



RED ELÉCTRICA
CORPORACIÓN

Revised Corporate Bylaws

Apr 13th, 2011

This English translation is exclusively for information purposes and is based on the original, official document in the Spanish language, available in the Spanish version on the company's web site.



TITLE I
NAME, PURPOSE, REGISTERED OFFICE AND TERM OF THE COMPANY

Article 1.- Name and legal regime

The Company is called “RED ELÉCTRICA CORPORACIÓN, S.A.” and shall be governed by these Bylaws, by the Corporate Enterprises Law, the Commercial Code, the Securities Market Law and other applicable legislation.

Article 2.- Corporate purpose

The Company's corporate purpose shall be:

1. to hold, pursuant to the legislation in force from time to time, the capital stock of the company to which the functions of system operator, electricity transmission network manager and electricity transmitter correspond, pursuant to the provisions of Additional Provision no. 3 of Law 17/2007, of July 4, 2007 (“Law 17/2007”).
2. the management of its business group, constituting the holdings in the capital stock of the companies comprising it.
3. the research, study and plan investment and corporate organization projects, as well as to promote, create and develop industrial, commercial or services enterprises; to research, develop and operate communications, information technologies and other new technologies in all respects; to provide assistance or support services to investees, for which purpose it may provide to those companies such guarantees and deposits as may be appropriate.
4. the design, development, implementation and operation of services relating to the corporate information, management and organization specific to its activity.
5. this corporate purpose includes all activities which are necessary for or enable its fulfillment, provided that they comply with the law.

Article 3.- Nationality and registered office

The Company is Spanish by nationality and its registered office is located at Paseo del Conde de los Gaitanes, 177, Alcobendas (Madrid). The Board of Directors may resolve to relocate its registered office within the same municipal district as that in which it is currently established, as well as to open, close or relocate such branches, agencies or offices as may be necessary or appropriate for the pursuit of the corporate activity, both in Spain and abroad.

Article 4.- Term

The Company commenced operations on January 29, 1985, on which date the Deed of



Incorporation was executed, and shall have an indefinite term.

TITLE II CAPITAL STOCK AND SHARES

Article 5.- Capital stock

1. The capital stock of the Company stands at two hundred and seventy million five hundred and forty thousand euros (€270,540,000), and is divided into one hundred and thirty five million two hundred and seventy thousand (135,270,000) shares, of a single class and series, each with a par value of two euros (€2), fully subscribed and paid in, and represented by book entries.
2. Pursuant to the provisions of Additional Provision no. 3 of Law 17/2007 and the Electricity Industry Law:
 - 1) the total direct or indirect holding owned by any individual or legal entity in the capital stock of the Company can at no time be greater than five percent (5%) of the capital stock of the Company, unless otherwise authorized by the Law. These shares cannot be syndicated for any purpose. No shareholder may exercise more than three percent (3%) of non-economic rights. Parties pursuing activities in the Electricity Industry and individuals or legal entities which directly or indirectly own holdings in the capital thereof equal to more than five percent (5%) may not exercise more than one percent (1%) of non-economic rights. Furthermore, the direct or indirect holdings of parties pursuing activities in the Electricity Industry, when added together, must not total more than forty percent (40%).
 - 2) In order to calculate the holding of each shareholder, an individual or legal entity shall be deemed to own, in addition to the shares and other securities owned or acquired by the entities belonging to its group, as defined in Article 4 of Securities Market Law 24/1988, those which are owned by:
 - (a) persons acting in their own name but for the account of the aforesaid shareholder, on a specific basis or forming a decision-making unit, the members of a legal entity's Board of Directors being deemed, unless proven otherwise, to act for the account of or on a concerted basis with such entity;
 - (b) the shareholders with whom the aforesaid shareholder exercises the control of a dependent company.

In any case, regard shall be had both to the nominee ownership of the shares and other securities and to the voting rights held under any title.
3. Notwithstanding the provisions of Article 6.2 of these Bylaws, the infringement of the limits indicated in Article 5.2 or of those imposed at any time by the legislation in force shall entail the legal consequences determined therein, including, if appropriate, the imposition of the relevant penalties and that which is provided for in these Bylaws.



The non-economic rights relating to shares or other securities which, pursuant to the provisions of the legislation force at any given time, exceed the limit stipulated in this Article, shall be held in abeyance until they are brought into line with that limit.

4. As an exception to the general rule and by reason of the singular regime conferred by the Electricity Industry Law on the State Industrial Holding Company (*Sociedad Estatal de Participaciones Industriales*), the holding and the voting rights of this Company shall be governed by the provisions of these Bylaws, except where provision is made in the Sole Additional Provision of same.

Article 6.- Accounting record of shares

1. The shares are represented by book entries and are traded on the Spanish stock market, in the Unified Computerized Trading System. They shall be governed by the legislation regulating the securities market and other statutory provisions in force. Their admission to trading on other stock markets of foreign securities or other organized secondary markets may be requested.

Pursuant to Article 118.2 of the Corporate Enterprises Law, notwithstanding representation by book entries, the Company is subject to the rules on the obligatory registering of its shares imposed by the legislation in force.

The Company shall only acknowledge as a shareholder, to all effects and purposes including attendance and voting at Shareholders' Meetings, whoever is lawfully recorded in the entries made in the related accounting records, which shall include a note of the creation of rights in rem over the shares. Where shares have not been fully paid in, this circumstance shall be recorded in the related accounting entry.

2. The Company shall not acknowledge the exercise of non-economic rights relating to shares or other securities or rights in the Company owned or held by any individual or legal entity in excess of the limits on maximum ownership of shares or securities in the Company imposed from time to time by the legislation in force.

Article 7.- Rights attaching to shares

Each share confers the status of shareholder on its lawful owner and grants it the rights stipulated in the Corporate Enterprises Law and in these Bylaws and, in particular, the right to a share in the corporate income and in the liquidation dividend, the preemptive right to subscribe the issue of new shares or convertible debentures, the right to attend and vote at Shareholders' Meetings, the right to object to corporate resolutions and the right to information pursuant to the Law and to these Bylaws and their implementing provisions.

The Company must afford equal treatment to shareholders who are on an identical footing.

Shares are indivisible. Cases of joint ownership, usufruct and pledge of shares and other cases of joint title shall be subject to the Law, to the instrument whereby they are created and to these Bylaws.



Article 8.- Increase and reduction of capital stock

Capital stock may be increased and reduced by resolution of the Shareholders' Meeting, lawfully called for such purpose, pursuant to the Law and to these Bylaws.

The Shareholders' Meeting, after meeting the requirements stipulated for the amendment of the Bylaws, may delegate to the Board of Directors:

- a) after resolving to increase capital by a certain amount, the following powers:
 1. to implement said resolution within not more than one year, except in the case of converting debentures into shares;
 2. to indicate the date on which the increase, by the resolved amount, is to take place;
 3. to indicate the dates of commencement and termination of the subscription period;
 4. to issue the shares representing the increase;
 5. to report the amounts subscribed in the capital increase;
 6. to demand payment and disbursement of calls on unpaid capital;
 7. to amend Article 5 of the Corporate Bylaws, on capital stock, recording the new figure following the increase, in accordance with the amounts actually subscribed; and
 8. in general, to stipulate the terms of the capital increase where not provided for in the resolution of the Shareholders' Meeting;
- b) the power to resolve to increase capital stock one or more times up to a specific figure on the occasion and by the amount which the Board of Directors decides, without first consulting the Shareholders' Meeting. Such increases can in no case be greater than one half of the Company's capital stock upon authorization and must be made with cash contributions within not more than five years from the date of the resolution by the Shareholders' Meeting.

In such case, the Board of Directors shall also be empowered to reword the Articles of the Corporate Bylaws relating to capital stock, after the increase has been resolved and carried out.

Article 9.- Shareholders' preemptive right

Where capital is increased with the issue of new ordinary or preferred shares with a charge to monetary contributions, existing shareholders may exercise, within the time period granted to them for such purpose by the Company's Board of Directors, which shall not be less than fifteen (15) days from the date of publication of the notice of public offering published in the Official Gazette of the Mercantile Registry, the right to subscribe a number of shares proportional to the par value of the shares that they own.



Preemptive subscription rights shall be transferable on the same terms as the shares to which they relate. In the event of an increase with a charge to reserves, the same rule shall apply to the rights to allocation of the new shares for no consideration.

Where any shareholder does not exercise or transfer his preemptive subscription right in the manner stipulated in these Corporate Bylaws, the Board of Directors may offer the subscription of the corresponding shares to such third parties as it deems appropriate or declare the capital increase to be incomplete, in which case the capital shall only be increased by the amount actually subscribed.

TITLE III COMPANY BODIES

Article 10.- Company bodies

The government and management of the Company shall be entrusted to the Shareholders' Meeting and to the Board of Directors.

SECTION ONE SHAREHOLDERS' MEETING

Article 11.- Shareholders' Meeting

Shareholders, met together in a Shareholders' Meeting which has been duly called, shall decide by majority on the matters within the powers of the Shareholders' Meeting or on those which are submitted by the Board of Directors, notwithstanding the fact that the Shareholders' Meeting cannot usurp or assume powers which are under the exclusive jurisdiction of the Board of Directors.

In accordance with the Corporate Enterprises Law, the Shareholders' Meeting has power to deliberate and resolve on the following matters:

- a) The approval of the financial statements, the distribution of income or allocation of loss, and approval of the conduct of management of the Company.
- b) The appointment and removal of Directors, liquidators and, as the case may be, auditors, as well as the filing of a corporate action for liability against any of them.
- c) The amendment of the Corporate Bylaws.
- d) Capital increases and reductions.
- e) The removal or limitation of the preemptive right of subscription or assumption.
- f) An alteration of legal form, merger, spin-off or transfer en bloc of assets and



liabilities, and transfer abroad of the registered office.

- g) The dissolution of the Company.
- h) The approval of the final liquidation balance sheet.
- i) Any other matters determined by the law or the Corporate Bylaws.

In particular, the Shareholders' Meeting shall have the power to approve transactions the effect of which is equivalent to that of the modification of the corporate purpose or to the liquidation of the Company.

All shareholders, including dissenting and absent shareholders, shall be subject to the resolutions of the Shareholders' Meeting notwithstanding the statutory rights and remedies acknowledged to them.

The Shareholders' Meeting shall be governed by the applicable legislation, by these Bylaws and by its Regulations.

Article 12.- Types of Shareholders' Meetings

Shareholders Meetings may be Annual or Special and must be called by the Company's Board of Directors.

The Annual Shareholders' Meeting must be held, following the relevant call, within the first six months of each fiscal year, with a view to ratifying the conduct of management of the Company, approving, if appropriate, the financial statements and the management report for the previous fiscal year and resolving, as the case may be, on the distribution of income or allocation of loss.

Any other matter reserved by law or in the Bylaws to the authority of the Shareholders' Meeting may be decided at an Annual or Special Meeting.

The Annual Shareholders' Meeting shall be valid even where called or held late.

A Special Shareholders' Meeting shall be held whenever so resolved by the Board of Directors or when requested by a number of shareholders representing at least five percent of the capital stock, stating in their request the business to be transacted at the Meeting. In such case, the Shareholders' Meeting must be called to be held within the month following the date on which the Board of Directors was asked, by way of a notary, to call the Meeting, and the Meeting agenda must state the matters so requested.

Article 13.- Calls for Shareholders' Meetings

Both Annual and Special Shareholders' Meetings must be called by means of a notice published in the Official Gazette of the Mercantile Registry and on the Company website or, if no such website exists, in one of the largest circulation newspapers in the province where the registered office is situated, at least one month prior to the date set for holding the Meeting. The call notice shall indicate the name of the Company, date and timing of the Meeting on first call, and the agenda with all the business to be transacted thereat. The date



on which, if appropriate, the Meeting is to be held on second call may also be stated. A minimum period of 24 hours must elapse between the two Meetings.

Shareholders owning five percent of the capital stock may ask the Board of Directors, within the period between the Company's last Shareholders' Meeting and the date on which the Board resolves to call the next Meeting, to include any item on the agenda for the next Shareholders' Meeting. Said request must be made in the manner and on the terms stipulated in the Regulations of the Shareholders' Meeting. The Board shall include on the agenda the items requested in the manner which best suits the interests of the Company, provided that they relate to matters which are within the powers of the Shareholders' Meeting.

The call notice must state the right of shareholders to examine at the registered office and to obtain immediately free of charge the documents that are to be submitted to the approval of the Shareholders' Meeting, and the technical reports established in the Law. Should the Shareholders' Meeting have to decide on any amendment to the Bylaws, the call notice must state, with due clarity, the points which are to be amended.

Shareholders representing at least five percent of the capital stock may request the publication of a supplement to the call notice for a Shareholders' Meeting, including one or more items on the agenda. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice.

The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders' Meeting.

Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for rendering the Shareholders' Meeting void.

Shareholders' Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice.

Article 14.- Quorum

Annual and Special Shareholders' Meetings shall be called and validly convened pursuant to the Law.

In order for an Annual or Special Shareholders' Meeting to be able to validly adopt a resolution for a capital increase or reduction or any other amendment of the Corporate Bylaws, the issue of debentures, the removal or limitation of the preemptive right of acquisition of new shares, or an alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, or the transfer abroad of the registered office, shareholders holding at least 50 percent of the subscribed voting capital stock must attend in person or by proxy on first call. On second call, the attendance of 25 percent of said subscribed voting capital stock shall be sufficient.

Shareholders entitled to attend and vote and who cast their votes remotely, as provided for in Article 17 of these Bylaws, must be counted as present for the purposes of convening the Shareholders' Meeting.



Non-voting shares and those whose holders are not up to date in the payment of calls on unpaid capital shall not be counted as present at any Shareholders' Meeting.

Shares or other securities the non-economic rights of which exceed the limits recognized in Article 5 shall not be taken into account when calculating the quorum required to convene the relevant Shareholders' Meetings or when calculating the majorities for adoption of resolutions.

Article 15.- Right to information and attendance at Shareholders' Meetings

Shareholders may attend the Shareholders' Meeting if they are up to date in the payment of calls on unpaid capital and evidence their ownership by way of certification of the registration of their name in the accounting record of book entries at least five days before the date on which the Shareholders' Meeting is to be held. Shareholders shall ask the entity in charge of the accounting record of book entries for the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company's securities, in order to obtain, where necessary, the appropriate attendance card from the Company.

Shareholders who are entitled to attend may be represented at the Shareholders' Meeting by another shareholder who is entitled to attend, in the manner established by Articles 184 through 187 of the Corporate Enterprises Law, in relation, in any case, to the provisions of these Bylaws. Proxies must be conferred in writing and specifically for each Meeting. Directors must attend Shareholders' Meetings.

Proxies may be granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of these Corporate Bylaws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.

Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it shall not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest as provided in Article 514 of the Corporate Enterprises Law.

Personal attendance at the Shareholders' Meeting by the shareholder represented shall be deemed to revoke the proxy granted.

Shareholders may request such reports or explanations as they deem necessary concerning the items of interest to them, in the manner stipulated by the applicable laws, and shall receive information via the Company website as stipulated by the Law, these Bylaws and the rules on corporate governance.

From the date of publication of the call notice for the Shareholders' Meeting until the seventh day prior to the date set for holding the Meeting on first call, shareholders may request in writing such information or clarifications as they deem necessary or pose in writing such questions as they deem relevant concerning the items on the agenda. During the same prior period and in the same manner, shareholders may request information, clarifications or pose



questions in writing concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders' Meeting was held.

Directors must furnish the information in writing up to the date of holding the Shareholders' Meeting.

While the Shareholders' Meeting is being held, Company shareholders may orally request such information or clarifications as they deem appropriate concerning the items on the agenda and, if this shareholders' right cannot be satisfied at that time, the Directors must provide that information in writing within seven days after the end of the Meeting.

Directors must provide the information requested pursuant to the foregoing two paragraphs except in cases in which, in the Chairman's opinion, the public disclosure of the information requested could harm the interests of the Company. Information may not be refused where the request is supported by shareholders who represent at least one fourth of the capital stock.

Except in cases of proxies following public solicitation, which shall be subject to the statutory provisions in force in each case, no person may accumulate proxies which, together with his own votes, confer on him voting rights exceeding three percent of the capital stock.

Article 16.- List of attendees

Before discussing the first item on the Agenda, the list of attendees shall be drawn up, indicating the nature or representation of each one and the number of shares, of their own or of others, with which they attend. At the end of the list the number of shareholders present or represented shall be determined, as well as the amount of the capital they own, specifying that belonging to shareholders with voting rights.

Article 17.- Presiding Panel, deliberations

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors and, in his absence, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or to seniority in the office, if no rank has been established, and, in their absence, by the person designated by the Board of Directors and, in the absence of such designation, by such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders' Meeting.

The Secretary or Deputy Secretary, if any, of the Board of Directors shall act as Secretary of the Shareholders' Meeting. In the absence of both, such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders' Meeting, shall act as Meeting Secretary.

The Chairman is responsible for directing and establishing the order of deliberations and speeches; for deciding on the form of voting on resolutions; for resolving any doubts, clarifications or complaints which are raised in relation to the agenda, the list of attendees, ownership of shares, delegations of authority or proxies, the requirements for the valid convening of, and adoption of resolutions by, the Shareholders' Meeting, or regarding the Bylaw limit on the right to vote; and for granting the floor to any shareholders requesting it,



withdrawing it or refusing it and ending debates when he considers the matter being debated to have been sufficiently discussed.

Each share confers the right to one vote. Resolutions shall be adopted by a majority of the votes, unless the Law requires a greater majority.

No person, by virtue of his own right or of a proxy, may exercise voting rights which exceed the shareholding limits stipulated in Article 5 of these Bylaws, with the exception of the provisions on public proxy solicitations set forth in the last paragraph of Article 15 above.

The statutory limit on shareholding in the Company shall also apply to the maximum number of votes that may be cast, collectively or separately, by two or more shareholders, one of whom owns indirect holdings in the capital stock of the Company (as defined in Article 5).

The limitations on voting rights stipulated by the Law and in these Bylaws shall operate with respect to all matters submitted to a vote at a Shareholders' Meeting, including the right to proportional representation referred to in Article 243 of the Corporate Enterprises Law, but shall not prevent the shares to which said right applies from being counted as voting capital stock in attendance for the purpose of calculating the necessary quorums for convening Shareholders' Meetings.

Article 17 bis.- Absentee vote

Shareholders entitled to attend and vote may cast their vote on the proposals relating to items included on the agenda by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote is duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Regulations of the Shareholders' Meeting and all such supplementary rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors

The Board of Directors, having regard to the technical and legal bases making it possible and duly guaranteeing the identity of the individual exercising his right to vote, is authorized to implement the foregoing provisions by establishing the appropriate rules, means and procedures according to the state of the art with a view to instrumenting the casting of votes and the grant of proxies by electronic means, in compliance with any legislation which may be enacted for this purpose.

The implementing provisions adopted by the Board of Directors under the provisions of this Article, as well as the means, procedures and forms established for granting a proxy and exercising the right to vote absentee shall be posted on the Company's website.

The personal attendance of the Shareholders' Meeting by the shareholder or by his representative shall constitute the revocation of a vote cast by postal or electronic correspondence or by any other means of remote communication.

Article 18.- Minutes

The Secretary shall draw up minutes of each meeting, which shall record the resolutions adopted by the Shareholders' Meeting. Minutes of Shareholders' Meetings must be approved



by the Shareholders' Meeting itself immediately after it has been held or, otherwise, within fifteen (15) days, by the Chairman of the Shareholders' Meeting and two tellers, one representing the majority and the other representing the minority.

Minutes shall be entered in the Company's Minutes Book kept in any form permitted by the Law. Minutes, following approval, shall be signed by the Meeting Secretary and countersigned by the person acting as Meeting Chairman. Corporate resolutions may be implemented as from the date of approval of the minutes recording them.

The presence of a notary pursuant to Article 203 of the Corporate Enterprises Law and the Regulations of the Shareholders' Meeting shall mean that the minutes of the notary shall be regarded as the minutes of the Shareholders' Meeting and not be subject to the formality of approval, and the resolutions recorded in them may be implemented as from the date of their completion.

SECTION TWO MANAGING BODY

Article 19.- Managing body

The Company shall be managed, governed and represented by a Board of Directors, notwithstanding the powers reserved to the Shareholders' Meeting.

The Board holds all the powers to manage and represent the Company, both in and out of court, and shall exercise them either directly or by delegation or grant of powers of attorney on the terms stipulated by law, in these Bylaws and in the Regulations of the Board of Directors.

Article 20.- Board of Directors

The Board of Directors shall be formed by at least nine (9) and not more than thirteen (13) members, who shall be designated by the Shareholders' Meeting. The Shareholders' Meeting shall set the final number of Directors within the aforesaid maximum and minimum limits.

When selecting the Directors, regard shall be had to the Company's capital composition and structure. It shall be sought to have External Directors (Independent and Nominee) represent a broad majority. In any case, the Board shall be composed in such a way as to ensure that the capital stock is most suitably represented.

The Directors appointed shall hold office for four years and may be reappointed indefinitely, notwithstanding the power of the Shareholders' Meeting to remove them at any time.

Directors need not be Company shareholders or members, except in the case stipulated in Article 244 of the Corporate Enterprises Law. Both individuals and legal entities may be appointed as Directors.

Directors shall be elected in observance of Article 243 of the Corporate Enterprises Law and supplemental provisions.

Persons who, pursuant to the Law, are incompatible cannot be Directors.



The compensation of the Board of Directors shall consist of a fixed monthly fee for the attendance of Board meetings and a share in the Company's income. Overall annual compensation for the entire Board and for the foregoing items shall be equal to 1.5% of the Company's net income, approved by the Shareholders' Meeting. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely determines. Pursuant to Article 218.2 of the Corporate Enterprises Law, compensation in the form of a share in income may only be received by Directors after the provisions to the legal and bylaw reserves have been covered and the shareholders have been recognized a dividend of not less than 4%.

Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders' Meeting, which must state the number of shares to be awarded, the price for exercising the options, the share value taken as a reference and the term of this compensation system.

The compensation stipulated in this Article shall be compatible with and independent of salaries, wages, severance pay, pensions or compensation of any kind established generally or individually for members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company, which relationships shall be compatible with the status of member of the Board of Directors.

The members of the Board of Directors shall discharge their office and their functions with the diligence of an organized businessman and loyal representative, and must at all times be faithful and loyal to the Company's interests and comply with the duty of secrecy pursuant to the Law and to these Bylaws.

Article 21.- Functioning of the Board of Directors

The Board shall designate a Chairman from among its members and, if it deems appropriate, one or more Deputy Chairmen. The Board shall also freely appoint the person who is to hold office as Secretary of the Board of Directors and, if it deems appropriate, shall also appoint a Deputy Secretary. Neither the Secretary nor the Deputy Secretary need be a Director.

In the absence of the Chairman of the Board, Board meetings shall be chaired, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or, if no rank has been established, by the Director who has held office for the longest time. In the Secretary's absence, his functions shall be discharged by the Deputy Secretary, if any, and in his absence, by the youngest Director from among those attending the meeting.

The Board shall meet where required by the Company's interests and at least once per quarter and, in any case, within not more than three months from the end of the financial year, with a view to drawing up the financial statements, the management report and the proposal for the distribution of income and allocation of loss.

Each Director may have another Director represent him and vote on his behalf at meetings of the Board of Directors, by virtue of delegation in writing especially for each Board meeting.

Board meetings shall be called by the Chairman or by whoever is acting as Chairman and



shall meet on the days which the Chairman decides and whenever deemed appropriate by the Chairman or requested in writing by three (3) Directors, who must state in their request the matters to be discussed at the meeting. In such case, the Chairman, or whoever is acting as Chairman, shall call the Board to meet within fifteen (15) days after the request. The call shall be issued in writing, addressed personally to each Director and sent by any means capable of leaving record of the contents of the notice and of its receipt, sufficiently in advance of the date set for the Board meeting.

A Board meeting may be held without a call where all Directors are present and all agree to the holding of the meeting.

Board meetings shall be validly convened where one half plus one of the Board members are present or represented at the meeting.

Voting in writing without a meeting being held shall only be admitted when no Director objects to this procedure.

When the Chairman deems a matter to have been sufficiently debated, he shall submit it to a vote. Each Director present or duly represented shall have one vote. Resolutions shall be adopted by a majority of the votes, except in cases where the Law requires resolutions to be adopted by a greater majority. In the case of a tie, the Chairman shall have the casting vote.

Minutes shall be approved by the Board of Directors itself at the end of the meeting or at the beginning of the next meeting, and shall be signed by the Secretary of the Board, or the meeting Secretary, and countersigned by the person acting as Chairman. Board minutes shall be transcribed in a minutes book, which shall be signed by the Secretary of the Board and countersigned by the Chairman.

If vacancies arise during the term for which Directors were appointed, the Board may designate from among the shareholders such persons as are to cover those vacancies until the next Shareholders' Meeting is held.

Article 22.- Board Committees and delegation of powers

The Board shall approve its internal Regulations with the basic rules on its organization and operation, the rules of conduct of its members and its system of supervision and control, with a view to attaining the optimum professionalism and efficiency in its work, promoting the active participation of all its members, subordinating its own interests to those of the Company and of its shareholders, in compliance with the Law, the Bylaws and the principles of good corporate governance.

The Board shall act in plenum or in committees which may be set up on a permanent basis or for a specific matter, with delegated and executive powers, or powers to research, advise or propose. Pursuant to the Law and to these Bylaws, there must be an Audit Committee and a Corporate Responsibility and Governance Committee, notwithstanding any other name they may be ascribed by the Board of Directors from time to time, with the functions indicated in the following Articles. Additionally the Board shall set up, having regard to the recommendations on corporate governance from time to time in force, such other committees as it deems suitable to the Company's optimum organization and operation.

The Committees shall keep the Board of Directors informed of their work at all times.



Notwithstanding such powers of attorney as may be conferred on any person, the Board of Directors may designate an Executive Committee, which shall be composed of such Directors as may be resolved by the Board and on which the Secretary of the Board shall act as Secretary, and one or more Managing Directors.

The setting up of the Executive Committee, the designation of the Directors who are to sit on it, the designation of Managing Director(s) and the permanent delegation of powers, if any, shall require the affirmative vote of two thirds of the members of the Company's Board of Directors to be valid. Notwithstanding delegation, the Board of Directors shall retain the powers delegated.

Article 23.- Audit Committee

1. The Company shall have an Audit Committee composed of a number of members to be determined by the Board of Directors, with a minimum of three, from among the External Directors and at least one Independent Director designated taking into account his knowledge of and experience in accounting and/or audit from among its members. The Chairman shall be an Independent Director designated from among its members. The Secretary of the Board of Directors shall act as Secretary.

The Committee shall support the Board of Directors in supervising economic and financial processes and the independence of the External Auditor, and in the internal control of the Company.

2. The Audit Committee shall have at least the following powers:

- (i) To report at Shareholders' Meetings on matters falling within its jurisdiction which are raised in the course of such Meetings;
- (ii) To supervise the efficacy of the Company's internal control, any internal audit, and risk management systems, as well as discuss with the auditors any significant weaknesses of the internal control system detected in the course of the audit;
- (iii) To supervise the process of preparing and filing regulated financial information;
- (iv) To propose to the Board of Directors the appointment of auditors for submission to the Shareholders' Meeting;
- (v) To duly engage with the auditors in order to receive information on any issues that may jeopardize their independence, for their examination by the Committee, and any other issues relating to the audit process, as well as other communications provided for in audit legislation and audit standards. In any case, they must receive each year from the auditors written confirmation of their independence from the Company or from entities related to the Company directly or indirectly, as well as information on additional services of any kind provided to such entities by those auditors or by persons or entities related to those auditors in accordance with the provisions of the legislation in force;
- (vi) Before the auditors' report is issued, to issue a report each year expressing an opinion on the independence of the auditors or audit firms. This report must, in any



case, make a pronouncement on the provision of the additional services referred to in the preceding letter;

(vii) Any other power attributed to the Board, either in general in its Regulations or entrusted to it in particular.

3. Any member of the management team or Company personnel who is required for such purpose shall be obliged to attend Committee meetings and must provide assistance and allow access to the information available to him. In order to discharge its functions, the Committee shall have access to the means necessary for its functioning.

4. The Board of Directors shall expand on the powers and the rules of operation of the Audit Committee either in specific regulations or in special provisions of the Board Regulations.

Article 24.- Corporate Responsibility and Governance Committee

1. The Company shall have a Corporate Responsibility and Governance Committee, which shall be formed by a number of Directors to be determined by the Board of Directors, with a minimum of three, the majority being External Directors, and at least one half of its members being Independent Directors.

The Committee Chairman shall be an Independent Director elected by its members and the Secretary shall be the Secretary of the Board of Directors.

2. The Corporate Responsibility and Governance Committee shall have the following basic responsibilities, plus those assigned to it at any time by the Board of Directors:

- a) to report on—and, in the case of Independent Directors, make—in advance, all proposals submitted by the Board of Directors to the Shareholders' Meeting for the appointment or removal of Directors, including in cases of co-optation;
- b) to propose to the Board of Directors the compensation policy for Directors and senior executives and to ensure its observance;
- c) to assume such reporting, supervising and proposing functions in the area of corporate governance as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions.

3. The Board of Directors shall expand on the powers and rules of operation of the Corporate Responsibility and Governance Committee either in specific regulations or in special provisions of the Board Regulations.

Article 25.- Chairman of the Company

The Chairman of the Board of Directors is the Chairman of the Company and of all its governing and managing bodies, and shall be in charge of ensuring compliance with the resolutions of the Board of Directors, which he shall represent on a permanent basis.

The power to represent the Company, both in and out of court, shall be conferred not only on



the Board of Directors but also on the Chairman of the Company.

The Chairman of the Company has the senior management of all Company services and shall be responsible for the Company's signature, administration and full representation in all matters, both in and out of court, and shall be empowered to adopt, for reasons of urgency, such measures as he deems appropriate to the Company's interests, reporting them to the Board of Directors immediately thereafter.

Article 26.- Secretary of the Board

The following functions shall be attributed to the Secretary of the Board of Directors:

- a) to draw up the minutes of Shareholders' Meetings and Board meetings and, if appropriate, to sign them with the countersignature of the person acting as meeting Chairman;
- b) to issue the relevant certificates, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman;
- c) to fulfill the Board resolutions and to prepare all reports, documents and notices as may be entrusted to him by the Board, the Managing Director or the Chairman;
- d) to ensure that the actions of the Board of Directors comply with the letter and spirit of the laws and their regulations, and with the provisions issued by the regulatory bodies;
- e) to ensure compliance by the Board of Directors and by its Committees with the Corporate Bylaws, the Regulations of the Shareholders' Meeting and of the Board of Directors and with the Company's other rules on corporate governance;
- f) to ensure that the Company's rules of corporate governance and the actions of the Board of Directors are in line with the recommendations of good corporate governance in force at any given time.

The Board of Directors may appoint a Deputy Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him, should he be absent, in the secretarial function. Should both be absent, the functions of Secretary shall be discharged by the youngest Director.



TITLE IV

FINANCIAL YEAR, ACCOUNTING DOCUMENTS AND DISTRIBUTION OF INCOME

Article 27.- Financial year

The financial year shall commence on January 1 and end on December 31 of each year. As an exception, the first year shall commence on the date of execution of the deed of incorporation.

Article 28.- Preparation of financial statements

The Board of Directors, within not more than the first three months of each financial year or, as the case may be, such period as may be determined by law, shall prepare the financial statements, the management report and the proposal for the distribution of income or allocation of loss, as well as the consolidated financial statements and management report, if any.

Article 29.- Audit

The auditors shall have at least one month from the time they are given the signed financial statements to present their report.

The financial statements and the management report and, as the case may be, where applicable, the consolidated financial statements and management report, must be submitted, as the case may be, to the examination and information of the auditors referred to in Articles 263 et. seq. of the Corporate Enterprises Law.

Article 30.- Approval of financial statements and distribution of income

The Shareholders' Meeting shall approve the financial statements and the management report and shall resolve on the distribution of income or allocation of loss in accordance with the approved balance sheet.

After the reserves stipulated by law or in the Bylaws have been covered, dividends may only be distributed with a charge to income for the year, or to unrestricted reserves, if the value of the net worth per books is not (nor will be as a result of the distribution) lower than the capital stock. If there are losses from previous years which lower the value of the Company's net worth to below the capital stock figure, the income shall be used to offset those losses.

In the resolution to distribute dividends, the Shareholders' Meeting shall specify the time and the method of payment.



TITLE V DISSOLUTION AND LIQUIDATION OF THE COMPANY

Article 31.- Grounds for dissolution of the Company

The Company shall be dissolved on the statutory grounds.

Article 32.- Rules and method of liquidation

After the Company has been dissolved, a liquidation period shall commence, and all Directors currently appointed and registered at the Mercantile Registry shall become de iure liquidators and must comply with the rules stipulated in the legislation in force when liquidating and distributing the Company's assets. In any case, this appointment as liquidators shall put an end to the powers of the Board of Directors of the Company.

When it resolves to dissolve the Company, the Shareholders' Meeting may designate persons to participate, with the Directors, in any transactions performed. In any case, there must at all times be an odd number of liquidators.

The Company's liquidation must comply with the provisions of Articles 371 et. seq. of the Corporate Enterprises Law.

The Shareholders' Meeting shall retain, during the liquidation period, the same powers as it had during the normal life of the Company and, especially, shall have the power to approve the financial statements and the final liquidation balance sheet. The Shareholders' Meeting shall also continue to hold annual meetings and all such special meetings as may be appropriate or necessary to call, pursuant to the legislation in force.

Following liquidation, the liquidators shall draw up the final balance sheet, which shall be reviewed by the receivers, if any have been appointed. They shall also determine the ratio of corporate assets which are to be distributed per share.

This balance sheet shall be submitted to the Shareholders' Meeting for approval and shall be published pursuant to the legislation from time to time in force.

If, after the deadline for challenging the balance sheet, no claims have been made against it, or after any judgment resolving the claims has been made final, the existing corporate assets shall be distributed among the shareholders, having regard to the balance sheet and in accordance with the legislation in force.



TITLE VI OTHER PROVISIONS

Article 33.- Scope of these Bylaws

These Bylaws regulate the relationship among the shareholders and the relationship between the shareholders and the Company exclusively in the corporate scope regulated by the Corporate Enterprises Law, the Securities Market Law and the Commercial Code, but in no way do they regulate any contractual or other relationships existing among the shareholders themselves or between the shareholders and the Company.

Article 34.- Resolution of disputes

Any disputes, disagreements, conflicts, claims or differences arising with respect to these Bylaws, as well as any discrepancy between the Company's management bodies, shall be submitted, with the waiver of any other applicable jurisdiction, to arbitration at law to be conducted in the city of Madrid, by three arbitrators, pursuant to the rules of the United Nations Commission on International Trade Law ("UNCITRAL") and to the Private Arbitration Law. The Parties undertake to comply with the award handed down in the arbitration procedure. The Parties agree to submit any differences among themselves which, by statutory imperative, cannot be submitted to arbitration, to the Courts and Tribunals of the city of Madrid, waiving their right to any other Court or Tribunal which could have jurisdiction on the matter.

Sole Additional Provision.- Special Regime for the State Industrial Holding Company

1. By virtue of the provisions of the Electricity Industry Law, neither the limitations stipulated in paragraph 2 of Additional Provision no. 3 of Law 17/2007, nor the limitations stipulated in these Bylaws on the holding of shares in the Company and on non-economic rights shall apply to the State Industrial Holding Company. The State Industrial Holding Company shall in all cases have a shareholding of not less than 10%.
2. Where a Director, who is an individual, holds his office on behalf of the shareholder referred to in Transitional Provision Nine in relation to Article 34.1 of the Electricity Industry Law, his compensation must be brought into line with the applicable provisions on matters of conflicts of interest in the public sector stipulated for such purpose, notwithstanding any compensation that might be due to the public shareholder, either because it is directly designated member of the Board of Directors or for services provided to the Board or to its standing committees by persons representing that public shareholder in the Company's capital and exceeding those which, pursuant to the aforesaid legislation, may relate to them personally, all of the foregoing for as long as ownership is maintained pursuant to Transitional Provision Nine.

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