To: Bondholders (Series 22)  
To: The Israeli Electric Corporation  
1 Nativ Haor Street  
Haifa  

Dear Sir / Madam,  

Re: Annual Report – Trust for Bondholders (Series 22)  
Issued by the Israel Electric Corporation Ltd.  

By virtue of our position as trustees for holders of the bonds (Series 22) (the "Bonds") issued by the Israel Electric Corporation (the "Company"), we are proud to hereby file the annual report for trust activities we performed in the period starting January 1, 2012 and ending June 14, 2013 (the "Report Period"), pursuant to the provisions of the deed of trust and pursuant to the provisions of Section 7 of the Israeli Trust Law- 1979, and the provisions of Section 35H1 of the Israeli Securities Law– 1968.

1. The Deed of Trust  

1.1 On May 20, 2002, a deed of trust was signed between the Company and the Bank Leumi Leisrael Trust Company Ltd. (the "Leumi Trust").

1.2 On August 2, 2011, the Company notified the Leumi Trust on the expiration of its appointment as the trustee for the bonds, subject to the court's approval.

1.3 On October 10, 2011, the court approved the termination of the appointment of the Leumi Trust as the trustee for the Bonds, and the appointment of our company as the trustee for the Bonds in its place. Shortly after this date, the deed of trust as foregoing in Section 1.1 above was amended for the purpose of appointing Hermetic Trust (1975) Ltd. as the trustee in place of the Leumi Trust (the deed of trust together with the amendment thereto shall be termed hereinafter: the "Deed of Trust").

2. Securities Issued  

On the matter of the amount of bonds in circulation, see the company's reports and details on the Maya website of the Tel Aviv Stock Exchange Ltd.
3. **Collaterals and Obligations**

The bonds are not guaranteed with any collateral.

4. **Principal and Interest**

On the matter of principal and interest payments see the terms on the other side of this page, the appendices to the Deed of Trust and also the company's reports and details on the Maya website of the Tel Aviv Stock Exchange Ltd.

5. **Special Events**

In the Report Period, the trustee did not learn of any: (1) material violation of the Deed of Trust on the company's part; (2) non-compliance with any material undertaking by the company; (3) other exceptional event with respect to the trust under the Deed of Trust.

This report does not replace the holder's review of the company's public reports, including review of the financial statements and the opinions of the auditing accountants.

6. **Rating**

The bonds are rated by Midroog Ltd. ("Midroog") and by Maalot Standard and Poor's Ltd. ("Maalot"):  

6.1 **Maalot rating**

6.1.1 As of the starting date of the Report Period, the Company's outlook was ilAA-/Stable.

6.1.2 On April 5, 2012, Maalot notified of a change in the company's rating outlook to ilAA-/Watch Negative from ilAA-/Stable.

6.1.3 On August 21, 2012, Maalot notified of a change in the company's rating outlook to ilAA-/Negative from ilAA-/Watch Negative.

6.1.4 On November 14, 2012, Maalot notified of a change in the company's rating outlook to ilAA-/Watch Negative from ilAA-/Negative.

6.1.5 On April 11, 2013, Maalot notified of a change in the Company's rating outlook to ilAA-/Stable from ilAA-/Watch Negative.

6.1.6 As of the end of the Report Period, the Company's rating is ilAA-/Stable.

6.2 **Midroog rating**
6.2.1 As of the starting date of the Report Period, the company's rating was Aa3 with a stable outlook.

6.2.2 On May 24, 2012, Midroog notified of a change in the company's rating forecast to Aa3 with a negative outlook, from Aa3 with a stable outlook.

7. **Dividends**

In the Report Period, no dividends were distributed by the company.

8. **Approvals to the Trustee**

The Company provided all the approvals set by the Deed of Trust and as requested by the trustee.

9. **Bondholder Assemblies and Shareholder Assemblies**

9.1 On the matter of shareholder assemblies in the company, held in the Report Period, including the issues on the agenda and the resolutions made on them, see the company's reports on the Israeli Securities Authority's Magna System.

9.2 No holder assemblies were held in the Report Period.

10. **Review of the Trustee's Report**

The report is available for the review of the bondholders at the trustee's offices at 113 Hayarkon Street, Tel Aviv, Sunday – Thursday (except for holidays and special occasions), between 10am and 3pm.

A bondholder who shall prove to the trustee's satisfaction the fact that he holds Bonds shall receive, by regular post, a copy of this report, which shall be sent to any address provided by him in Israel.

Sincerely,

**Hermetic Trust (1975) Ltd.**