental profit (loss)	1,652	766	1,355	(5)	11	3,779
<u>Unallocated revenues (expenses)</u>						
Other income, net						6,790
Income from liabilities to pensioners.....						260
Reform agreement and other agreements results						(170)
Financial expenses						(1,239)
Movements in regulatory deferral accounts, gross, that were not allocated to segments						(5,685)
Tax expenses included in net movement of regulatory deferral accounts						751
Income tax.....						(1,626)
Profit for the period in accordance with the consolidated statements.....						2,860
<u>Additional details:</u>						
Depreciation and amortization expenses.....	1,643	469	1,091	39	-	3,242

NOTE 11:- SEGMENTAL REPORTING (continued)

d. Income and Results according to operating segments (continued)

	For the Three Months ended September 30, 2025					Total Company
	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	
	(NIS in millions) (Unaudited)					
Revenues from electricity	5,505	958	2,107	146	-	8,716
Other income	11	-	40	19	20	90
Total revenues	5,516	958	2,147	165	20	8,806
Cost of operating the electricity system:						
Fuels	1,604	-	-	-	-	1,604
Purchases of Electricity:						
Purchases of Electricity	1	-	1,210	-	-	1,211
Purchasing and accounting with Noga, net	2,392	(13)	(271)	-	-	2,108
	2,393	(13)	939	-	-	3,319
Operation of the generation system	870	-	-	-	-	870
Operation of the transmission, distribution system and others	-	259	540	-	17	816
Total cost of operating the electricity system	4,867	246	1,479	-	17	6,609
Profit (loss) from operating the electricity system	649	712	668	165	3	2,197
Other revenues, net	-	-	(6)	-	-	(6)
Sales and marketing expenses	-	-	112	126	-	238
Administrative and general expenses ...	117	30	76	21	-	244
	117	30	182	147	-	476
Profit (loss) before regulatory deferral accounts	532	682	486	18	3	1,721
Movements in regulatory deferral accounts balances, gross	(37)	(307)	239	(22)	-	(127)
Segmental profit (loss)	495	375	725	(4)	3	1,594
Unallocated revenues (expenses)						
Other income, net						246
Income from liabilities to pensioners						75
Reform agreement and other agreements results						(41)
Financial income						(506)
Movements in regulatory deferral accounts, gross, that were not allocated to segments						128
Tax expense included in net movement of regulatory deferral accounts						(1)
Income tax						(351)
Profit for the period in accordance with the consolidated statements						1,144
Additional details:						
Depreciation and amortization expenses	457	174	382	18	-	1,031

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 11:- SEGMENTAL REPORTING (continued)

d. Income and Results according to operating segments (continued)

	For the Three Months ended September 30, 2024					Total Company
	Electricity generation and purchases	Transmission	Distribution	Supply	Operation not within the electricity chain	
	(NIS in millions) (Unaudited)					
Revenues from electricity	5,522	764	2,483	121	-	8,890
Other income	8	-	47	18	16	89
Total revenues	5,530	764	2,530	139	16	8,979
Cost of operating the electricity system:						
Fuels	1,877	-	-	-	-	1,877
Purchases of Electricity:						
Purchases of Electricity	19	-	1,148	-	-	1,167
Purchasing and accounting with Noga, net	2,802	(4)	(32)	-	-	2,766
	2,821	(4)	1,116	-	-	3,933
Operation of the generation system	859	-	-	-	-	859
Operation of the transmission, distribution system and others	-	251	556	-	6	813
Total cost of operating the electricity system	5,557	247	1,672	-	6	7,482
Profit from operating the electricity system	(27)	517	858	139	10	1,497
Other revenues, net	-	-	-	-	-	-
Sales and marketing expenses	-	-	120	114	-	234
Administrative and general expenses	50	16	55	20	-	141
	50	16	175	134	-	375
Profit (loss) before regulatory deferral accounts	(77)	501	683	5	10	1,122
Movements in regulatory deferral accounts balances, gross	727	(179)	(52)	3	-	499
Segmental profit	650	322	631	8	10	1,621
<u>Unallocated revenues (expenses)</u>						
Other income, net						-
Income from liabilities to pensioners						87
Reform agreement and other agreements results						(49)
Financial expenses						(469)
Movements in regulatory deferral accounts, gross, that were not allocated to segments						424
Tax expenses included in net movement of regulatory deferral accounts						(213)
Income tax						(157)
Profit for the period in accordance with the consolidated statements						1,244
<u>Additional details:</u>						
Depreciation and amortization expenses	541	164	361	11	-	1,077

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 11:- SEGMENTAL REPORTING (continued)

d. 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) (Audited)					
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 current 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

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 11:- SEGMENTAL REPORTING (continued)

e. Assets and Liabilities according to Operating Segments

Assets and liabilities that can be specifically identified are directly allocated to the appropriate segments. Unidentified assets and liabilities are included in the report as balances that have not been directly allocated. 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. Comparative information was restated accordingly.

As of September 30, 2025								
	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain	Assets and liabilities not directly classified	Total Company
	(NIS in millions) (Unaudited)							
Inventory – fuels.....	2,960	-	-	-	-	-	-	2,960
Receivables for fuel inventory	67	-	-	-	-	-	-	67
Investment in associated companies	-	-	-	-	-	15	-	15
Fixed assets, net	17,052	20,886	24,448	-	284	-	3,278	65,948
Intangible assets, net	5	197	157	-	-	-	932	1,291
Debit balances of regulatory deferral accounts	5,964	(1,912)	(60)	10	-	-	7,616	11,618
Other assets not classified	-	-	-	-	-	-	25,617	25,617
Total assets.....	26,048	19,171	24,545	10	284	15	37,443	107,516
Credit balances of regulatory deferral accounts, without deferred taxes	9	566	(107)	-	-	-	1,022	1,490
Investments in fixed assets for the period	1,254	1,819	2,246	-	18	-	451	5,788
As of September 30, 2024								
	Generation	Transmission	Distribution	Supply	Storage	Other	Assets and liabilities not directly classified	Total Company
	(NIS in millions) (Unaudited)							
Inventory – fuels.....	3,321	-	-	-	-	-	-	3,321
Investment in associated companies	-	-	-	-	-	15	-	15
Fixed assets, net	17,763	18,564	22,624	-	264	-	2,951	62,166
Intangible assets, net	9	168	129	-	-	-	898	1,204
Debit balances of regulatory deferral accounts	5,007	(1,723)	(326)	36	-	-	5,482	8,476
Other assets not classified	-	-	-	-	-	-	35,093	35,093
Total assets.....	26,100	17,009	22,427	36	264	15	44,424	110,275
Credit balances of regulatory deferral accounts, without deferred taxes	(14)	135	(12)	-	-	-	1,864	1,973
Investments in fixed assets for the period	1,293	1,274	2,145	-	31	-	482	5,225

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2025

NOTE 11:- SEGMENTAL REPORTING (continued)

e. Assets and Liabilities according to Operating Segments (continued)

	As of 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) (Audited)							
Inventory – fuels.....	3,343	-	-	-	-	-	-	3,343
Investment in associated companies	-	-	-	-	-	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 period	1,779	2,092	3,173	-	33	-	761	7,838

NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2025	2024	2025	2024	2024
Generation					
(NIS in millions)					
	Unaudited				Audited
Coal.....	1,707	2,143	504	894	2,904
Natural gas	2,507	2,441	1,018	871	3,045
Diesel oil.....	249	237	75	108	328
Crude oil	14	15	7	4	25
Total fuel consumption costs.....	4,477	4,836	1,604	1,877	6,302

Details of electricity purchases in the distribution segment according to generation technology:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2025	2024	2025	2024	2024
Distribution					
(NIS in millions)					
	Unaudited				Audited
Photovoltaic.....	3,274	3,006	1,184	1,121	3,801
Wind turbine.....	12	12	5	6	14
Hydroelectric.....	1	5	-	1	6
Biogas.....	87	62	21	18	86
Diesel oil generator.....	3	3	-	2	5
Total electricity purchases.....	3,377	3,088	1,210	1,148	3,912

Details of kWh generated

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2025	2024	2025	2024	2024
(kWh in millions)					
	Unaudited				Audited
Generated by the Company	24,308	25,601	9,616	9,565	32,922
Supplied by the Company.....	36,620	37,995	14,601	15,529	48,692

NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2025	2024	2025	2024	2024
	Generation				
	(NIS in millions)				
	Unaudited				Audited
Wages	599	606	199	193	798
Depreciation	1,478	1,538	430	509	2,051
Other	633	503	241	157	700
Total operation of the generation system	2,710	2,647	870	859	3,549

Details of operation of the transmission and distribution system and others according to type of expense

	For the nine months ended September 30, 2025			
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)			
Wages	97	420	19	536
Depreciation and amortization	489	977	-	1,466
Other	161	209	24	394
Total operation of the transmission and distribution system and other	747	1,606	43	2,396

	For the nine months ended September 30, 2024			
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)			
Wages	95	390	16	501
Depreciation and amortization	456	937	-	1,393
Other	151	250	26	427
Total operation of the transmission and distribution system and other	702	1,577	42	2,321

	For the three months ended September 30, 2025			
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)			
Wages	32	138	7	177
Depreciation and amortization	165	326	-	491
Other	62	76	10	148
Total operation of the transmission and distribution system and other	259	540	17	816

NOTE 11:- SEGMENTAL REPORTING (continued)

f. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of operation of the transmission and distribution system and others according to type of expense (continued)

For the three months ended September 30, 2024				
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)			
Wages	40	129	5	174
Depreciation and amortization.....	158	310	-	468
Other.....	53	117	1	171
Total operation of the transmission and distribution system and other	251	556	6	813

For the year ended December 31, 2024				
	Transmission	Distribution	Operation not within the electricity chain	Total Company
	(NIS in millions) (Audited)			
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

NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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 nine months ended September 30, 2025					
	Generation	Transmission	Distribution	Supply	Total Company
	(NIS in millions) (Unaudited)				
Wages	170	38	121	45	374
Depreciation and amortization..	40	24	41	11	116
Other.....	101	21	55	13	190
Total administrative and general expenses.....	311	83	217	69	680
For the nine months ended September 30, 2024					
	Generation	Transmission	Distribution	Supply	Total Company
	(NIS in millions) (Unaudited)				
Wages	157	34	120	35	346
Depreciation and amortization..	48	13	46	9	116
Other.....	97	16	64	17	194
Total administrative and general expenses.....	302	63	230	61	656
For the three months ended September 30, 2025					
	Generation	Transmission	Distribution	Supply	Total Company
	(NIS in millions) (Unaudited)				
Wages	56	12	40	16	124
Depreciation and amortization..	14	9	16	3	42
Other.....	47	9	20	2	78
Total administrative and general expenses.....	117	30	76	21	244
For the three months ended September 30, 2024					
	Generation	Transmission	Distribution	Supply	Total Company
	(NIS in millions) (Unaudited)				
Wages	45	11	40	13	109
Depreciation and amortization..	14	6	15	2	37
Other.....	(9)	(1)	-	5	(5)
Total administrative and general expenses.....	50	16	55	20	141
For the year ended December 31, 2024					
	Generation	Transmission	Distribution	Supply	Total Company
	(NIS in millions) (Audited)				
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

NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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 sales 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 nine months ended September 30, 2025						
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)					
<u>Direct costs</u>						
Wages	641	87	490	143	19	1,380
Depreciation and amortization	1,480	471	985	-	-	2,936
Others	633	161	286	163	24	1,267
Fuels.....	4,340	-	-	-	-	4,340
Purchases of Electricity...	14	-	3,377	-	-	3,391
Accounting with Noga.....	4,753	(28)	(1,007)	-	-	3,718
Other revenues	(344)	-	(9)	-	-	(353)
Total direct costs	11,517	691	4,122	306	43	16,679
<u>Indirect costs</u>						
Wages	220	48	182	64	-	514
Depreciation and amortization	83	42	154	49	-	328
Others	101	21	55	13	-	190
Total indirect costs	404	111	391	126	-	1,032
For the nine months ended September 30, 2024						
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)					
<u>Direct costs</u>						
Wages	649	85	468	131	16	1,349
Depreciation and amortization	1,552	438	947	-	-	2,937
Others	503	151	367	140	26	1,187
Fuels.....	4,683	-	-	-	-	4,683
Purchases of Electricity...	64	-	3,088	-	-	3,152
Accounting with Noga.....	5,333	(13)	(414)	-	-	4,906
Other revenues	-	-	(6)	-	-	(6)
Total direct costs	12,784	661	4,450	271	42	18,208
<u>Indirect costs</u>						
Wages	210	44	177	53	-	484
Depreciation and amortization	91	31	144	39	-	305
Others	97	16	64	17	-	194
Total indirect costs	398	91	385	109	-	983

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NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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 three months ended September 30, 2025						
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)					
<u>Direct costs</u>						
Wages	211	29	161	48	7	456
Depreciation and amortization	427	160	333	-	-	920
Others	241	62	105	56	10	474
Fuels	1,561	-	-	-	-	1,561
Purchases of Electricity...	1	-	1,210	-	-	1,211
Accounting with Noga.....	2,392	(13)	(271)	-	-	2,108
Other revenues	-	-	(6)	-	-	(6)
Total direct costs	4,833	238	1,532	104	17	6,724
<u>Indirect costs</u>						
Wages	74	15	60	23	-	172
Depreciation and amortization	30	14	49	18	-	111
Others	47	9	20	2	-	78
Total indirect costs	151	38	129	43	-	361
For the three months ended September 30, 2024						
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)					
<u>Direct costs</u>						
Wages	206	32	158	45	5	446
Depreciation and amortization	515	150	315	-	-	980
Others	157	53	156	55	1	422
Fuels	1,827	-	-	-	-	1,827
Purchases of Electricity...	19	-	1,148	-	-	1,167
Accounting with Noga.....	2,802	(4)	(32)	-	-	2,766
Other revenues	-	-	-	-	-	-
Total direct costs	5,526	231	1,745	100	6	7,608
<u>Indirect costs</u>						
Wages	64	19	56	18	-	157
Depreciation and amortization	26	14	46	11	-	97
Others	(9)	(1)	-	5	-	(5)
Total indirect costs	81	32	102	34	-	249

NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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					Total Company
	Generation	Transmission	Distribution	Supply	Operation not within the electricity chain	
	(NIS in millions) (Audited)					
<u>Direct costs</u>						
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
<u>Indirect costs</u>						
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

NOTE 11:- SEGMENTAL REPORTING (continued)

f. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of salary costs divided according to profit centers

For the nine months ended September 30, 2025						
	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain
	(NIS in millions) (Unaudited)					Total Company
Wage costs	1,030	645	1,537	207	-	19
Charged to fixed assets including remeasurements	(178)	(536)	(909)	-	-	-
Remeasurements charged to increasing of fixed assets	9	26	44	-	-	-
Wage expenses in profit and loss	861	135	672	207	-	19

Wage costs not attributed to sectors

Wage costs charged to joint fixed assets	129
Wage costs charged to joint fixed assets from remeasurements	(6)

For the nine months ended September 30, 2024						
	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain
	(NIS in millions) (Unaudited)					Total Company
Wage costs	1,067	558	1,418	184	12	16
Charged to fixed assets including remeasurements	(220)	(455)	(819)	-	(12)	-
Remeasurements charged to reduction of fixed assets	12	26	46	-	-	-
Wage expenses in profit and loss	859	129	645	184	-	16

Wage costs not attributed to sectors

Wage costs charged to joint fixed assets	117
Wage costs charged to joint fixed assets from remeasurements	(7)

NOTE 11:- SEGMENTAL REPORTING (continued)

f. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of salary costs divided according to profit centers (continued)

For the three months ended September 30, 2025

	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)						
Wage costs	332	203	479	71	(1)	7	1,091
Charged to fixed assets including remeasurements	(56)	(186)	(303)	-	1	-	(544)
Remeasurements charged to increasing of fixed assets	9	27	45	-	-	-	81
Wage expenses in profit and loss	285	44	221	71	-	7	628

Wage costs not attributed to sectors

Wage costs charged to joint fixed assets	43
Wage costs charged to joint fixed assets from remeasurements	(6)

For the three months ended September 30, 2024

	Generation	Transmission	Distribution	Supply	Storage	Operation not within the electricity chain	Total Company
	(NIS in millions) (Unaudited)						
Wage costs	356	191	473	63	4	5	1,092
Charged to fixed assets including remeasurements	(93)	(153)	(283)	-	(4)	-	(533)
Remeasurements charged to reduction of fixed assets	7	13	24	-	-	-	44
Wage expenses in profit and loss	270	51	214	63	-	5	603

Wage costs not attributed to sectors

Wage costs charged to joint fixed assets	40
Wage costs charged to joint fixed assets from remeasurements	(4)

NOTE 11:- SEGMENTAL REPORTING (continued)

f. Additional details for reporting on segment operation in the generation, transmission, distribution, supply and other segments (continued)

Details of salary costs divided according to profit centers (continued)

	For the year ended December 31, 2024					Operation not within the electricity chain	Total Company
	Generation	Transmission	Distribution	Supply	Storage		
	(NIS in millions) (Audited)						
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

THE ISRAEL ELECTRIC CORPORATION LIMITED
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NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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

Nine months ended September 30, 2025						
	Generation	Transmission	Distribution	Storage	Joint assets	Total Company
	(NIS in millions) (Unaudited)					
<u>Fixed assets in use</u>						
Balance at the beginning of the period.....	11,811	15,057	22,458	-	2,937	52,263
Investments during the period	732	205	1,461	-	410	2,808
Classification.....	2,800	980	659	-	115	4,554
Deduction	(31)	-	(55)	-	(29)	(115)
Depreciation	(1,472)	(471)	(981)	-	(373)	(3,297)
Balance at the end of the period	<u>13,840</u>	<u>15,771</u>	<u>23,542</u>	<u>-</u>	<u>3,060</u>	<u>56,213</u>
<u>Assets under construction</u>						
Balance at the beginning of the period.....	5,834	4,240	828	266	177	11,345
Additions, net	522	1,614	785	18	41	2,980
Deduction	-	(6)	(30)	-	-	(36)
Classification.....	(3,144)	(733)	(677)	-	-	(4,554)
Balance at the end of the period	<u>3,212</u>	<u>5,115</u>	<u>906</u>	<u>284</u>	<u>218</u>	<u>9,735</u>
For the nine months ended September 30, 2024						
	Generation	Transmission	Distribution	Storage	Joint assets	Total Company
	(NIS in millions) (Unaudited)					
<u>Fixed assets in use</u>						
Balance at the beginning of the period.....	13,473	13,377	20,970	-	2,673	50,493
Investments during the period	537	200	1,304	-	450	2,491
Classification.....	(191)	1,490	641	-	13	1,953
Deduction	(30)	(1)	(37)	-	(12)	(80)
Depreciation	(1,544)	(437)	(949)	-	(332)	(3,262)
Balance at the end of the period	<u>12,245</u>	<u>14,629</u>	<u>21,929</u>	<u>-</u>	<u>2,792</u>	<u>51,595</u>
<u>Assets under construction</u>						
Balance at the beginning of the period.....	4,793	4,149	535	231	127	9,835
Additions, net	756	1,074	841	31	32	2,734
Deduction	(20)	-	(25)	-	-	(45)
Classification.....	(11)	(1,288)	(656)	2	-	(1,953)
Balance at the end of the period	<u>5,518</u>	<u>3,935</u>	<u>695</u>	<u>264</u>	<u>159</u>	<u>10,571</u>

NOTE 11:- SEGMENTAL REPORTING (continued)

f. 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 (continued)

	Year ended December 31, 2024					Total Company
	Generation	Transmission	Distribution (NIS in millions) (Audited)	Storage	Joint assets	
<u>Direct fixed assets</u>						
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
<u>Assets under construction</u>						
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 11:- SEGMENTAL REPORTING (continued)

g. Additional details of major events included within operation not within the framework of the electricity chain

For the nine months ended September 30, 2025

1. During the period, a gross profit of approximately NIS 6.1 million was recorded for the provision of unloading and loading services at moorings.
2. During the period, a gross profit of approximately NIS 3.8 million was recorded from the provision of ancillary services to the Hagit East power station.
3. During the period, a gross profit of approximately NIS 0.9 million was recorded from the rental of a training arena to CyberGym.
4. During the period, a gross loss of approximately NIS 0.7 million was recorded from providing services to Global Power.
5. During the period, a gross loss of approximately NIS 0.6 million was recorded from developing a system in collaboration with Reali Tech to develop a product for monitoring, management and control.

For the nine months ended September 30, 2024

1. During the period, a gross profit of approximately NIS 17 million was recorded for the provision of unloading and loading services at moorings at the Eshkol power station.
2. During the period, the Company's share of the losses of associate companies amounted to approximately NIS 6 million.
3. During the period, a gross profit of approximately NIS 4 million was recorded from the provision of ancillary services to the Hagit East power station.
4. During the period, a gross loss of approximately NIS 1.3 million was recorded from the rental of a training arena to CyberGym.

For the year ended December 31, 2024

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, the Company's share in losses of associate companies amounted to approximately NIS 6 million.
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. During the year, a gross profit of approximately NIS 1.5 million was recorded from the rental of a training arena to CyberGym.
6. During the year, a gross profit of approximately NIS 9 million was recorded from connection surveys to renewable energy generation stations.

ANNEX 1

Actuarial Liabilities of the **Israel Electric Corporation** **as at** **September 30, 2025**

November 20, 2025

Mr. Eyal Hermony
Acting Senior Vice-President of Finance, Economics and Risk Management
Israel Electric Corporation Ltd.

Dear Sir,

Re: **Actuarial Liabilities for Employee Benefits as at September 30, 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)

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.

Alan Fefferman – Actuarial Services Ltd.

- 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 September 30, 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.I.L.A.A.). His forty two 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).

- 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" – September 30, 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. To the best of our knowledge, there were no additional changes to the rights to employee benefits, between 31.12.2024 and 30.09.2025, 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 salary¹, shift work, home service, Arava additions, convalescence pay (one-twelfth of the annual amount), 13th salary (one-twelfth of annual salary) 14th salary (one-twelfth of annual salary) and "CPI increment";

¹ includes combined salary, management increment, seniority increment, personal addition, continuing education addition, physical effort addition and administrative addition.

- Disability pension;
- Survivors' pension in respect of employees who die while in Company service² 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, 2018³ (and subsequent correcting agreements, etc.⁴), the benefits consist of:

- The special retirement program -

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.
- Collective bargaining agreement (Early Retirements), from 03/11/2024.

- 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.

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 follows⁵:

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	<p>For Generation A and Generation B employees:</p> <ul style="list-style-type: none"> 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. <p>For Generation C employees, the years of service to which the benefit is attributed, depend on age at start of employment:</p> <ul style="list-style-type: none"> 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.
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

⁵ That is, the method by which benefits are attributed to periods of employment.

Benefit	Methods for the Calculation of Liabilities (that are attributed to the current period and to prior periods)
	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 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

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.

Benefit	Methods for the Calculation of Liabilities (that are attributed to the current period and to prior periods)
	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.

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.

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- 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' contributions⁷. 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 benefits⁸ 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

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 data⁹ – we received files on October 12, 2025, 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 instructions¹⁰:
 - 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.

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	2,909	62,127,147	59.0	33.8
Pensioners – former employees	6,636	102,364,619	72.2	
Pensioners – survivors (including orphans)	1,904	16,514,792	77.5	
Generation C**				
Employees	3,649	46,491,343	47.3	16.9
Pensioners – former employees	125	20,821	71.0	
Pensioners – survivors (including orphans)	30	4,997	55.5	
Employees under special agreements (non-permanent employees) ***				
Employees	179	1,539,141	32.9	1.9
Employees covered under special collective bargaining agreement regarding continuing temporary employees ****				
Employees	1,639	11,985,702	39.5	6.8
Employees covered under special collective bargaining agreement (Employees from the SLA)****				
Employees	26	269,924	57.2	22.2

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	2,893	62,317,626	59.0	34.0
Pensioners – former employees	6,652	103,258,944	72.2	
Pensioners – survivors (including orphans)	1,904	16,589,567	77.5	
Generation C**				
Employees	3,606	46,117,410	47.1	17.1
Pensioners – former employees	168	27,984	68.0	
Pensioners – survivors (including orphans)	30	4,997	55.5	
Employees under special agreements (non-permanent employees) ***				
Employees	179	1,546,683	32.9	1.9
Employees covered by special collective bargaining agreement regarding continuing temporary employees ****				
Employees	1,639	12,044,432	39.5	6.8
Employees covered under special collective bargaining agreement (Employees from the SLA)****				
Employees	26	271,246	57.2	22.2

* 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 salary¹¹, shift work, home

¹¹ Includes "combined salary", "managerial increment", "service addition", "personal addition", "continuing education addition" and "physical effort" addition.

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	40,886,852
4.4.2	Balance of assets according to paragraph 116A of IAS 19	1,029,779
	Benefit Payments during the reporting period (01/01/2025-30/09/2025)	
4.4.3	Increased severance pay benefits to employees under special agreements	711
4.4.4	"20-year grant"	983
4.4.5	Termination benefits – for paid benefits by the Fund, and for benefits not paid by the Fund (electricity discount, holiday gifts)	11,729
	Termination benefits – for paid benefits by the Fund only	11,116
4.4.6	Post-employment benefits (excluding termination benefits)	944,223
4.4.6.1	Grant for unutilized sick leave	22,655
4.4.6.2	"up to 35 years" grant	4,965
4.4.7	Electricity discount and holiday gifts	71,659
4.4.8	Withdrawals from plan assets for payment of benefits	1,069,621
4.4.9	Withdrawals from trust assets for payment of benefits	98,282
	Contributions during the reporting period	
4.4.10	Company's contributions, including plan assets costs	101,000
4.4.11	Employees' contributions to plan assets	10,879

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 2.3%.

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.

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 is likely to apply also 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 $90\% \times (\text{inflation rate} - 0.73\%)$, 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 0.90%. 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%

- 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 1,104.08¹².
- 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 18.20% (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 24.14¹³, the fixed monthly KVA fee before VAT is NIS 4.78¹⁴ and the variable rate per kilowatt-hour before VAT is NIS 0.5425) 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 22.97 for a single-phase base meter, and NIS 24.43 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.

Average Monthly Electricity Consumption (kilowatt-hours) by Age and Type of Pensioner

Age	Old-age or Disability Pensioners	Recipients of Survivors' Pensions	Age	Old-age or Disability Pensioners	Recipients of Survivors' Pensions	Age	Old-age or Disability Pensioners	Recipients of Survivors' Pensions
40	1,140	1,051	59	1,108	882	77	961	756
41	1,140	1,051	60	1,097	872	78	956	751
42	1,140	1,051	61	1,087	866	79	951	747
43	1,140	1,051	62	1,077	862	80	947	745
44	1,140	1,051	63	1,067	859	81	942	745
45	1,140	1,051	64	1,057	856	82	939	745
46	1,140	1,051	65	1,048	852	83	935	746
47	1,140	1,044	66	1,039	847	84	932	746
48	1,141	1,037	67	1,030	842	85	929	745
49	1,142	1,030	68	1,022	835	86	926	741
50	1,142	1,023	69	1,014	827	87	924	733
51	1,143	1,015	70	1,006	818	88	922	719
52	1,143	1,008	71	998	809	89	921	696
53	1,144	1,001	72	991	799	90	919	696
54	1,145	994	73	985	789	91	919	696
55	1,145	987	74	978	779	92	919	696
56	1,143	949	75	972	770	93+	919	696
57	1,131	918	76	966	762			
58	1,120	897						

- 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%

Age	Old-age or Disability Pensioners	Recipients of Survivors' Pensions
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%

Age	Old-age or Disability Pensioners	Recipients of Survivors' Pensions
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.

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.

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%

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	1 st year after retirement: 1210.7% of table P-7 Each subsequent year: 101.4% of table P7	1 st year: 28.4% Subsequent years: 12.1%	table P-7	1 st year: 71.6% Subsequent years: 87.9%
Female	1 st year after retirement: 1256.1% of table P-7 Subsequent years: 128.2% of table P7	1 st year: 7.2% Subsequent years: 7.8%	table P-7	1 st year: 92.8% Subsequent years: 92.2%

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 employees¹⁵:

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%.

- 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:

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

employment¹⁶ (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.

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	Age	Males	Females	Age	Males	Females	Age	Males	Females
30	60.6%	73.8%	53	83.9%	68.6%	76	81.4%	47.6%	99	39.9%	4.2%
31	65.3%	76.3%	54	84.0%	68.9%	77	80.4%	45.3%	100	37.2%	3.8%
32	69.3%	78.1%	55	84.2%	69.0%	78	79.3%	42.1%	101	34.4%	3.4%
33	72.6%	79.4%	56	84.9%	68.8%	79	78.2%	40.4%	102	31.5%	3.0%
34	75.7%	80.1%	57	85.4%	68.9%	80	77.0%	37.2%	103	28.6%	2.7%
35	77.1%	80.3%	58	85.9%	68.6%	81	75.8%	34.1%	104	25.6%	2.5%
36	78.9%	80.5%	59	86.3%	68.8%	82	74.4%	31.2%	105	22.5%	2.2%
37	80.8%	80.8%	60	86.6%	68.5%	83	73.0%	28.1%	106	19.3%	2.0%
38	81.4%	80.6%	61	86.8%	67.7%	84	71.5%	26.2%	107	16.1%	1.8%
39	82.2%	80.0%	62	87.0%	67.7%	85	69.9%	23.0%	108	12.7%	1.6%
40	84.1%	79.9%	63	87.1%	67.1%	86	68.2%	21.1%	109	9.3%	1.5%
41	84.3%	78.8%	64	87.1%	66.8%	87	66.5%	18.2%	110	5.9%	1.3%
42	84.1%	78.7%	65	87.0%	65.9%	88	64.7%	15.4%	111	2.3%	0.2%
43	84.2%	77.5%	66	86.9%	64.9%	89	62.8%	13.1%	112	0.0%	0.2%
44	84.3%	77.1%	67	86.7%	64.1%	90	60.9%	11.2%	113	0.0%	0.2%
45	84.0%	76.6%	68	86.4%	62.9%	91	58.9%	9.7%	114	0.0%	0.2%
46	84.0%	76.2%	69	86.0%	61.5%	92	56.7%	7.9%	115	0.0%	0.2%
47	83.9%	75.4%	70	85.6%	59.7%	93	54.6%	6.0%	116	0.0%	0.2%
48	84.0%	75.6%	71	85.1%	58.2%	94	52.3%	6.1%	117	0.0%	0.2%
49	83.8%	75.0%	72	84.5%	56.9%	95	50.0%	6.4%	118	0.0%	0.2%
50	83.8%	72.9%	73	83.8%	54.1%	96	47.6%	5.7%	119	0.0%	0.2%
51	84.0%	70.7%	74	83.1%	51.9%	97	45.1%	5.2%	120	0.0%	0.2%
52	83.8%	68.6%	75	82.3%	49.5%	98	42.5%	4.6%			

- 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.

- 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	Age	Age of Male Employee or Pensioner, Minus Spouse's Age	Age of Female Employee or Pensioner, Minus Spouse's Age	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)	62	3.4	(3.0)	94	6.6	(3.0)
31	2.1	(3.0)	63	3.4	(3.0)	95	6.8	(3.0)
32	2.1	(3.0)	64	3.4	(3.0)	96	6.9	(3.0)
33	2.1	(3.0)	65	3.4	(3.0)	97	7.1	(3.0)
34	2.1	(3.0)	66	3.4	(3.0)	98	7.3	(3.0)
35	2.1	(3.0)	67	3.4	(3.0)	99	7.5	(3.0)
36	2.1	(3.0)	68	3.4	(3.0)	100	7.6	(3.0)
37	2.1	(3.0)	69	3.4	(3.0)	101	7.8	(3.0)
38	2.1	(3.0)	70	3.4	(3.0)	102	8.0	(3.0)
39	2.1	(3.0)	71	3.4	(3.0)	103	8.2	(3.0)
40	2.1	(3.0)	72	3.3	(3.0)	104	8.3	(3.0)
41	2.1	(3.0)	73	3.5	(3.0)	105	8.5	(3.0)
42	2.3	(3.0)	74	3.6	(3.0)	106	8.7	(3.0)
43	2.4	(3.0)	75	3.7	(3.0)	107	8.9	(3.0)
44	2.4	(3.0)	76	3.9	(3.0)	108	9.1	(3.0)
45	2.4	(3.0)	77	4.0	(3.0)	109	9.2	(3.0)
46	2.5	(3.0)	78	4.2	(3.0)	110	9.4	(3.0)
47	2.5	(3.0)	79	4.3	(3.0)	111	9.6	(3.0)
48	2.6	(3.0)	80	4.4	(3.0)	112	9.8	(3.0)
49	2.6	(3.0)	81	4.6	(3.0)	113	10.0	(3.0)
50	2.7	(3.0)	82	4.7	(3.0)	114	10.2	(3.0)
51	2.8	(3.0)	83	4.9	(3.0)	115	10.4	(3.0)
52	2.9	(3.0)	84	5.0	(3.0)	116	10.6	(3.0)
53	2.9	(3.0)	85	5.2	(3.0)	117	10.8	(3.0)
54	3.0	(3.0)	86	5.3	(3.0)	118	11.0	(3.0)
55	3.1	(3.0)	87	5.5	(3.0)	119	11.2	(3.0)
56	3.2	(3.0)	88	5.7	(3.0)	120	11.4	(3.0)
57	3.4	(3.0)	89	5.8	(3.0)			
58	3.4	(3.0)	90	6.0	(3.0)			
59	3.4	(3.0)	91	6.1	(3.0)			
60	3.4	(3.0)	92	6.3	(3.0)			
61	3.4	(3.0)	93	6.4	(3.0)			

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 rate in 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:

- 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 update 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.

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:
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Active employees	11,482.0
Pensioners and survivors	21,646.6
Total	33,128.6

7.2	Liability in respect of special early retirement agreements:
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Pensioners and survivors	91.6
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7.3	Liability for the "20 year grant":
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Active employees	14.3
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7.4	Liability for enhanced severance pay for non-permanent employees, employed under special agreement:
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Active employees	10.1
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7.5	Liability for employees covered by a special collective bargaining agreement regarding continuing temporary employees:
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Active employees	25.1
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7.6	Liability for employees covered by a special collective bargaining agreement regarding employees from the SLA:
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Active employees	3.4
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In Appendix A, additional information is provided for financial statement disclosure, as required by IAS 19.

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 4,217 million (12.7%).
- b) If the discount rate should fall by 0.1%, the liability would increase by approximately NIS 385 million (1.2%).
- c) If the discount rate should increase by 0.1%, the liability would decrease by approximately NIS 377 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 154 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 149 million (-0.4%).

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 change¹⁷, 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 1,698 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 1,375 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 76 million (0.2%).

¹⁷ Please see paragraph 5.3.2.

Alan Fefferman – Actuarial Services Ltd.

Yours truly,

Alan Fefferman, F.C.I.A., F.S.A., F.I.L.A.A.

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

1. Surplus assets at end of the period

	30/09/2025	30/09/2024	31/12/2024
Fair value of plan assets	40,887	38,545	39,415
Present value of the gross pension obligation	(27,661)	(25,421)	(27,424)
Subtotal	13,226	13,124	11,991
Liability for special, early retirement, pension agreements	(88)	(83)	(86)
Surplus pension assets over pension liabilities	13,138	13,041	11,905

**2. Funds held in trust and dedicated to the funding of employee benefits
(as per paragraph 116 of IAS 19)**

	30/09/2025	30/09/2024	31/12/2024
Funds in trust – dedicated to cover actuarial obligations (assets as per paragraph 116)	1,030	1,060	1,057

3. Liability at the end of the period for other post-employment benefits

	30/09/2025	30/09/2024	31/12/2024
Present value of obligations for other post-employment benefits (including liabilities for special retirement agreements)	2,810	2,565	2,753

4. Liability at the end of the period for Reform benefits

	30/09/2025	30/09/2024	31/12/2024
Present value of obligations for Reform benefits	2,700	2,582	2,776
Fair value of plan assets held under insurance contracts with a life insurance company	(1,154)	(797)	(804)
Present value of obligations for Reform benefits minus plan assets held under insurance contracts	1,546	1,785	1,972

5. Reconciliation of the Beginning and Ending Values of the Pension Defined Benefit Obligation

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Present value of the obligation –beginning of period		27,424	26,113	27,849	24,963	26,113
Interest cost		1,109	1,145	371	382	1,531
Current service cost		44	55	14	19	74
Employee contributions		11	12	4	4	15
Past Service Cost		2	-	-	-	319
Benefits paid		(1,070)	(1,015)	(363)	(339)	(1,343)
Losses (gains) on re-measurement:						
• Demographic assumptions changes		(2)	-	-	-	(43)
• Financial assumptions changes		(11)	(1,218)	(206)	308	577
• Experience adjustments		<u>154</u>	<u>329</u>	<u>(8)</u>	<u>84</u>	<u>181</u>
• Total actuarial losses (gains) on re-measurement		<u>141</u>	<u>(889)</u>	<u>(214)</u>	<u>392</u>	<u>715</u>
Present value of the obligation – end of period		27,661	25,421	27,661	25,421	27,424

6. Reconciliation of the Beginning and Closing Values of the Defined Benefit Obligation for Other Post-Employment Benefits (including special early retirement agreements)

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Present value of the obligation – beginning of period		2,753	2,617	2,813	2,521	2,617
Interest cost		113	116	38	41	155
Current service cost		42	39	14	11	53
Past service cost		3	-	3	-	19
Benefits paid		(105)	(108)	(37)	(44)	(156)
Losses (gains) on re-measurement:						
• Demographic assumptions changes		3	-	4	-	(7)
• Financial assumptions changes		(9)	(132)	(22)	25	70
• Experience adjustments		<u>10</u>	<u>33</u>	<u>(3)</u>	<u>11</u>	<u>2</u>
• Total actuarial losses (gains) on re-measurement		<u>4</u>	<u>(99)</u>	<u>(21)</u>	<u>36</u>	<u>65</u>
Present value of the obligation – end of period		2,810	2,565	2,810	2,565	2,753

7. Present Value of Reform Benefits

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Present value of the obligation – beginning of period		2,776	2,610	2,682	2,560	2,610
Interest cost		112	117	37	40	155
Current service cost		(4)	90	13	17	107
Past service cost		-	-	-	-	230
Benefits paid		(201)	(184)	(56)	(41)	(270)
Losses (gains) on re-measurement:						
• Demographic assumptions changes		-	-	-	-	-
• Financial assumptions changes		(14)	(32)	3	18	(14)
• Experience adjustments		<u>31</u>	<u>(19)</u>	<u>21</u>	<u>(12)</u>	<u>(42)</u>
• Total actuarial losses (gains) on re-measurement		<u>17</u>	<u>(51)</u>	<u>24</u>	<u>6</u>	<u>(56)</u>
Present value of the obligation – end of period		2,700	2,582	2,700	2,582	2,776

8. Reconciliation of the Beginning and Closing Fair Value of Plan Assets

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Fair value of plan assets – beginning of period		39,415	38,410	40,287	37,596	38,410
Interest income from plan assets		1,600	1,688	536	566	2,257
Contributions		101	24	8	8	31
Benefits paid		(1,070)	(1,025)	(361)	(345)	(1,348)
Gains (losses) on re-measurement: return on plan assets (not included in interest income)		<u>841</u>	<u>(552)</u>	<u>417</u>	<u>720</u>	<u>65</u>
Fair value of plan assets – end of period		40,887	38,545	40,887	38,545	39,415

9. Reconciliation of the Beginning and Ending Fair Values of Funds Held in Trust to Cover Actuarial Obligations (paragraph 116 assets)

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Fair value of trust assets – beginning of period		1,057	1,095	1,072	1,040	1,095
Interest income from trust assets		42	47	14	15	63
Benefits paid		(98)	(52)	(66)	(13)	(99)
Gains (losses) on re-measurement: investment return on trust assets (excluding amounts included in interest income)		<u>29</u>	<u>(30)</u>	<u>10</u>	<u>18</u>	<u>(2)</u>
Fair value of trust assets – end of period		1,030	1,060	1,030	1,060	1,057

10. Reconciliation of Plan Assets held under Insurance Contracts with a Life Insurance Company

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Fair value of plan assets – beginning of period		804	386	1,150	774	386
Interest income from plan assets		40	25	13	7	34
Company deposits		372	379	-	-	379
Payments to insurance policies for individual retirees		(37)	(15)	(14)	(7)	(24)
Remeasurement gains (losses) on plan assets- Insurance contracts with a life insurance company						
Surplus of plan assets over liability		(84)	-	(28)	-	-
Gains (losses) on re-measurement: investment return on plan assets (excluding amounts included in interest income above)		<u>59</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>-</u>
Total gain on plan assets		<u>(25)</u>	<u>22</u>	<u>5</u>	<u>23</u>	<u>29</u>
Fair value of plan assets – end of period		1,154	797	1,154	797	804

11. Total Period Costs

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Current service cost		93	195	45	52	248
Employee participation		(11)	(12)	(4)	(4)	(15)
Net current service cost		82	184	41	49	233
Interest cost		1,334	1,378	446	463	1,841
Past service cost		5	-	3	-	568
Early retirement costs		17	13	5	5	22
Interest income on plan assets ²⁰		(1,640)	(1,713)	(550)	(574)	(2,291)
Interest income on trust assets (par. 116 assets)		(42)	(47)	(13)	(14)	(63)
Total costs for the period		(244)	(185)	(68)	(71)	310

12. Actual Returns on Plan Assets

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Interest income on plan assets		1,600	1,688	536	566	2,257
Gains (losses) on re-measurement: investment income, not including interest income above		<u>841</u>	<u>(552)</u>	<u>417</u>	<u>720</u>	<u>65</u>
Actual return on plan assets		2,441	1,136	953	1,286	2,322

13. Actual Returns on Assets Held in Trust to Cover Actuarial Obligations (paragraph 116 assets)

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Interest income on assets		42	47	14	15	63
Gains (losses) on re-measurement: investment income, not including interest income above		<u>29</u>	<u>(30)</u>	<u>10</u>	<u>18</u>	<u>(2)</u>
Actual return on assets		71	17	24	33	61

²⁰ Including interest income on insurance contracts with a life insurance company

14. Actual Returns on Assets held under Insurance Contracts with a Life Insurance Company

		9 Months Ending 30/09/2025	9 Months Ending 30/09/2024	3 Months Ending 30/09/2025	3 Months Ending 30/09/2024	Year Ending 31/12/2024
Interest income on assets		40	25	13	7	34
Gains (losses) on re-measurement: investment income, not including interest income above		<u>(25)</u>	<u>21</u>	<u>5</u>	<u>23</u>	<u>29</u>
Actual return on assets		15	46	18	30	63

15. Obligation for Special Early Retirement Agreements (Termination Benefits)

	30/09/2025	30/09/2024	31/12/2024
Obligation at end of period - pensions	88	83	86
Obligation at end of period – other benefits	3	4	3
Obligation at end of period – total	91	87	89

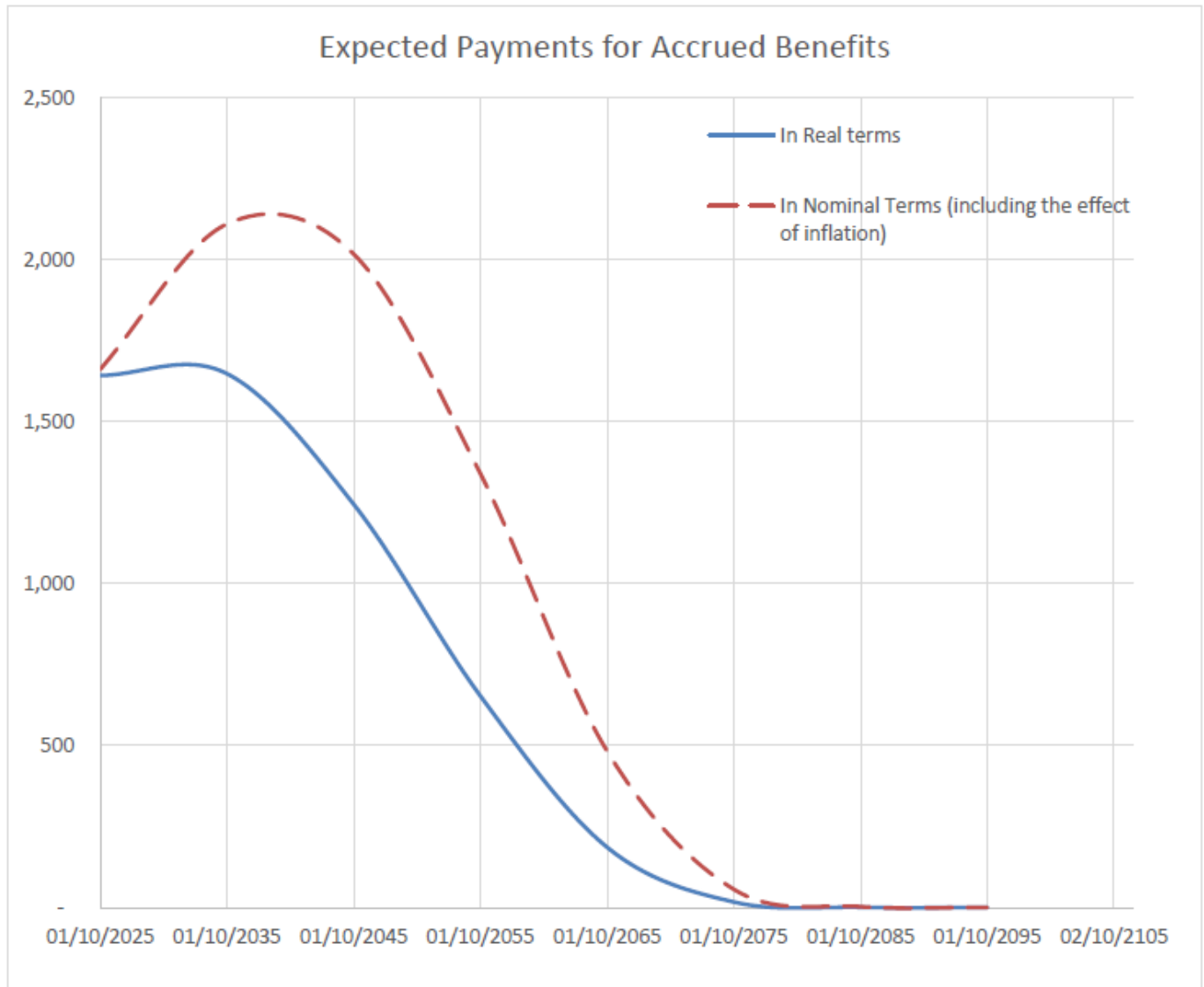
16. Obligation for “20 year grant” (Other Long-Term Employee Benefits)

	30/09/2025	30/09/2024	31/12/2024
Obligation at end of period	14	13	13

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.



Appendix C – Additional Detail Regarding Financial Assumptions (annualized rates)

	30/09/2025	31/12/2024
Weighted average <u>real</u> discount rate used to compute liabilities as at the end of the period*	3.03%	2.99%
Expected inflation rate	2.4%	2.6%
<u>Nominal</u> interest rate used to compute the interest cost on pension liabilities	5.52%	5.99%
<u>Nominal</u> interest rate used to compute the interest cost on other post-employment liabilities	Ditto	Ditto
<u>Nominal</u> interest rate used to compute the expected return on plan assets	Ditto	Ditto
<u>Nominal</u> 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.

Appendix D – Additional Detail Regarding Data

List of data files received from the Company:

1. "ong0925" – 15,253 records – data including all employees / retirees / survivors (permanent workers of generations A, B, and C).
2. "פנסיונרים ושאיירים דור ג ספטמבר 2025" – 155 records – file specifies whether each retiree is a pensioner or a surviving beneficiary
3. "actuarpizuisug13410925" - 179 records – data including all non-permanent workers (special agreements).
4. "עובד ממשיך ספטמבר 2025" - 1,639 records, general data regarding employees employed under the Continuing Employment Agreement
5. "עובדי צד"ל ספטמבר 2025" - 26 records- data including all employees from the SLA
6. "פורשי אוגוסט 2025 כולל דור ג" - 16 records, "פורשי יולי 2025 כולל דור ג" - 17 records, "פורשי ספטמבר 2025 כולל דור ג" - 19 records
7. "change072025", "change082025", "change092025", "change092025g" – files that describe status changes of employees / retirees in the months July-September 2025.
8. "חשמל ספטמבר 2025" – data regarding electricity rates, VAT rate and grossed-up taxes.
9. "שי ספטמבר 2025" – value of holiday gifts grossed-up for taxes.
10. "עובדים מדורות א ב ג שעברו להסכם אישי בכיר ספטמבר 2025" – 114 records – list of senior employees who have signed personal service contracts (instead of being covered by collectively bargained salary agreements).
11. "שכר רגיל של עובדים שעברו להסכם אישי בכיר ספטמבר 2025" – 114 records – list of regular salaries for senior employees who have signed personal service contracts.
12. "יעדי פרישות מוקדמות בחתך חטיבתי לפי שנים ל 160925"
13. "פוטנציאל פרישה מוקדמת של פורשי מבצע לשנים 2025 2026 נכון ל160925" - 203 records
14. "גיליון נתונים מסכם הראל רבעון שלישי 2025-דיווח לחשבונאים"
15. "פנסייט גישור שוטף 0925"

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 net²¹ 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.

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.

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. These 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.

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 on 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 200²². This increased net²³ liabilities by about NIS 370 million.

²² Based on a special collective 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.

- 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 million²⁶.
- 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.