

# Israel Electric Corporation Ltd.

## Rating action | March 2017

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

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## Israel Electric Corporation Ltd.

<b>Series 2022</b>	<b>Aa2.il</b>	<b>outlook: Stable</b>
<b>Series 2029</b>	<b>Aa2.il</b>	<b>outlook: Stable</b>
<b>Series 26</b>	<b>Aa2.il</b>	<b>outlook: Stable</b>
<b>Series 27</b>	<b>Aa2.il</b>	<b>outlook: Stable</b>
<b>Series 25<sup>1</sup></b>	<b>Aaa.il</b>	<b>outlook: Stable</b>

Midroog affirms Aa2.il Rating of debentures, Series 28 and 29 (hereinafter: "the New Series") to be issued by Israel Electric Corporation Ltd. (hereinafter: "IEC" or "the Corporation"), amounting up to NIS 1 billion in par value.<sup>2</sup> Rating outlook is stable. The Corporation intends to issue the New Series in March 2017, or soon thereafter. The issue objective is for debt re-financing, other current needs, including the Corporation development plan. This rating also applies to outstanding debentures with no State guarantee, Series 2022, 2029, 26 and 27, issued by the Corporation.

Midroog affirms Aaa.il rating of debentures with State-guaranteed, Series 25. Rating outlook is stable.

Midroog believes the State's support for the Corporation and the dependence between the State and the Corporation to be very high and significant foundations for the rating. Any deterioration in Midroog's assessment with regard to the support and the dependence may result in a significantly lower rating.

The outstanding debentures which are rated by Midroog:

<b>Series</b>	<b>Securities ID</b>	<b>Rating</b>	<b>Outlook</b>	<b>Maturity date</b>
2022	6000129	Aa2.il	Stable	January 18, 2023
2029	6000186	Aa2.il	Stable	May 7, 2029
26	6000202	Aa2.il	Stable	October 12, 2023
27	6000210	Aa2.il	Stable	April 12, 2029
25	6000160	Aaa.il	Stable	July 9, 2017

For information about rating considerations, please refer to follow-up and rating action report dated September 2016<sup>3</sup>.

### About the Corporation

Israel Electric Corporation Ltd. is a Government corporation (the State of Israel owns 99.85% of shares<sup>4</sup>), engaged in generation, transmission, distribution, supply of electricity, trade in electricity and construction of required infrastructure for these operations. The corporation was incorporated in Israel in 1923. Corporation operations are governed and supervised by the Electricity Market Law, which superseded the Electricity Franchise Ordinance. Pursuant to the Electricity Market Law, the Public Utility Authority - Electricity (hereinafter: "PUA") sets electricity tariffs and how they are to be revised, also setting the benchmarks for Corporation

<sup>1</sup> State-guaranteed.

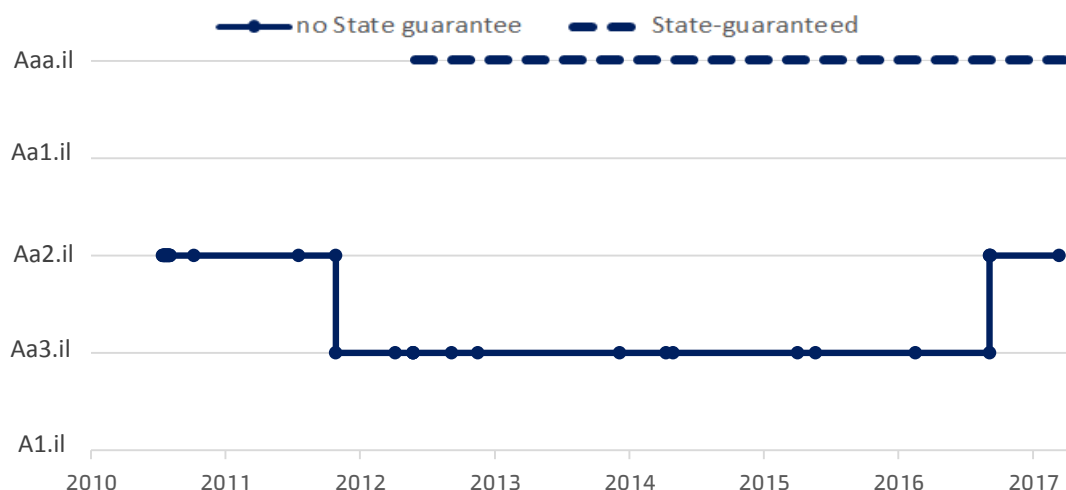
<sup>2</sup> The Corporation intends to issue two new series with different average duration and/or different linkage provisions.

<sup>3</sup> These reports are available on Midroog's website at: [www.midroog.co.il](http://www.midroog.co.il)

<sup>4</sup> The Corporation believes that the remaining shares are held by the public and some owners thereof may not be identifiable.

operations. PUA also grants contingent and fixed licenses for generation, distribution and supply in the electricity market to all producers and supervises them in conformity with the specified benchmarks. The Corporation is a monopoly in the Israeli electricity market, providing generation, transmission, distribution and supply of the great majority of electricity consumed in Israel. The Corporation is subject to a regulatory framework administered by PUA pursuant to the Electricity Market Law, 1996 – in existence for more than 20 years.

## Rating History



## Related reports

[Rating – Israel Electric Corporation Ltd.](#)

[Methodology for rating regulated electricity and natural gas companies](#)

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

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

The reports are published on the Midroog website at [www.midroog.co.il](http://www.midroog.co.il)

## General information

Date of rating report:	March 13, 2017
Date of last revision of the rating:	September 7, 2016
Date of first publication of the rating:	July 14, 2010
Rating commissioned by:	Israel Electric Corporation Ltd.
Rating paid for by:	Israel Electric Corporation Ltd.

## Information from the issuer

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

### Local Long-Term Rating Scale

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

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

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