



## **Board of Directors**

31 March 2020

Delegation of powers for capital increases and the issue of debentures from the General Meeting of Shareholders to the Board of Directors. Explanatory Report.

## 1. Explanatory report of the Board of Directors

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**DELEGATION IN FAVOUR OF THE COMPANY'S BOARD OF DIRECTORS OF THE POWERS TO INCREASE THE CAPITAL STOCK AND ISSUE DEBENTURES AND OTHER FIXED INCOME SECURITIES (INCLUDING CONVERTIBLE AND/OR EXCHANGEABLE SECURITIES), IN EITHER CASE WITH THE POWER TO FULLY OR PARTIALLY EXCLUDE PREFERRED SUBSCRIPTION RIGHTS UP TO AN OVERALL MAXIMUM OF 10% OF THE CAPITAL STOCK, WITH EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT THE COMPANY'S ARTICLES OF ASSOCIATION (POINTS SEVEN AND EIGHT ON THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS).**

### 1.- PURPOSE OF THE REPORT.

At a meeting held on 31 March 2020, the Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter, the "Company") has agreed to present to the General Meeting of Shareholders (to be held on 13 May 2020 on first call and on 14 May 2020 on second call), under Points Seven and Eight of the Agenda, the delegation in favour of the Company's Board of Directors of the powers both to increase the capital stock by issuing new shares for monetary contributions and to issue debentures and other fixed income securities (including convertible and/or exchangeable securities), in either case with the power to fully or partially exclude preferred subscription rights, with express authorisation to accordingly redraft the Company's Articles of Association.

This report is hereby drawn up by the Board of Directors of the Company in compliance with the provisions established in articles (i) 286, 297.1.b) and 506 of the current Spanish Companies Act (Ley de Sociedades de Capital, hereinafter, "LSC"), in relation to the delegation in favour of the Board of Directors of the right to increase the capital stock; and (ii) 511 LSC and, by analogy, article 297.1.b) of the LSC, in relation to the delegation in favour of the Board of Directors of the right to issue debentures or similar fixed income securities and, specifically, the authority to issue convertible debentures.

According to said articles, a written report must be drawn up by the Board of Directors, explaining the reasons for the proposal and application of the right to exclude preferred subscription rights.

**2.- EXPLANATION OF THE DELEGATION IN FAVOUR OF THE COMPANY'S BOARD OF DIRECTORS OF THE POWERS TO INCREASE THE CAPITAL STOCK AND TO ISSUE DEBENTURES AND OTHER FIXED INCOME SECURITIES (INCLUDING CONVERTIBLE AND/OR EXCHANGEABLE SECURITIES), IN EITHER CASE WITH THE POWER TO FULLY OR PARTIALLY EXCLUDE PREFERRED SUBSCRIPTION RIGHTS, UP TO AN OVERALL MAXIMUM OF 10% OF THE CAPITAL STOCK, WITH EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT THE COMPANY'S ARTICLES OF ASSOCIATION WHEN NECESSARY.**

The activity inherent to any commercial company, particularly in companies with shares officially listed on a secondary market, requires that its governing and management bodies have suitable instruments at all times in order to adequately respond to the needs of the company itself or market circumstances. These needs may include endowing the company with new financial resources to cover such demands, which may be obtained through new capital contributions or through the issue of fixed income securities or instruments, convertible into newly issued shares (with the consequent capital increase) or exchangeable for already issued shares, belonging to the Company itself or to another company.

Furthermore, given the current economic scenario worldwide and high market volatility, the rapid execution of these operations is particularly important and has become a determining factor to ensure the successful achievement of a potential source of additional resources.

Article 297.1.b) of the current LSC, in order to overcome difficulties such as not being able to anticipate short or medium-term needs for a capital increase and to ensure a fast and effective response, allows the General Meeting of Shareholders, with the requirements established for amending the company's Articles of Association, to delegate in favour of the directors the power to order a capital increase, once or several times, until a certain figure is

reached, at the time and in the amount decided, without consulting the General Meeting of Shareholders. Such capital increases may in no case exceed half the company's capital stock at the authorisation date and must be executed through monetary contributions within a maximum five-year term, following the date of the General Meeting of Shareholders' resolution.

Furthermore, the possibility of entrusting directors with the power to issue share-convertible debentures is expressly regulated for listed companies in Article 511 LSC; by analogy, it is also possible to entrust them with the power to order a capital increase, once or several times (art. 297.1.b) of the LSC). In the case of debentures and other debt securities that are not convertible, the LSC directly attributes the authority to issue to the governing body (art. 406.1 LSC), although there is no impediment against the General Meeting of Shareholders adopting a resolution to delegate the authority to make such an issue to ensure a greater level of decision capacity for shareholders in accordance with the best corporate governance practices, establishing the terms and limits deemed appropriate.

Further to this legal possibility, often used by companies with shares officially listed on a secondary market, a proposal is hereby made to the General Meeting of Shareholders to authorise the Board of Directors in order to increase the capital stock, once or several times, up to a maximum of one hundred and thirty-five million two hundred and seventy thousand (135,270,000) euros, a figure representing 50% of the current capital stock, through the issue of new shares by charging monetary contributions.

Moreover, pursuant to article 506 of the LSC, the delegation to the Board of Directors in order to increase the capital stock, referred to in this report, also includes the right to fully or partially exclude preferred subscription rights held by the shareholders, when this is necessary in the Company's interest, in the terms of article 506 of the LSC.

Nevertheless, although the delegation for a capital increase will cover 50% of the Company's capital stock at the authorisation date, the specific right to fully or partially exclude the preferred subscription rights held by shareholders will be limited to a maximum amount represented by 10% of the capital stock i.e. twenty seven million fifty four thousand (27,054,000) euros, and that limit also includes any capital increases resulting from the issue of convertible debentures, which may be ordered further to the relevant delegation.

Thus, with respect to the authorisation to issue securities convertible into new Company shares, a proposal is hereby made to exercise this same right to fully or partially exclude the preferred subscription rights of shareholders, with the same overall limit of up to 10% of the Company's capital stock, pursuant to articles 417 and 511 of the LSC.

This 10% maximum limitation of the capital stock, to potentially exclude preferred subscription rights, more strict than the 20% limit recommended by the Code of Good Governance for listed companies (recommendation 5), is a result of current international criteria and trends in corporate governance matters, aimed at providing a response to the concerns of many investors about an excessive dilution of their shareholding in the Company, should the Board of Directors, pursuant to the powers that are hereby delegated, decide to order a capital increase directly or through the issue of convertible debentures, and exclude those rights.

The Board of Directors considers that this power to exclude preferred subscription rights is partly justified by the relatively smaller costs associated to the transaction, usually resulting from this exclusion, when compared to an issue of shares or convertible debentures with preferred subscription rights; and, furthermore, because it enables the Board of Directors to be in a position to notably increase their capacity to provide a rapid response, often required by current financial markets, enabling the Company to take advantage of the time when market conditions are most favourable. Furthermore, the suppression of the preferred subscription right results in lower levels of distortion in the trading of the Company's shares during the issue period, which is normally shorter than that for the issue with rights, while allowing more agile and efficient placement procedures that help to maximize the share issue price. Convertible debentures are highly complex financial securities that are generally not suitable for small investors and are normally intended for very specific specialized investor groups.

Consequently, please note that the power to exclude preferred subscription rights is merely delegated by the General Meeting of Shareholders in favour of the Board of Directors and the Board, given the specific circumstances of the case and in compliance with legal requirements, will then decide whether or not such rights will be excluded. Furthermore, as indicated, this exclusion may only be ordered for a maximum of 10% of the capital stock, adding any direct capital increases and underlying increases in issues of convertible debentures that the Board of Directors may order pursuant to both delegations.

Should the Board of Directors decide to use the possibility of excluding preferred subscription rights in relation to a specific capital increase or issue of convertible debentures, which is eventually agreed further to the authorisations granted by the General Meeting of Shareholders, when the increase is agreed it will issue an explanatory report of the specific reasons in the corporate interest that justify its decision to remove those rights which, in turn, will be subject to a report from an independent expert other than the Company's auditor and designated by the Mercantile Registry in accordance with the provisions of articles 308.2, 417, 506 and 511 of the LSC.

Although articles 506.4 and 511.3 of the LSC require that both reports are made available to shareholders and reported at the first General Meeting of Shareholders held after the decision to increase capital is taken, if the exclusion is applied the intention of the Board of Directors is to immediately publish those reports on the Company's website in accordance with the provisions of article 39.6 of the Company's Board of Directors' Regulations and recommendation 5 of the Code of Good Governance for listed companies.

Consequently, through the use of the authorization granted by the General Meeting of Shareholders, in the event of a capital increase the Board of Directors would be authorized to amend article 5 of the Articles of Association regarding capital stock (as is established by article 297.2 of the LSC), since this would facilitate the necessary flexibility in the future adoption of any resolutions to increase capital.

Finally, the proposed resolutions to be adopted by the General Meeting of Shareholders include the revocation of prior delegated authority in this respect in order to prevent any overlap of both authorizations, notwithstanding the full validity and effectiveness of the issues, issue programs, delegated authority and any other actions agreed under that delegation of authority that is in force on the date of the General Meeting of Shareholders.

## 2. Proposed resolutions

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**PROPOSALS FOR RESOLUTIONS TO DELEGATE IN FAVOR OF THE COMPANY'S BOARD OF DIRECTORS THE POWERS TO INCREASE THE CAPITAL STOCK AND ISSUE DEBENTURES AND OTHER FIXED INCOME SECURITIES (INCLUDING CONVERTIBLE AND/OR EXCHANGEABLE SECURITIES), IN EITHER CASE WITH THE POWER TO FULLY OR PARTIALLY EXCLUDE PREFERRED SUBSCRIPTION RIGHTS UP TO AN OVERALL MAXIMUM OF 10% OF CAPITAL STOCK, WITH EXPRESS AUTHORIZATION TO ACCORDINGLY REDRAFT THE COMPANY'S ARTICLES OF ASSOCIATION AND REVOKE ALL PRIOR DELEGATIONS (POINTS SEVEN AND EIGHT OF THE AGENDA FOR THE GENERAL MEETING OF SHAREHOLDERS).**

It is hereby agreed to propose to the General Meeting of Shareholders the adoption of the following resolutions:

**1. DELEGATION IN FAVOUR OF THE BOARD OF DIRECTORS, FOR A FIVE (5) YEAR TERM, OF THE POWER TO INCREASE THE CAPITAL STOCK, AT ANY TIME, ONCE OR SEVERAL TIMES, UP TO A MAXIMUM OF ONE HUNDRED AND THIRTY-FIVE MILLION TWO HUNDRED AND SEVENTY THOUSAND (135,270,000) EUROS, EQUIVALENT TO HALF THE CURRENT CAPITAL STOCK, IN THE AMOUNT AND AT THE ISSUE RATE DECIDED BY THE BOARD OF DIRECTORS IN EACH CASE, WITH THE POWER TO FULLY OR PARTIALLY EXCLUDE PREFERRED SUBSCRIPTION RIGHTS, FOR AN OVERALL MAXIMUM OF 10% OF THE CAPITAL STOCK AND WITH AN EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT ARTICLE 5 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND IF NECESSARY, APPLY FOR THE ADMISSION TO TRADING, PERMANENCE AND/OR EXCLUSION OF THE SHARES ON ORGANIZED SECONDARY MARKETS. (Point seven of the Agenda of the General Meeting of Shareholders).**

**1.- Delegation in favour of the Board of Directors, term and quantitative limit.-** To authorise the Board of Directors, as broadly and effectively as may be necessary in law, further to the delegation right foreseen in Article 297.1.b) of the Spanish Companies Act, and in Article 8 of the Company's Articles of Association, so that, within a maximum term of five (5) years following the date this resolution is adopted, and without having to call the General Meeting of Shareholders or obtain its subsequent resolution, to order, once or several times, at the time and in the amount decided by the Board, a capital increase in a maximum amount of one hundred and thirty-five million two hundred and seventy thousand (135,270,000) euros, equivalent to half of the Company's current capital stock.

**2.- Scope of the delegation.-** Any capital increases that may be ordered by the Board of Directors pursuant to this delegation will involve the issue and trading of new ordinary, privileged or redeemable shares, with or without voting rights, or of any other class, with fixed or variable premium or without premium, the consideration for which will consist of monetary contributions.

In any matter not foreseen in this delegation resolution, the Board of Directors may determine the terms and conditions of any such capital increase, including, but not limited to, the characteristics of the shares, the issue rate, investors and markets receiving the capital increase and placement procedure, and may freely offer any new shares, not subscribed during the preferred subscription period(s), if this right is not excluded.

In the event of incomplete subscription, the Board of Directors may also order a cancellation of the capital increase, or a capital increase by the amount of subscriptions made only, and may redraft article 5 of the Company's Articles of Association, in relation to the capital stock and number of circulating shares, once each capital increase has been agreed and executed.

**3.- Exclusion of preferred subscription rights.-** Pursuant to the provisions established in article 506 of the Spanish Companies Act, the Board of Directors is expressly entitled to fully or partially exclude preferred subscription rights related to all or some of the share issues it may order by virtue of this authorisation, as long as this is necessary in the Company's interest and the face value of the issued shares, plus any issue

premium agreed, represents the fair value of the Company shares, according to a report issued by an independent expert other than the Company's auditor appointed for this purpose by the Mercantile Registry each time the right is exercised to exclude preferred subscription rights. Furthermore, the Board of Directors must issue a report providing details of the specific business reasons supporting that measure in accordance with the provisions of articles 308.2.a) and 506 of the Spanish Companies Act, which will be published on the Company's website immediately after adopting the resolution to increase capital and they will be made available to shareholders and reported at the first General Meeting of Shareholders held thereafter.

However, this authority is limited to a maximum of 10% of the Company's capital stock at the time of this authorization, i.e. twenty-seven million fifty-four thousand (27,054,000) euros.

**4.- Calculation of the overall limit.-** The maximum limits indicated in points 1 and 3 above available at any given time will be considered to include the amount of the capital increases that may be agreed by the Board of Directors in accordance with the proposal being submitted for the approval of this General Meeting of Shareholders under point eight of the Agenda in order to attend to the conversion of debentures, bonds and other similar fixed income securities convertible into new shares, or the execution of warrants with a right to receive new shares.

**5.- Admission to trading.-** The Board of Directors is also authorised to apply for the admission to trading, permanence and exclusion, if necessary, on Spanish or foreign organized secondary markets, of any shares issued by virtue of this authorisation, in which case it will complete any steps and measures that are necessary or appropriate, before the competent authorities of Spanish or foreign securities markets, for their admission to trading, permanence and/or exclusion, as the case may be.

**6.- Delegation.-** The Board of Directors is hereby expressly empowered so that, in turn, it may delegate or replace the powers included in this resolution.

**7.- Revocation.-** This delegation entails the express revocation of the delegation conferred to the Board of Directors by virtue of a resolution adopted by the Annual General Meeting of Shareholders held on 15 April 2015, similarly to the one set out in this point of the Agenda, insofar as it has not been used prior to the adoption of this resolution.

**2. DELEGATION IN FAVOUR OF THE BOARD OF DIRECTORS, FOR A FIVE (5) YEAR TERM AND AN OVERALL LIMIT OF FIVE BILLION (5,000,000,000) EUROS, OF THE POWER TO ISSUE, ONE OR SEVERAL TIMES, DIRECTLY OR THROUGH COMPANIES OF THE RED ELÉCTRICA GROUP, DEBENTURES, BONDS AND OTHER FIXED INCOME DEBT INSTRUMENTS OF A SIMILAR NATURE, WHETHER ORDINARY OR CONVERTIBLE OR EXCHANGEABLE FOR SHARES IN THE COMPANY, OTHER COMPANIES OF THE RED ELÉCTRICA GROUP OR OTHER COMPANIES THAT ARE NOT RELATED TO IT, INCLUDING WITHOUT LIMITATION, PROMISSORY NOTES, ASSET-BACKED SECURITIES, PREFERRED SECURITIES, SUBORDINATED DEBT, HYBRID INSTRUMENTS AND WARRANTS THAT PROVIDE THE RIGHT TO DELIVER SHARES OF THE COMPANY OR OTHER COMPANIES IN THE RED ELÉCTRICA GROUP, WHETHER NEWLY ISSUED OR IN CIRCULATION, WITH THE EXPRESS ATTRIBUTION, IN THE CASE OF CONVERTIBLE SECURITIES AND EQUIVALENTS, OF THE POWER TO EXCLUDE, IN FULL OR IN PART, THE PREFERRED SUBSCRIPTION RIGHT FOR A MAXIMUM TERM, OVERALL OF 10% OF THE SHARE CAPITAL; AUTHORISATION SO THAT THE COMPANY CAN GUARANTEE NEW ISSUES OF FIXED-INCOME SECURITIES (INCLUDING CONVERTIBLE OR EXCHANGEABLE SECURITIES) BY COMPANIES OF THE RED ELÉCTRICA GROUP; AUTHORISATION TO ACCORDINGLY REDRAFT ARTICLE 5 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND TO, IF NECESSARY, APPLY FOR THE ADMISSION TO TRADING, PERMANENCE AND/OR EXCLUSION OF THE SHARES ON ORGANIZED SECONDARY MARKETS REQUEST. (POINT EIGHT OF THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS).**

**1.- Delegation to the Board of Directors.-** To delegate to the Board of Directors, in the broadest and most efficient manner possible in Law and in accordance with the provisions of article 511 of the Spanish Companies Act and other regulations on the issue of securities, the power to issue fixed-income securities pursuant to the conditions set out in this resolution.

Additionally the Board of Directors may, if applicable, authorise the acquisition, repurchase, redemption, exchange or swap of the existing fixed-income securities – issued (or guaranteed) directly by the Company or through the companies of the Red Eléctrica Group – or the new securities that are issued (or guaranteed) directly by the Company or, if applicable, by the companies of the Red Eléctrica Group, in both cases that are pending redemption, for other fixed-income values or that are issued by the Company or by other companies in the Red Eléctrica Group.

**2.- Securities to be issued.-** The securities to which this delegation refers may be bonds, debentures and other fixed-income securities or debt instruments of a similar nature, in any of the manners admitted in Law, issued directly or through the companies of the Red Eléctrica Group, including, without limitation, promissory notes, asset-backed securities, preferred securities, subordinated debt, hybrid instruments and warrants or other similar securities, whether ordinary or convertible and/or exchangeable, directly or indirectly, in newly issued shares and/or shares already in circulation of the Company, of other companies of the Red Eléctrica Group or other companies not included in the group, which can be liquidated by means of physical delivery or by means of differences, as well as fixed-income securities, preferred securities and warrants that include the right to opt to subscribe new shares or to acquire shares in circulation of the Company and other Red Eléctrica Group companies.

**3.- Term of the delegation. -** The issue of the securities could be carried out one or several times at any given time within a maximum term of five (5) years as from the date this resolution is adopted.

**4.- Maximum amount of the delegation. -** The maximum aggregate amount of the issue or issues of securities that can be agreed in accordance with this delegation will be five billion (5,000,000,000) euros or its equivalent in any other currency at the time of issue.

For the purposes of calculating the above limit, in respect of the warrants, the sum of the premiums and prices for exercising the warrants of each issue that is resolved in accordance with this delegation will be taken into consideration. In turn, in respect of the debentures, promissory notes or similar instruments issued in

accordance with this delegation within issue programs, the outstanding balance thereof will be taken into account for the purposes of calculating the above limit.

In accordance with the provisions of Articles 401 and 510 of the Spanish Companies Act, it is certified that the Company is not subject to any maximum legal limit regarding the issue of debentures or other securities that recognize or create debt.

**5.- Scope of the delegation.** - The delegation to which this resolution refers will be extended as broadly as required in Law to the setting of the different economic terms, regime, aspects and conditions of each issue. In particular, and merely by way of example, but not limited thereto, the Company's Board of Directors will be entitled to determine, for each issue, the amount, the place of issue (whether it is national or foreign) and the currency or exchange and, if it is a foreign currency, its initial equivalence in euros; the denomination, whether in bonds, securities or any other admitted in Law (including hybrid or subordinated instruments); the issue date or dates; when the securities are not convertible, the possibility of them being exchangeable, in full or in part, for pre-existing shares in the Company, of other companies in the Red Eléctrica Group or, as the case may be, of other companies not included therein -and the circumstance of being convertible or exchangeable, whether necessarily or voluntarily, and in the latter case, at the option of the holder of the securities or of the Company in accordance with any objective criteria-, or to include a purchase or subscription right over said shares; the interest rate, including the possibility of changes in the rate based on one or more indicators, particularly, but not limited to, social, environmental or corporate governance indicators (ESG), dates and payment of the interest; the perpetual or repayable nature and, in this latter case, the repayment terms and the maturity date or dates; the reimbursement rate, premiums and lots; the issue guarantees, including mortgage guarantees, provided directly by the Company or by the companies belonging to the Red Eléctrica Group; the manner in which they are represented, whether by registered shares or book entry shares, the number of securities and their face value which, in the case of convertible and/or exchangeable securities, shall not be less than the face value of the shares; the legislation applicable to the terms and conditions of the issue, whether national or foreign; to request if applicable, admission to trading on official or unofficial secondary markets, whether they are organised or not, national or foreign, of the securities that are issued in compliance with the requirements and conditions of the issue; where applicable, to appoint the commissioner of the relevant syndicate of the holders of the securities that may be issued and to approve the fundamental rules that will regulate the legal relationship between the Company and said existing syndicate, where applicable; and, in general, any other condition of the issue, as well as carry out any steps as necessary or advisable to execute the specific issues that are resolved in accordance with this delegation.

The delegation likewise includes the attribution to the Board of Directors of the power to decide with regard to the redemption conditions of the securities issued in use of this authorisation, being able to employ for such purposes any of those provided for in relation to the current Spanish Companies Act, and the power to acquire, repurchase or exchange the securities issued for other different securities.

Additionally the Board of Directors is authorised so that, when it deems it advisable, and subject to the obtaining of the official authorisations that may be necessary and, if applicable, pursuant to the assemblies of the corresponding syndicates that hold the relevant securities that may be issued in use of this authorisation, it may modify the terms and conditions of such securities.

**6.- Bases and categories of the conversion or exchange.-** As regards the issues of securities that are convertible into new shares in the Company or companies that belong to the Red Eléctrica Group, or which are exchangeable for shares that are already in circulation of the Company, of companies belonging to the Red Eléctrica Group or, if applicable, of other companies not included therein, and for the purposes of determining the bases and categories of the conversion or exchange, it is resolved to establish the following criteria:

1.- The securities that are issued in accordance with this resolution may be converted into newly issued shares of the Company or companies belonging to the Red Eléctrica Group, can be exchanged for shares in circulation of the Company, of companies belonging to the Red Eléctrica Group or, if applicable, other companies not included therein, or they may be converted or exchanged in accordance with the circumstances and the conditions established in the issue resolution, in accordance with the conversion or fixed swap ratio (determined or that can be determined) or variable, which may include maximum and/or minimum limits to the conversion price, therefore it corresponds to the Board of Directors to determine whether they are convertible or exchangeable or both at the same time, or if the conversion or the swap must take place through the physical delivery of shares, or through differences, as well as to determine whether they are necessarily or voluntarily convertible or exchangeable and, in the event that they are voluntarily so, whether it is at the option of the holder or the issuer, with the frequency and during the term established in the issue resolution, this being a term that cannot exceed fifteen (15) years as from the issue date.

2.- In the event that the issue is convertible and exchangeable, the Board of Directors may establish that the Company reserves the right to choose at any given time between converting into new shares or exchanging for shares in circulation, specifying the nature of the shares to be delivered when carrying out the conversion or exchange, being able to even choose to provide a combination of newly issued shares and pre-existing shares, or for the full or partial delivery of cash.

3.- For the purposes of the conversion and exchange, the debentures, bonds or other securities will be valued at their face value. Shares will be valued at the exchange rate determined in the resolution by the Board of Directors, which may be (i) fixed and be determined in the resolution adopted by the Board of Directors, (ii) fixed and to be determined on the date or dates indicated in the resolution of the Board of Directors or (iii) be variable. The fixed exchange that can be determined or the variable exchange may be determined either in accordance with the stock market value of the Company's shares on the date or date, or in the period or periods that are established as a reference, or in accordance with any other criteria determined by the Board of Directors. Additionally, the Board of Directors may determine a change with or without a premium or discount, which may be different for each conversion and/or exchange date of each issue (or, if applicable, each tranche of an issue).

4.- When the conversion or exchange is admissible, the fractions of shares which, as the case may be, were to correspond to the holder of the securities for delivery will be rounded up by default to the immediately lower number and each holder will receive in cash the difference that may arise in said scenario.

5.- In the issue of debentures, bonds or other securities of similar nature that can be converted into newly issued shares, the share value for the purposes of the conversion ratio cannot be less than its face value under any circumstances.

6.- Pursuant to the provisions of article 415.2 of the Spanish Companies Act, the debentures, bonds or other securities cannot be converted into shares when the face value of such debentures, bonds or securities to be converted is less than the face value of the shares into which they will be

converted. Furthermore, debentures, bonds or other fixed-income securities that can be converted for a lower figure than their face value cannot be issued.

7.- When approving an issue of convertible debentures, bonds or other securities in accordance with this authorisation of the General Meeting of Shareholders, the Board of Directors must issue a report that explains and specifies, based on the criteria described above, the bases and categories of the conversion specifically applied to the issue. The report will be accompanied by the corresponding report of an auditor, pursuant to the provisions of articles 414 and 511 of the Spanish Companies Act.

**7.- Rights held by the owners of convertible securities.** - The owners of convertible or exchangeable securities and warrants will enjoy all of the rights recognized within the terms and conditions of each issue, in accordance with applicable legislation.

**8.- Exclusion of the preferred subscription right in convertible securities and share capital increase.** - The delegation in favour of the Board of Directors established herein is carried out in accordance with the following terms and conditions:

1.- The Board of Directors has the power, in accordance with the provisions of article 511 of the Spanish Companies Act, as they relate to article 417 of that Act, to fully or partially exclude the preferred subscription right of shareholders when in the Company's interest.

In any case, if the Board of Directors were to decide to remove the preferred subscription right of the shareholders in relation to a specific issue of convertible securities that may be carried out in accordance with this authorisation, it must provide, when approving the issue and in accordance with the provisions of articles 417 and 511 of the Spanish Companies Act, a report detailing the specific reasons of corporate interest that justify said measure and must obtain the compulsory report from an independent expert other than the Company's auditor in which a technical opinion is provided on the reasonability of the data contained in the report from the directors and on the suitability of the conversion ratio and, as the case may be, its adjustment formula, to offset a potential dilution of the financial participation of the shareholders. These reports will be published on the Company's website immediately following the adoption of the resolution to issue and made available to shareholders and reported at the first General Meeting of Shareholders held thereafter.

This power to exclude the preferred subscription right will, in any case, be limited to the share capital increases that are carried out in accordance with this authorisation and the share capital increases which constitute the object of point Seven on the Agenda of this General Meeting of Shareholders up to the corresponding maximum amount, overall, of 10% of the share capital as at the date this resolution is adopted.

2.- The authorisation to increase the share capital by the amount needed to deal with the requests to convert the convertible securities issued in accordance with this delegation, pursuant to article 414.1 of the Spanish Companies Act. Said authorisation can only be exercised to the extent that the Board of Directors does not exceed with such increases, jointly with any other share capital increases that may be carried out by virtue of this or other delegations to increase the share capital which it may have, the limit of half of the amount of the share capital provided for in article 297.1.b) of the Spanish Companies Act.

This authorisation to increase the share capital in order to convert securities or exercise warrants includes the authority to issue and put into circulation, once or several times, the shares representing it, that are necessary to carry out the conversion or the exercise, as well as to redraft article 5 of the Company's Articles of Association regarding the share capital and the number of shares in circulation

and, where applicable, to cancel the part of the share capital increase which had not been necessary for converting the securities into shares or to exercise the warrants.

Pursuant to the provisions of article 304.2 of the Spanish Companies Act, the share capital increase carried out by the Board of Directors to deal with the request for the conversion or exercise will not lead to the preferred subscription right to the Company's shareholders.

3.- The power to develop and specify the bases and categories for the transformation and/or exchange, bearing in mind the criteria established in section 6 above and in general and under their broadest terms, the determination of any details and conditions that become necessary or advisable for the issue.

The Board of Directors, in the successive General Meetings of Shareholders that the Company holds, will inform the shareholders of the use that, if applicable, has been made of the delegation to issue convertible and/or exchangeable securities.

**9.- Warrants.-** The regulations established in section 6 to 8 above will be applicable, under similar conditions, in the event of the issue of warrants or other similar securities that may give the right, whether directly or indirectly, to subscribe newly issued shares of the Company or other companies belonging to the Red Eléctrica Group, comprised of the broadest powers, with the same scope of the previous numbers, in order to decide anything that is deemed advisable in relation to said types of securities.

**10. Admission to trading.-** The delegation in favour of the Board of Directors established herein likewise comprises the request for admission to trading when the Board of Directors considers its trading admissible, on secondary or unofficial markets, whether or not they are organised, national or foreign, of the debentures, bonds, preferred interests, warrants and any other securities that are issued or guaranteed by virtue of this delegation, likewise authorising the Board of Directors in order to carry out the steps and actions necessary or advisable for admission to trading before the competent bodies of the different national or foreign securities markets, likewise providing any guarantees or undertakings as required by the in force legal provisions, as well as to request and process the corresponding request for trading of the shares that may be issued in the event of a conversion or exercise of the acquisition or subscription rights of the issued securities.

**11.- Guarantee of the issue of securities carried out by companies of the Red Eléctrica Group.-** The Company's Board of Directors is likewise authorised to guarantee on behalf of the Company, under any of the formulas admitted in Law, within the above-mentioned limits, the new issues of securities (including convertible or exchangeable) which during the term of validity of this agreement can be carried out by companies belonging to the Red Eléctrica Group.

**12.- Delegation and substitution. -** The Board of Directors is expressly authorised to delegate or substitute the powers contained in this resolution.

**13. Revocation.-** This delegation entails the express revocation insofar as it has not been used prior to the adoption of this resolution, of the delegation granted to the Board of Directors, by virtue of the resolution adopted by the Annual General Meeting of Shareholders held on 15 April 2015, with a nature similar to the one contained in this point of the Agenda of the General Meeting of Shareholders, notwithstanding the full validity of the issues, issue programs, delegations of powers and any other acts agreed in accordance with said delegation that are in force on the date of this resolution.