



# **RED ELÉCTRICA** CORPORACIÓN

## **Board of Directors**

23 February 2016

Stock split and resulting  
amendment of section 1 of article 5  
of the Bylaws: Directors' Report and  
proposed resolutions



## **STOCK SPLIT AND RESULTING AMENDMENT OF SECTION 1 OF ARTICLE 5 OF THE BYLAWS (Point Seven of the Agenda for the General Meeting)**

**SPLITTING THE SHARES OF THE COMPANY BY REDUCING PAR VALUE FROM TWO EUROS (€2) TO FIFTY CENTS ON THE EURO (€0.50) PER SHARE, AT A RATIO OF FOUR NEW SHARES FOR EACH OLD SHARE, WITHOUT CHANGING THE AMOUNT OF THE SHARE CAPITAL; RESULTING AMENDMENT OF SECTION 1 OF ARTICLE 5 OF THE BYLAWS AND DELEGATION OF SUCH POWERS AS MAY BE NECESSARY TO THE BOARD OF DIRECTORS, WITH EXPRESS POWER TO SUBDELEGATE, FOR IMPLEMENTATION OF THE RESOLUTION.**

### **I. EXPLANATORY REPORT OF THE BOARD OF DIRECTORS REGARDING POINT SEVEN ON THE AGENDA OF THE GENERAL MEETING RELATED TO A STOCK SPLIT AND RESULTING AMENDMENT OF SECTION 1 OF ARTICLE 5 OF THE BYLAWS.**

#### **1. PURPOSE OF REPORT**

The Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter also called the "**company**"), at a meeting held on 23 February 2016, resolved to submit to the Annual General Meeting of Shareholders, under point Seven of the Agenda, a reduction of the par value of the shares of the company, currently two euros (€2) per share, to fifty cents on the euro (€0.50) per share, by splitting each of the shares comprising the share capital of the company at a ratio of four new shares for each old share, there therefore being no change whatever in the share capital figure. As a result of the foregoing, the Board of Directors of the company also proposes to amend section 1 of article 5 of the Bylaws.

This Report is prepared by the Board of Directors of the company in compliance with the provisions of article 286 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital, or "**LSC**"), which requires that the directors of listed companies, in order to amend the Bylaws, draft the full text of the amendment they propose and, also, prepare a written report explaining it.

Under article 287 of the LSC, the notice of call of the General Meeting must state the matters that are to be amended with appropriate clarity, and state the right of all shareholders to examine the full text of the proposed amendment and the report thereon at the registered office, and request that those documents be delivered or sent free of charge. These documents also must be published without interruption on the website of the company from publication of the call, in accordance with the provisions of article 518 of the LSC.

#### **2. EXPLANATION OF THE PROPOSAL**

The Board of Directors of the company believes it is advisable to reduce the par value of the shares representing the share capital, in order to bring the unit trading price of a share of the company to a level more in line with those usuals on the Spanish stock exchanges and other international markets, without that reduction of par value affecting the own funds structure of Red Eléctrica Corporación, S.A.

On the other hand, the stock split's approval which is submitted to the Annual General Meeting of Shareholders is intended to increase the liquidity and trading volume of the



shares of the company, without affecting its own funds structure, as the amount of share capital would remain unchanged, which doubtless would redound to the benefit of all shareholders.

As a result of the foregoing, it also is proposed to amend section 1 of article 5 of the Bylaws of the company, titled "Share Capital", with the purpose of: Reflecting the new number and par value of the outstanding shares of the company.

### 3. PROPOSED AMENDMENT

Accordingly, it is proposed to amend section 1 of article 5 of the Bylaws, to read as follows, showing the changes by comparison with the prior version:

Prior version	Proposed new version
<b>Article 5.- Share Capital</b>	<b>Article 5.- Share Capital</b>
1. The share capital of the company is two hundred seventy million five hundred forty thousand euros (EUR 270,540,000), represented by one hundred thirty-five million two hundred seventy thousand (135,270,000) shares, of a single class and series, with par value of two euros (€2) each, fully subscribed and paid up, represented by book entries.	1. The share capital of the company is two hundred seventy million five hundred forty thousand euros (EUR 270,540,000), represented by <del>one hundred thirty-five million two hundred seventy thousand (135,270,000)</del> <u>five hundred forty-one million eighty thousand (541,080,000)</u> shares, of a single class and series, with par value of <del>two (2) euros</del> <u>fifty cents on the euro (€0.50)</u> each, fully subscribed and paid up, represented by book entries.

It is also proposed to empower the Board of Directors, with express power to subdelegate, to take such actions as may be necessary for implementation of the stock split resolution, so that the Board of Directors is authorised, in particular, to decide the date the change in the par value of the shares and the resulting amendment of the bylaws are to take effect.

### 4. APPROVAL OF REPORT

Based on all of the foregoing, and in accordance with the provisions of articles 286 of the Spanish Corporate Enterprises Act and 158 of the Mercantile Registry Regulations, the Board of Directors issues this report on the split of the stock of the company and the resulting amendment of section 1 of article 5 of the Bylaws.

Madrid, 23 February 2016

## II. PROPOSED RESOLUTIONS

The following resolution is submitted to the Board of Directors for submission to the Annual General Meeting of Shareholders:

***Seven.- Splitting the shares of the company by reducing par value from two euros (€2) to fifty cents on the euro (€0.50) per share, at a ratio of four new shares for each old share, without changing the amount of share capital;***



***resulting amendment of section 1 of article 5 of the Bylaws and delegation of such power as may be necessary to the Board of Directors, with express power to subdelegate, for implementation of the resolution.***

To split the shares of the company by reducing their par value from two euros (€2) to fifty cents on the euro (€0.50) per share, at the ratio of four new shares for each old share, with no change in the amount of the share capital.

In a manner consistent with the foregoing, it is resolved to amend section 1 of article 5 of the Bylaws, related to share capital, which hereafter will read as follows:

*"Article 5.- Share capital*

- 1. The share capital of the Company is two hundred seventy million five hundred forty thousand euros (EUR 270,540,000), represented by five hundred forty-one million eighty thousand shares (541,080,000), of a single class and series, with par value of fifty cents on the euro (€0.50) each, fully subscribed and paid up, represented by book entries.*

Also, it is resolved to seek admission to trading of the new shares resulting from the reduction of unit par value per share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, by way of the Exchange Interconnection System (Continuous Market), as well as simultaneous exclusion from trading of the old shares.

It is also resolved to empower the Board of Directors, with express power to subdelegate, to take such actions as may be necessary for implementation of this resolution, being authorised, in particular, to decide the date the change in the par value of the shares and the resulting amendment of the bylaws are to take effect.