A notification is hereby given by the Israel Electric Corporation Ltd. (the Company) that yesterday evening, 22 April, 2012, it received a notification from East Mediterranean Gas SAE (EMG), which supply natural gas to the Company, according to which the Egyptian gas government companies Egyptian Natural Gas Holding Company (EGAS) and Egyptian Petroleum Corporation (EGPC), which supply natural gas to EMG, notified EMG that they cancel the gas sale and purchase agreement with it.

The cancellation is not expected to have a negative material impact on the Company’s financial condition and/or its cash flow beyond what has previously been reported by the Company, since for over more than a year the supply of natural gas from Egypt was extremely partial and irregular, inter alia due to a series of sabotaging explosions in the natural gas pipeline from Egypt to Israel.

The Company is currently in a process of international arbitration against EMG, EGPC and EGAS, which include a claim to be compensated for the heavy damages the Company suffered as a result of the continuing breaches of the sale and purchase gas agreements with those companies.

The Company, in cooperation with its international legal advisors is studying the effect of the unilateral cancellation of the agreement between EMG and EGPC and EGAS on the international arbitration it conducts against those companies.