



**RED ELÉCTRICA**  
DE ESPAÑA

***Board of Directors***

*March 23, 2006*

Proposals of Resolutions  
Ordinary Shareholders' Meeting

**For approval**

## I. RESOLUTIONS FOR APPROVAL

**PROPOSAL OF RESOLUTION RELATING TO POINT ONE OF THE AGENDA: EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE FINANCIAL STATEMENTS (BALANCE SHEET, INCOME STATEMENT AND NOTES TO THE FINANCIAL STATEMENTS) AND OF THE MANAGEMENT REPORT OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR THE YEAR ENDED DECEMBER 31, 2005.**

Approve the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statements) and Management Report of Red Eléctrica de España, S.A. for the year 2005.

The Financial Statements and the Management Report of Red Eléctrica de España, S.A., the approval of which is hereby proposed, are those which were drawn up by the Board of Directors at its meeting of March 23, 2006.



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**PROPOSAL OF RESOLUTION RELATING TO POINT TWO OF THE AGENDA: EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE FINANCIAL STATEMENTS (BALANCE SHEET, INCOME STATEMENT AND NOTES TO THE FINANCIAL STATEMENTS) AND OF THE MANAGEMENT REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR THE YEAR 2005.**

Approve the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statements) and Management Report of the Consolidated Group of Red Eléctrica de España, S.A. for the year 2005.

The Financial Statements and the Management Report of the Consolidated Group of Red Eléctrica de España, S.A., the approval of which is hereby proposed, are those which were drawn up by the Board of Directors at its meeting of March 23, 2006.



**PROPOSAL OF RESOLUTION RELATING TO POINT THREE OF THE AGENDA:  
EXAMINATION AND APPROVAL, WHERE RELEVANT, OF THE PROPOSAL FOR THE  
ALLOCATION OF THE RESULT OF RED ELÉCTRICA DE ESPAÑA, S.A. AND  
DISTRIBUTION OF THE DIVIDEND, RELATING TO THE YEAR ENDED DECEMBER 31,  
2005**

Approve the allocation of the result proposed by the Board of Directors, at its meeting of March 23, 2006 and, consequently, distribute the profit of the year 2005 which amounts to 145,800,128.73 euros as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	47,042,514.66
TO DIVIDENDS:	
INTERIM DIVIDEND	36,587,522.07
COMPLEMENTARY DIVIDEND (calculated on all of the shares)	62,170,092.00
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TOTAL	145,800,128.73

It is expressly agreed to pay to the shares entitled to a dividend the gross sum of 0.7304 euros per share. The dividend will be paid on July 3, 2006, at the banks and financial institutions which will be duly announced, deducting from the amount thereof the gross sum of 0.2708 euros per share paid as interim dividend on January 2, 2006, pursuant to the resolution of the Board of Directors of November 24, 2005.



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**PROPOSAL OF RESOLUTION RELATING TO POINT FOUR OF THE AGENDA:  
EXAMINATION AND APPROVAL, IF APPROPRIATE, OF THE MANAGEMENT BY THE  
BOARD OF DIRECTORS OF RED ELÉCTRICA DE ESPAÑA, S.A. IN THE YEAR 2005.**

Approve the management of the Board of Directors of Red Eléctrica de España, S.A. for the year 2005.



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**PROPOSALS OF RESOLUTIONS RELATING TO POINT FIVE OF THE AGENDA:  
RATIFICATION AND APPOINTMENT, IF APPROPRIATE, OF DIRECTORS OF THE  
COMPANY**

**One. Ratification and appointment, if appropriate, of Mr. Martín Gallego Málaga as Director of the Company.**

Ratify the appointment as Director of Red Eléctrica de España, S.A., made by the Board of Directors at the meeting held on June 28, 2005, in accordance with the provisions of Article 138 of the Corporations Law, of the natural person Mr. Martín Gallego Málaga, replacing Mr. José Ignacio Sánchez Galán due to his resignation and, consequently, appoint him for the term of four years established by the bylaws.

**Two. Ratification and appointment, if appropriate, of Mr. Francisco Javier Salas Collantes as Director of the Company.**

Ratify the appointment as Director of Red Eléctrica de España, S.A., made by the Board of Directors at the meeting held on June 28, 2005, in accordance with the provisions of Article 138 of the Corporations Law, of the natural person Mr. Francisco Javier Salas Collantes, replacing Mr. Elías Velasco García due to his resignation and, consequently, appoint him for the term of four years established by the bylaws.



**PROPOSALS OF RESOLUTIONS RELATING TO POINT SIX OF THE AGENDA:  
MERGER BY ABSORPTION OF RED ELÉCTRICA DE ESPAÑA, S.A., RED DE ALTA  
TENSIÓN, S.A.U. AND INFRAESTRUCTURAS DE ALTA TENSIÓN, S.A.U.**

**One. Approval of the Company's Merger Balance Sheet, as of  
December 31, 2005**

Pursuant to the provisions of Article 239 of the Consolidated Text of the Corporations Law, approve as Merger Balance Sheet of the Company, in relation to the Merger which is described in the Merger by Absorption Plan which is approved in the next Resolution, the Balance Sheet as of December 31, 2005, drawn up by the Company's Management Body on March 23, 2006. A copy of the above-mentioned Balance Sheet will be attached to the public deed in which these Resolutions are formalized.

The above-mentioned Balance Sheet has been audited by the Company's Auditor. A copy of that auditor's report will be attached to the deed notarizing these Resolutions.

**Two. Approval of the merger by absorption of the companies Red  
de Alta Tensión, S.A. sole shareholder company and  
Infraestructuras de Alta Tensión, S.A. sole-shareholder company, by  
the Company Red Eléctrica de España, S.A.**

The shareholders have had available to them for examination, prior to the adoption of this resolution, all the documents referred to in Article 238 of the Consolidated Text of the Corporations Law, except for the reports of the directors and of the independent experts regarding the Merger Plan which, since it is a simplified merger, are not necessary in accordance with the provisions of Article 250.1 of the Consolidated Text of the Corporations Law.

Consequently, it is decided to approve the Merger of the companies RED DE ALTA TENSIÓN, S.A. sole-shareholder company and INFRAESTRUCTURAS DE ALTA TENSIÓN, S.A. sole-shareholder company, as Absorbed Companies, by RED ELÉCTRICA DE ESPAÑA, S.A., as Absorbing Company, under the terms of the Merger Plan which was drawn up and signed, on March 16 and 23, 2006, jointly by the Management Bodies of the above-mentioned Companies and deposited in Madrid Mercantile Registry on [ ] [ ], 2006.

As a result of the Merger the Absorbed Companies will be extinguished by dissolution without liquidation, with the transfer en bloc of all of their assets and liabilities to the Absorbing Company, which will be subrogated on a universal basis to all the rights and obligations of the aforementioned Absorbed Companies.

Having read the above-mentioned Merger Plan, for the purposes of the provisions of Article 234.3 of the Consolidated Text of the Corporations Law, it is decided to approve it in all its terms.

In compliance with the provisions of Article 228 of the Mercantile Registry Regulations, the items indicated in said article are placed on record by the



incorporation as Annex -- to the Minutes of the Shareholders' Meeting of the Merger by Absorption Plan, in such a manner that said Plan forms an integral part of the Minutes without it being necessary to reproduce again its contents in order to avoid unnecessary repetition.

[In accordance with the provisions of Section 12 of the Merger Plan hereby approved, it is decided to render the merger subject to the condition precedent consisting of the obtainment of the administrative authorizations referred to therein. It is also decided to delegate to the Chairman, the Secretary and the Vice Secretary of the Company's Board of Directors, the power to verify and declare the fulfillment of the aforementioned condition precedent/

In accordance with the provisions of Section 12 of the Merger Plan hereby approved, it is decided to declare that the administrative authorizations referred to in the above-mentioned Section have been obtained, so that the conditions to which the merger was subject are deemed to be fulfilled. Said administrative authorizations will be attached to the deed notarizing these Resolutions.]

### **Three. Changes in the Company's net worth**

This Shareholders' Meeting has been informed by the Company's Board of Directors that none of the Companies involved in the above-mentioned Merger has undergone substantial changes in its assets or in its liabilities from the date of drawing up of the Merger Plan until the date of adoption of these Resolutions.

### **Four. Submission of the transaction to the tax neutrality regime**

In accordance with the provisions of Section 11 of the Merger Plan approved in Resolution 2 above relating to the Merger, it is decided to submit the merger to the tax neutrality regime established in Chapter VIII of Title VII of the Consolidated Text of the Corporate Income Tax Law, approved by Legislative Royal Decree 4/2004, of March 4. The mandatory notification to the Tax Administration will therefore be made in accordance with the provisions of Article 96 of the above-mentioned Law.



**PROPOSALS OF RESOLUTIONS RELATING TO POINT SEVEN OF THE AGENDA:  
AMENDMENT OF ARTICLES 12 (CLASSES OF SHAREHOLDERS' MEETINGS) AND 13  
(CALLING OF THE SHAREHOLDERS' MEETING) OF THE BYLAWS.**

**I. JUSTIFICATION.**

**Report issued by the Board of Directors of Red Eléctrica de España, S.A. for the purposes of the provisions of Article 144.1 a) of the Corporations Law and Article 158 of the Mercantile Registry Regulations, in relation to the amendment of Articles 12 (Classes of Shareholders' Meetings) and 13 (Calling of the Shareholders' Meeting) of the Bylaws, submitted to the Shareholders' Meeting convened at first call for May 25, 2006 under point seven of the Agenda.**

**1.1 Purpose of the Report.**

The Board of Directors of Red Eléctrica de España, S.A. (hereinafter the Company), at a meeting held on March 23, 2006 has resolved to submit to the Shareholders' Meeting under point seven of its agenda, the amendment of Articles 12 (Classes of Shareholders' Meetings) and 13 (Calling of the Shareholders' Meeting) of the Bylaws.

This report is drawn up by the Company's Board of Directors in compliance with the provisions of Article 144.1 a) of the Corporations Law which requires the drawing up of a written report by the Directors showing the reasons for the proposal of a bylaw amendment which is submitted for the approval of the Shareholders' Meeting under point seven of the agenda.

**1.2 Justification for the bylaw reform.**

The bylaw reform the approval of which is proposed to the Shareholders' Meeting concerns the provisions which are incorporated by Law 19/2005, of November 14, on the European Company resident in Spain (Official State Gazette no. 273, of November 15), which have amended some of the articles of the Corporations Law.

In fact, Law 19/2005 has amended certain articles of the Corporations Law, in particular, it has provided new wording, inter alia, for Articles 95 and 97 relating to the Shareholders' Meeting.

The bylaw amendment which is proposed is intended to include the amendments introduced by the aforementioned Law, so that the Company's Bylaws are fully updated, by means of:

- 1) The amendment of Article 12, devoted to Classes of Shareholders' Meetings, in order to consider valid an Ordinary Shareholders' Meeting called or held outside the stipulated period.

Consequently, it is proposed to amend Article 12 of the Bylaws, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<b>Article 12. Classes of Shareholders' Meetings</b>	<b>Article 12. Classes of Shareholders' Meetings</b>
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Text in force	Proposed Text
<p>Shareholders' Meetings may be Ordinary or Extraordinary, and must be called by the Company's Board of Directors.</p> <p>The Ordinary Shareholders' Meeting, having been called for this purpose, shall be necessarily held within the first six months of each financial year, in order to appraise the corporate management, approve, if appropriate, the Financial Statements and the Management Report of the previous financial year, and decide, where relevant, on the allocation of the result.</p> <p>Any other matter reserved, by law or under the bylaws, for the jurisdiction of the Shareholders' Meeting, may be decided by it at an ordinary or extraordinary meeting.</p> <p>The Extraordinary Shareholders' Meeting shall meet when the Board of Directors so decides, or when a number of shareholders representing at least five per cent of the capital stock so requests, stating in the request the matters to be discussed at the Shareholders' Meeting. In this case, the Shareholders' Meeting must be called to be held within thirty days from the date on which the Board of Directors has been requested through a notary to call it, the matters the subject-matter of the request appearing on the Agenda.</p>	<p>Shareholders' Meetings may be Ordinary or Extraordinary, and must be called by the Company's Board of Directors.</p> <p>The Ordinary Shareholders' Meeting, having been called for this purpose, shall be necessarily held within the first six months of each financial year, in order to appraise the corporate management, approve, if appropriate, the Financial Statements and the Management Report of the previous financial year, and decide, where relevant, on the allocation of the result.</p> <p>Any other matter reserved, by law or under the bylaws, for the jurisdiction of the Shareholders' Meeting, may be decided by it at an ordinary or extraordinary meeting.</p> <p><b>The Ordinary Shareholders' Meeting shall be valid although it has been called or held outside the stipulated period.</b></p> <p>The Extraordinary Shareholders' Meeting shall meet when the Board of Directors so decides, or when a number of shareholders representing at least five per cent of the capital stock so requests, stating in the request the matters to be discussed at the Shareholders' Meeting. In this case, the Shareholders' Meeting must be called to be held within thirty days from the date on which the Board of Directors has been requested through a notary to call it, the matters the subject-matter of the request appearing on the Agenda.</p>

- 2) The amendment of Article 13, relating to the Calling of the Shareholders' Meeting, for the purpose of:
  - a) extending to one month the time which must elapse from the notice of call until the time it is held, and
  - b) including the right of shareholders who represent at least 5% of the capital stock, to request the addition of one or more points to the agenda of the Shareholders' Meeting by means of publication of an addition, which must be published before the Shareholders' Meeting; otherwise such meeting will be void.



Such right is added to that already held by shareholders who represent at least such percentage to request through a notary the calling of a Shareholders' Meeting and to request the Board to include some point in the Agenda in the period between the last Shareholders' Meeting of the Company and the date on which the Board adopts a resolution again to call it.

Consequently, it is proposed to amend Article 13 of the Bylaws, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<b>Article 13. Calling of the Shareholders' Meeting Text in force</b>	<b>Article 13. Calling of the Shareholders' Meeting Proposed text</b>
<p>Shareholders' Meetings, both Ordinary and Extraordinary, must be called by a notice published in the Official Gazette of the Mercantile Registry and in one of the highest-circulation newspapers in Madrid, at least fifteen days prior to the date set for holding it, except in cases in which greater advance notice may be established by the Law. The announcement shall indicate the date of the meeting at first call and all the matters which are to be discussed at it. The date on which, where relevant, the Shareholders' Meeting would meet at second call may also be indicated. A period of at least 24 hours must elapse between the first and second meeting.</p> <p>Shareholders holding five per cent of the capital stock may request from the Board of Directors, in the period between the last Shareholders' Meeting of the Company and the date on which the Board adopts a resolution again to call it, the inclusion of some point in the Agenda of the next Shareholders' Meeting. Such request must be made in the manner and under the terms which may be established in the Regulations of the Shareholders' Meeting. The Board shall include in the Agenda the matters requested in the manner which best suits the corporate interests, provided that they relate to matters within the jurisdiction of the Shareholders' Meeting.</p> <p>The notice of call must indicate the right of the shareholders to examine at the registered office and to immediately obtain free of charge, the documents which are to be submitted for the approval of the Shareholders' Meeting and the technical reports established in the Law. Furthermore, if the Shareholders' Meeting has to decide on</p>	<p>Shareholders' Meetings, both Ordinary and Extraordinary, must be called by a notice published in the Official Gazette of the Mercantile Registry and in one of the highest-circulation newspapers in the province, <b>at least one month prior to the date set for holding it.</b> The announcement shall indicate the date of the meeting at first call and all the matters which are to be discussed at it. The date on which, where relevant, the Shareholders' Meeting would meet at second call may also be indicated. A period of at least 24 hours must elapse between the first and second meeting.</p> <p>Shareholders holding five per cent of the capital stock may request from the Board of Directors, in the period between the last Shareholders' Meeting of the Company and the date on which the Board adopts a resolution again to call it, the inclusion of some point in the Agenda of the next Shareholders' Meeting. Such request must be made in the manner and under the terms which may be established in the Regulations of the Shareholders' Meeting. The Board shall include in the Agenda the matters requested in the manner which best suits the corporate interests, provided that they relate to matters within the jurisdiction of the Shareholders' Meeting.</p> <p>The notice of call must indicate the right of the shareholders to examine at the registered office and to immediately obtain free of charge, the documents which are to be submitted for the approval of the Shareholders' Meeting and the technical reports established in the Law. Furthermore, if the Shareholders' Meeting has to decide on</p>



<p>some bylaw amendment, the items which are to be amended must be stated with due clarity in the notice of call.</p> <p>Shareholders' Meetings shall take place at the registered office, unless the notice of call expressly indicates another location in the municipality where the Company has established the registered office.</p>	<p>some bylaw amendment, the items which are to be amended must be stated with due clarity in the notice of call.</p> <p><b>Shareholders who represent at least five per cent of the capital stock may request the publication of an addition to the notice of call of a Shareholders' Meeting including one or more points in the Agenda. This right must be exercised by due notice which must be received at the registered office within five days from the publication of the notice of call.</b></p> <p><b>The addition to the notice of call must be published at least fifteen days prior to the date established for the Shareholders' Meeting.</b></p> <p><b>Failure to publish the addition to the notice of call within the period established by law shall be grounds for the nullity of the Shareholders' Meeting.</b></p> <p>Shareholders' Meetings shall take place at the registered office, unless the notice of call expressly indicates another location in the municipality where the Company has established the registered office.</p>
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## II. PROPOSALS OF RESOLUTIONS.

### One.-

Amend **Article 12 (Classes of Shareholders' Meetings)** which will be worded as follows:

*"Article 12. Classes of Shareholders Meetings*

*Shareholders' Meetings may be Ordinary or Extraordinary, and must be called by the Company's Board of Directors.*

*The Ordinary Shareholders' Meeting, having been called for this purpose, shall be necessarily held within the first six months of each financial year, in order to appraise the corporate management, approve, if appropriate, the Financial Statements and the Management Report of the previous financial year, and decide, where relevant, on the allocation of the result.*



*Any other matter reserved, by law or under the bylaws, for the jurisdiction of the Shareholders' Meeting, may be decided by it at an ordinary or extraordinary meeting.*

*The Ordinary Shareholders' Meeting shall be valid although it has been called or held outside the stipulated period.*

*The Extraordinary Shareholders' Meeting shall meet when the Board of Directors so decides, or when a number of shareholders representing at least five per cent of the capital stock so requests, stating in the request the matters to be discussed at the Shareholders' Meeting. In this case, the Shareholders' Meeting must be called to be held within thirty days from the date on which the Board of Directors has been requested through a notary to call it, the matters the subject-matter of the request appearing on the Agenda”.*

## **Two.-**

Amend **Article 13 (Calling of the Shareholders' Meeting)** which will be worded as follows:

*“Article 13. Calling of the Shareholders' Meeting.*

*Shareholders' Meetings, both Ordinary and Extraordinary, must be called by a notice published in the Official Gazette of the Mercantile Registry and in one of the highest-circulation newspapers in the province, at least one month prior to the date set for holding it. The announcement shall indicate the date of the meeting at first call and all the matters which are to be discussed at it. The date on which, where relevant, the Shareholders' Meeting would meet at second call may also be indicated. A period of at least 24 hours must elapse between the first and second meeting.*

*Shareholders holding five per cent of the capital stock may request from the Board of Directors, in the period between the last Shareholders' Meeting of the Company and the date on which the Board adopts a resolution again to call it, the inclusion of some point in the Agenda of the next Shareholders' Meeting. Such request must be made in the manner and under the terms which may be established in the Regulations of the Shareholders' Meeting. The Board shall include in the Agenda the matters requested in the manner which best suits the corporate interests, provided that they relate to matters within the jurisdiction of the Shareholders' Meeting.*

*The notice of call must indicate the right of the shareholders to examine at the registered office and to immediately obtain free of charge, the documents which are to be submitted for the approval of the Shareholders' Meeting and the technical reports established in the Law. Furthermore, if the Shareholders' Meeting has to decide on some bylaw amendment, the items which are to be amended must be stated with due clarity in the notice of call.*

*Shareholders who represent at least five per cent of the capital stock may request the publication of an addition to the notice of call of a Shareholders' Meeting including one or more points in the Agenda. This right must be exercised by due notice which must be received at the registered office within five days from the publication of the notice of call.*



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*The addition to the notice of call must be published at least fifteen days prior to the date established for the Shareholders' Meeting.*

*Failure to publish the addition to the notice of call within the period established by law shall be grounds for the nullity of the Shareholders' Meeting.*

*Shareholders' Meetings shall take place at the registered office, unless the notice of call expressly indicates another location in the municipality where the Company has established the registered office".*



**PROPOSALS OF RESOLUTIONS RELATING TO POINT EIGHT OF THE AGENDA: AMENDMENT OF ARTICLES 4 (CLASSES OF SHAREHOLDERS' MEETINGS) AND 5 (CALL) OF THE REGULATION OF THE SHAREHOLDERS' MEETING.**

**I. JUSTIFICATION**

In accordance with the proposal for the amendment of the Bylaws submitted to the Shareholders' Meeting under point seven of its agenda, arising from the requirements established by Law 19/2005, of November 14, it is necessary to amend the Regulation of the Shareholders' Meeting in accordance with the aforementioned bylaw amendment.

The amendments which are proposed affect, in particular, the types of Shareholders' Meetings and the specific calling thereof.

Therefore, it is proposed to amend Articles 4 (Classes of Shareholders' Meeting) and 5 (Call) of the Regulation of the Shareholders' Meeting which are indicated below, with the new text proposed, in which the changes in the previous text are highlighted:

<b>Article 4. Classes of Shareholders' Meetings Text in force</b>	<b>Article 4. Classes of Shareholders' Meetings Proposed text</b>
<p>Shareholders' Meetings will be Ordinary or Extraordinary.</p> <p>4.1 Ordinary Shareholders' Meeting</p> <p>The Ordinary Shareholders' Meeting shall meet, following a call by the Board of Directors, within the first six months of each financial year, to examine the corporate management, approve, if appropriate, the financial statements of the previous financial year and to decide on the application of the results.</p> <p>However, the Shareholders' Meeting, although it has been called as an Ordinary Shareholders' Meeting, may also deliberate and decide on any matter within its powers which is submitted for its consideration, provided that it has been included in the notice of call and all the legal requirements imposed are met.</p> <p>4.2 Extraordinary Shareholders' Meeting</p> <p>Any Shareholders' Meeting other than that mentioned above shall be considered to be an Extraordinary Shareholders'</p>	<p>Shareholders' Meetings will be Ordinary or Extraordinary.</p> <p>4.1 Ordinary Shareholders' Meeting</p> <p>The Ordinary Shareholders' Meeting shall meet, following a call by the Board of Directors, within the first six months of each financial year, to examine the corporate management, approve, if appropriate, the financial statements of the previous financial year and to decide on the application of the results.</p> <p>However, the Shareholders' Meeting, although it has been called as an Ordinary Shareholders' Meeting, may also deliberate and decide on any matter within its powers which is submitted for its consideration, provided that it has been included in the notice of call and all the legal requirements imposed are met.</p> <p><b>The Ordinary Shareholders' Meeting shall be valid although it has been called or held outside the stipulated period.</b></p> <p>4.2 Extraordinary Shareholders' Meeting</p> <p>Any Shareholders' Meeting other than that mentioned above shall be considered to be an Extraordinary Shareholders'</p>



Meeting.	Meeting.
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Article 5. Call Text in force	Article 5. Call Proposed Text
<p>Both the Ordinary and Extraordinary Shareholders' Meeting shall be called by the Board of Directors by a notice published in the Official Gazette of the Mercantile Registry and in one of the highest-circulation newspapers in Madrid, fifteen days prior to the holding of the Shareholders' Meeting, unless the Law requires greater advance notice and although it shall be sought to issue the call sufficiently in advance to facilitate to the utmost the possibility of all the shareholders anticipating their participation.</p> <p>The notice of call shall indicate the date of the meeting at first call, and the matters included in the Agenda. The date for the second call may also be established. A minimum period of twenty-four hours must elapse between both calls. When a second call is not provided for and the Shareholders' Meeting cannot be held, it must be announced in the same way as the first call, within fifteen days from the date on which it was not held and at all times eight days prior to the holding of the second meeting. In the notice of call the Board shall endeavor to indicate the probable date of holding of the meeting at first or second call.</p> <p>Meetings shall be held at the registered office, unless the notice of call expressly indicates another venue within the municipality where the corporate headquarters are located.</p> <p>With the notice of call the place and times at which the shareholders may consult the documents which are submitted for their approval at the Shareholders' Meeting shall be indicated, without prejudice to the right of the shareholders to request and receive a dispatch of such documents free of charge. The notice of call of the Shareholders' Meeting shall also be announced on the Company's</p>	<p>Both the Ordinary and Extraordinary Shareholders' Meeting shall be called by the Board of Directors by a notice published in the Official Gazette of the Mercantile Registry and in one of the highest-circulation newspapers in the province of Madrid, <b>at least one month prior to the date set for holding the Shareholders' Meeting</b>, although it shall be sought to issue the call sufficiently in advance to facilitate to the utmost the possibility of all the shareholders anticipating their participation.</p> <p>The notice of call shall indicate the date of the meeting at first call, and <b>all</b> the matters included in the Agenda. The date for the second call may also be established. A minimum period of twenty-four hours must elapse between both calls. When a second call is not provided for and the Shareholders' Meeting cannot be held, it must be announced in the same way as the first call, within fifteen days from the date on which it was not held and at all times eight days prior to the holding of the second meeting. In the notice of call the board shall endeavor to indicate the probable date of holding of the meeting at first or second call.</p> <p>Meetings shall be held at the registered office, unless the notice of call expressly indicates another venue within the municipality where the corporate headquarters are located.</p> <p>With the notice of call the place and times at which the shareholders may consult the documents which are submitted for their approval at the Shareholders' Meeting shall be indicated, without prejudice to the right of the shareholders to request and receive a dispatch of such documents free of charge. The notice of call of the Shareholders' Meeting shall also be</p>



web page and a copy shall be sent to the Stock Exchanges on which the shares are listed.

The Board must call an Extraordinary Shareholders' Meeting when shareholders holding five per cent of the capital stock send a request stating reasons and describing the matters to be discussed, which must relate to subjects over which the Shareholders' Meeting has jurisdiction. In this case the Shareholders' Meeting must be called to be held within thirty days from the date on which the Board of Directors has been requested through a notary to call it and the Agenda shall be drawn up by the Board of Directors, including the matters indicated in the request in the manner which best suits corporate interests.

If the Shareholders' Meeting is not called by the Board of Directors, although obliged to do so, it may be called, upon the request of the shareholders and having heard the Board, by the competent judge where the registered office is located, who, where relevant, will indicate the person who is to chair it.

announced on the Company's web page and a copy shall be sent to the Stock Exchanges on which the shares are listed.

The Board must call an Extraordinary Shareholders' Meeting when shareholders holding five per cent of the capital stock send a request stating reasons and describing the matters to be discussed, which must relate to subjects over which the Shareholders' Meeting has jurisdiction. In this case the Shareholders' Meeting must be called to be held within thirty days from the date on which the Board of Directors has been requested through a notary to call it and the Agenda shall be drawn up by the Board of Directors, including the matters indicated in the request in the manner which best suits corporate interests.

**Shareholders who represent at least five per cent of the capital stock may request the publication of an addition to the notice of call of a Shareholders' Meeting including one or more points in the Agenda. This right must be exercised by due notice which must be received at the registered office within five days from the publication of the notice of call.**

**The addition to the notice of call must be published at least fifteen days prior to the date established for the Shareholders' Meeting.**

**Failure to publish the addition to the notice of call within the period established by law shall be grounds for the nullity of the Shareholders' Meeting.**

If the Shareholders' Meeting is not called by the Board of Directors, although obliged to do so, it may be called, upon the request of the shareholders and having heard the Board, by the competent judge where the registered office is located, who, where relevant, will indicate the person who is to chair it.



## II. PROPOSALS OF RESOLUTIONS.

### One.-

Amend **Article 4 (Classes of Shareholders' Meetings)** which will be worded as follows:

*"Article 4. Classes of Shareholders' Meetings*

*Shareholders' Meetings will be Ordinary or Extraordinary.*

#### 4.1. Ordinary Shareholders' Meeting

*The Ordinary Shareholders' Meeting shall meet, following a call by the Board of Directors, within the first six months of each financial year, to examine the corporate management, approve, if appropriate, the financial statements of the previous financial year and to decide on the application of the results.*

*However, the Shareholders' Meeting, although it has been called as an Ordinary Shareholders' Meeting, may also deliberate and decide on any matter within its powers which is submitted for its consideration, provided that it has been included in the notice of call and all the legal requirements imposed are met.*

*The Ordinary Shareholders' Meeting shall be valid although it has been called or held outside the stipulated period.*

#### 4.2 Extraordinary Shareholders' Meeting

*Any Shareholders' Meeting other than that mentioned above shall be considered to be an Extraordinary Shareholders' Meeting".*

### Two.-

Amend **Article 5 (Call)** which will be worded as follows:

*"Article 5. Call*

*Both the Ordinary and Extraordinary Shareholders' Meeting shall be called by the Board of Directors by a notice published in the Official Gazette of the Mercantile Registry and in one of the highest-circulation newspapers in the province of Madrid, at least one month prior to the date set for holding the Shareholders' Meeting, although it shall be sought to issue the call sufficiently in advance to facilitate to the utmost the possibility of all the shareholders anticipating their participation.*

*The notice of call shall indicate the date of the meeting at first call, and all the matters included in the Agenda. The date for the second call may also be established. A minimum period of twenty-four hours must elapse between both calls. When a second call is not provided for and the Shareholders' Meeting*



*cannot be held, it must be announced in the same way as the first call, within fifteen days from the date on which it was not held and at all times eight days prior to the holding of the second meeting. In the notice of call the board shall endeavor to indicate the probable date of holding of the meeting at first or second call.*

*Meetings shall be held at the registered office, unless the notice of call expressly indicates another venue within the municipality where the corporate headquarters are located.*

*With the notice of call the place and times at which the shareholders may consult the documents which are submitted for their approval at the Shareholders' Meeting shall be indicated, without prejudice to the right of the shareholders to request and receive a dispatch of such documents free of charge. The notice of call of the Shareholders' Meeting shall also be announced on the Company's web page and a copy shall be sent to the Stock Exchanges on which the shares are listed.*

*The Board must call an Extraordinary Shareholders' Meeting when shareholders holding five per cent of the capital stock send a request stating reasons and describing the matters to be discussed, which must relate to subjects over which the Shareholders' Meeting has jurisdiction. In this case the Shareholders' Meeting must be called to be held within thirty days from the date on which the Board of Directors has been requested through a notary to call it and the Agenda shall be drawn up by the Board of Directors, including the matters indicated in the request in the manner which best suits corporate interests.*

*Shareholders who represent at least five per cent of the capital stock may request the publication of an addition to the notice of call of a Shareholders' Meeting including one or more points in the Agenda. This right must be exercised by due notice which must be received at the registered office within five days from the publication of the notice of call.*

*The addition to the notice of call must be published at least fifteen days prior to the date established for the Shareholders' Meeting.*

*Failure to publish the addition to the notice of call within the period established by law shall be grounds for the nullity of the Shareholders' Meeting.*

*If the Shareholders' Meeting is not called by the Board of Directors, although obliged to do so, it may be called, upon the request of the shareholders and having heard the Board, by the competent judge where the registered office is located, who, where relevant, will indicate the person who is to chair it.*



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**PROPOSALS OF RESOLUTIONS RELATING TO POINT NINE OF THE AGENDA:  
APPOINTMENT OF AUDITORS OF THE COMPANY AND OF ITS CONSOLIDATED  
GROUP.**

**One.**

Appoint PricewaterhouseCoopers Auditores, S.L., holder of Tax Identification Number B-79031290, with registered office in Madrid, at Paseo de la Castellana, 43, 28046, registered in Madrid Mercantile Registry (volume 9267, folio 75, Section 3, page number 87.250-1, entry 1) and in the Official Registry of Auditors (ROAC) under number S0242, as auditor of Red Eléctrica de España, S.A. for an initial period of 3 years from January 1, 2006, the financial statements and the management report for the year 2006 being the first to be reviewed by the above-mentioned auditor, for the purposes and in compliance with the provisions of Article 153 of the Mercantile Registry Regulations.

Said appointment may be extended for yearly periods.

**Segundo.**

Appoint PricewaterhouseCoopers Auditores, S.L., holder of Tax Identification Number B-79031290, with registered office in Madrid, at Paseo de la Castellana, 43, 28046, registered in Madrid Mercantile Registry (volume 9267, folio 75, Section 3, page number 87.250-1, entry 1) and in the Official Registry of Auditors (ROAC) under number S0242, as auditor of the Consolidated Group of Red Eléctrica de España, S.A., for an initial period of 3 years from January 1, 2006, the financial statements and the management report for the year 2006 being the first to be reviewed by the above-mentioned auditor, for the purposes and in compliance with the provisions of Article 153 of the Mercantile Registry Regulations.

Said appointment may be extended for yearly periods.



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## **PROPOSALS OF RESOLUTIONS RELATING TO POINT TEN OF THE AGENDA: AUTHORIZATIONS FOR THE BOARD OF DIRECTORS TO ACQUIRE OWN SHARES.**

### **One. Authorization for the acquisition of own shares under the terms provided by law and, where relevant, for the direct transfer thereof to employees and directors as remuneration.**

Authorize the Company's Board of Directors so that, in accordance with the provisions of Article 75 and like provisions and the First Additional Provision of the Corporations Law and all other applicable legislation, it may, directly or indirectly, in the manner which it considers advisable in the light of the circumstances, acquire shares of Red Eléctrica de España, S.A. The maximum number of shares to be acquired will not exceed the legal limit established and all the above provided that all other applicable legal requirements may also be observed.

Acquisitions may not be made at a price exceeding that of the stock market price at the time of the acquisition nor at a price below 50% of the stock market value at that time.

The forms of acquisition may consist both of a sale and purchase and an exchange, and any other form of transaction for consideration, as the circumstances render advisable.

The Company's Board of Directors, in accordance with the provisions of the third paragraph of Article 75 1º of the Corporations Law, may use, in whole or in part, the own shares acquired and those which are already owned by the Company on the date of approval of this resolution, for the implementation of remuneration programs whose purpose is the direct transfer of shares to employees and directors of the Company.

For all of these purposes the Board of Directors is authorized as broadly as necessary to request any authorizations and adopt such resolutions as are necessary or advisable in order to comply with the legislation in force, and for the implementation and success of this resolution.

The duration of this authorization will be 18 months from the date of this Shareholders' Meeting.

### **Two. Authorization for the transfer thereof as remuneration to the members of the Management and of the Board of Directors.**

Approve the participation of the members of the Management and of the Board of Directors of Red Eléctrica de España, S.A. in a system of remuneration consisting of the possibility of the payment of part of their remuneration by transfer of shares of the Company.

The following are the principal features of this system:

- Beneficiaries: Members of the Board of Directors of Red Eléctrica de España, S.A. and of the Management of the Company.



- Voluntariness: submission to the plan by the participants is voluntary.
- Cap: the maximum amount of remuneration to be received in shares is 12,000 euros per participant.
- Date of Transfer: The shares will be transferred within the term of this authorization.
- Number of Shares to be received by each Participant: it will depend on the amount of the remuneration, subject to the 12,000 euros cap, and the price of the share on the Stock Market at closing on the Date of Transfer.
- Authorized maximum number of Shares: The maximum total number of shares to be transferred will be that resulting from the value of the share on the Stock Market at closing on the Date of Transfer and the amount of the total remuneration of all the participants by this means subject to the above-mentioned limit of 12,000 euros per participant.
- Value of the shares: the price of the share of Red Eléctrica de España, S.A. at closing of the stock market on the Date of Transfer.
- Origin of the Shares: the shares will be derived from treasury stock –old or new-, whether directly or through controlled companies.
- Term: this remuneration system will be applicable in the next 18 months.

### **Three. Revoke and annul the previous authorizations.**

Revoke, and therefore annul, the authorization for the acquisition of own shares granted to the Board of Directors by the Shareholders' Meeting held on May 26, 2005.



**PROPOSALS OF RESOLUTIONS RELATING TO POINT ELEVEN OF THE AGENDA: THE DELEGATION OF POWERS TO THE BOARD OF DIRECTORS TO ISSUE AND EXCHANGE FIXED-INCOME TRANSFERABLE SECURITIES AND TO APPLY FOR, IF APPROPRIATE, THE ADMISSION, PRESENCE AND EXCLUSION OF SAME FROM ORGANIZED SECONDARY MARKETS.**

**One.**

Delegate and entrust to the Board of Directors so that, subject to the legal provisions applicable and having obtained the authorizations which may be necessary for this purpose, it may, within the maximum legal period of five years, on one or more occasions, issue debt, documented in non-convertible debentures, notes of any kind, promissory notes, certificates, warrants, directly or through subsidiaries, or any other fixed-income securities, in euros or in another currency, capable of being subscribed in cash or in kind, represented by certificates or book entries, unsecured or with security of any kind, including by mortgage, with or without the incorporation of warrants, subordinated or otherwise, for a temporary or indefinite period, in accordance with the provisions of the applicable legislation.

The Board of Directors, in the manner which it considers most appropriate, may set and determine the conditions inherent in the issue, both as regards the interest rate, fixed, floating or linked, issue price, nominal value of each security, its representation by individual or multiple certificates, or by book entries, manner and period for redemption or any other aspect of the aforementioned issue, and may also, if appropriate, authorize the exchange or swap of the notes or debentures already in existence -issued or guaranteed by the Company- or of the new notes or debentures which may be issued or underwritten by the Company, in both cases pending redemption, for other fixed-income notes or debentures of the Company or of other companies of the Red Eléctrica Group, already issued or which are going to be issued, and to request from the Stock Exchanges or from other organized secondary markets, Spanish or foreign, the listing of the securities issued or guaranteed by the Company, subject to the rules on admission, presence and, where relevant, de-listing, providing such guarantees or undertakings as may be demanded by the legal provisions in force, and to determine all aspects not provided for in this resolution.

In accordance with the provisions of Article 141 of the Corporations Law, the Board of Directors may replace the powers delegated by the Shareholders' Meeting in relation to the foregoing resolutions by granting them to the Chairman of the Board of Directors or to any other Director or authorized representative of the Company.

**Two.**

Revoke and, therefore, annul the delegation made by the Shareholders' Meeting held on May 6, 2004 to the Board of Directors relating to the power to approve the issue of fixed-income transferable securities and seek, if appropriate, the admission, presence and exclusion of same from organized secondary markets.



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**PROPOSAL OF RESOLUTION RELATING TO POINT TWELVE OF THE AGENDA:  
DELEGATION OF POWERS FOR THE FULL EXECUTION OF THE RESOLUTIONS  
ADOPTED AT THE SHAREHOLDERS' MEETING.**

In order to be able to implement the foregoing resolutions which may be adopted by the Shareholders' Meeting, the following resolution is proposed for submission to the Shareholders' Meeting:

Without prejudice to the authorizations expressly granted by the Shareholders' Meeting to the Board of Directors, the broadest powers are delegated to the Chairman and to each of the members of the Company's Board of Directors, and to the Secretary of the Board and to the Vice Secretary thereof, so that they may jointly and severally exercise them for the implementation, execution and registration of each and all of the resolutions adopted by this Shareholders' Meeting, including the signature of the relevant contracts and documents, with the clauses and conditions which they consider appropriate, and to interpret, rectify and complete the aforementioned resolutions and have them documented in public deeds, according to their validity and the observations of any agency or authority, in particular the verbal or written assessment of the Mercantile Registrar, performing such acts as are necessary or appropriate for their successful implementation and, in particular, to obtain the registration in the Mercantile Registry of those which must be registered.



## II. INFORMATION MATTERS

### **MATTER RELATING TO POINT THIRTEEN OF THE AGENDA: INFORMATION FOR THE SHAREHOLDERS' MEETING CONCERNING THE ANNUAL REPORT ON CORPORATE GOVERNANCE OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR THE YEAR 2005.**

It is proposed to inform the Shareholders' Meeting, in summary form, of the content of the Annual Report on Corporate Governance of the Company, for the year 2005, in the following terms:

In accordance with the provisions of Article 39 of the Regulation of the Board of Directors, it is reported that the Board of Directors, at a meeting held on March 23, 2006, resolved to unanimously approve the Annual Report on Corporate Governance of Red Eléctrica de España, S.A., for the year 2005.

The Report has been notified to the National Securities Market Commission (CNMV) as a significant event and is available on the Company's web page - [www.ree.es](http://www.ree.es)-. It has also been included in the documentation of the Shareholders' Meeting made available to the shareholders.

The Report reflects the clear and decided concern of RED ELÉCTRICA since it was established to adopt the best practices on Corporate Governance, not only observing the literal terms of the legal rules imposed and the most widespread national and international recommendations on the subject, but also voluntarily adopting a whole series of measures and procedures which reach the core of the most important issues which legitimately concern its shareholders and those of any other listed company.

The purpose of the Report is not limited, solely and exclusively, to complying with the requirements established by Law 26/2003, of July 17; Order 3772/2003, of December 26, of the Ministry for Economy and Circular 1/2004, of March 17, of the National Securities Market Commission, but rather is intended to reflect, in full and in detail, the structure of ownership and management of the Company; the system of control of risks implemented; the information regarding the Shareholders' Meeting, the degree of observance of the recommendations on Corporate Governance established by the Olivencia and Aldama Reports and, in general, such matters as the shareholders, investors and markets may consider relevant in order to have a better knowledge of the Company.

The main new features in the Report for 2005 relate, in accordance with the best national and international practices on Good Corporate Governance, to the publicity of the remuneration of the members of the Board of Directors. In this respect the remuneration of each of them in the year 2005 due to their membership of the Board, of the different Committees which form part of it and of other Boards of Group companies, has been included in detail and on an individual basis for each Director.

Information has also been included regarding the guaranteed indemnity clauses of the Executive Director and of the members of the Senior Management of the Company, which have not undergone any change in relation to that notified in the report for 2004.



In addition, an explanation is provided in the Report of the implementation by the Company last year of a system of electronic voting to encourage shareholders' participation. This system was used for the first time at the Ordinary Shareholders' Meeting held on May 26, 2005. The objective was to take an initial step aimed at the practical and gradual adaptation of the technological instruments available to the shareholders for the better exercise of their rights, reconciling the new technologies with the necessary legal certainty and thus promoting their participation in the Company's sovereign body. This initial step has been continued by the Company's Board of Directors, which has deemed accurate to introduce at this Shareholders' Meeting the use of the new technologies, by the shareholders, in the exercise of their rights, the following having been arranged: the use of distance delegation, voting by postal correspondence, the possibility of printing through the Company's web page duplicates of attendance cards or even electronically requesting the dispatch of information concerning the Shareholders' Meeting.

The information contained in the Annual Report on Corporate Governance is complemented by that which is permanently published on the subject on the Company's web page, [www.ree.es](http://www.ree.es), on which, as has already been pointed out, the Company's Annual Report on Corporate Governance for the year 2005 is available to all the shareholders.



## CALL OF THE SHAREHOLDERS' MEETING

Taking into consideration the resolutions proposed by the Board of Directors at the meeting of March 23, 2006, it is proposed to:

Call an Ordinary Shareholders' Meeting, which will be held at first call on **May 25, 2006**, at **12:30 p.m.** at Teatro Auditorio Ciudad de Alcobendas, Calle Blas de Otero 4, Alcobendas, Madrid and, where relevant, at second call on **May 26, 2006** in the same place and at the same time, in order to deliberate and decide on the matters included in the following Agenda:

### I. MATTERS FOR APPROVAL

#### One

Examination and approval, if appropriate, of the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statements) and of the Management Report of Red Eléctrica de España, S.A. for the year ended December 31, 2005.

#### Two

Examination and approval, if appropriate, of the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statements) and of the Management Report of the Consolidated Group of Red Eléctrica de España, S.A. for the year ended December 31, 2005.

#### Three

Examination and approval, if appropriate, of the proposal for the allocation of the result of Red Eléctrica de España, S.A. and distribution of the dividend, relating to the year ended December 31, 2005.

#### Four

Examination and approval, if appropriate, of the management carried out by the Board of Directors of Red Eléctrica de España, S.A. in the year 2005.

#### Five

Ratifications and appointments of Directors of the Company:

- 5.1. Ratification and appointment, if appropriate, of Mr. Martín Gallego Málaga as Director of the Company.
- 5.2. Ratification and appointment, if appropriate, of Mr. Francisco Javier Salas Collantes as Director of the Company.

#### Six

Merger by absorption of Red Eléctrica de España, S.A., Red de Alta Tensión, S.A.U. and Infraestructuras de Alta Tensión, S.A.U.:

- 6.1. Approval of the Company's Merger Balance Sheet, as of December 31, 2005.
- 6.2. Approval of the merger by absorption of the companies Red de Alta Tensión, S.A. sole-shareholder company and Infraestructuras de Alta Tensión, S.A. sole-shareholder company, by the company Red Eléctrica de España, S.A.
- 6.3. Changes in the Company's net worth.



6.4. Submission of the transaction to the tax neutrality regime

**Seven**

Amendment of Articles 12 (Classes of Shareholders' Meeting) and 13 (Calling of the Shareholders' Meeting) of the Bylaws.

**Eight**

Amendment of Articles 4 (Classes of Shareholders' Meeting) and 5 (Call) of the Regulation of the Shareholders' Meeting.

**Nine**

Appointment of Auditors of the Company and of its Consolidated Group.

**Ten**

Authorizations of the Board of Directors to acquire own shares:

10.1. Authorization for the acquisition of own shares under the terms provided by law and, where relevant, for the direct transfer thereof to employees and directors as remuneration.

10.2. Authorization for the transfer thereof as remuneration to members of the Management and of the Board of Directors.

10.3. Revoke and annul the previous authorizations.

**Eleven**

Delegation of powers to the Board of Directors to issue and exchange fixed-income transferable securities and to apply for, if appropriate, the admission, presence and exclusion of same from organized secondary markets.

**Twelve**

Delegation of powers for the full execution of the resolutions adopted at the Shareholders' Meeting.

**II. INFORMATION MATTERS**

**Thirteen**

Information to the Shareholders' Meeting concerning the Annual Report on Corporate Governance of Red Eléctrica de España, S.A. for the year 2005.



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## **NOTARY'S INTERVENTION**

In order to draw up and issue the Minutes of the Ordinary Shareholders' Meeting, and pursuant to the provisions of Article 114 of the Corporations Law and like provisions of the Mercantile Registry Regulations, it is proposed to:

Require the presence of a member of the Institute of Notaries of Madrid, to draw up the minutes of the Ordinary Shareholders' Meeting.