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Madrid, April 18, 2008

## PROPOSED RESOLUTIONS AND REPORTS

### I. ITEMS FOR APPROVAL

#### **PROPOSED RESOLUTION CONCERNING ITEM ONE ON THE AGENDA:**

**EXAMINATION AND APPROVAL OF THE FINANCIAL STATEMENTS (BALANCE SHEET, INCOME STATEMENT AND NOTES TO FINANCIAL STATEMENTS) AND THE MANAGEMENT REPORT OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR THE YEAR ENDED DECEMBER 31, 2007.**

The following resolution is proposed for submission to the Annual Shareholders' Meeting:

To approve the Financial Statements (balance sheet, income statement and notes to financial statements) and the Management Report of Red Eléctrica de España, S.A. for 2007.

The Financial Statements and the Management Report of Red Eléctrica de España, S.A., the approval of which is hereby proposed, relate to those prepared by the Board of Directors at the Meeting held on March 27, 2008.

#### **PROPOSED RESOLUTION CONCERNING ITEM TWO ON THE AGENDA:**

**EXAMINATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONSOLIDATED BALANCE SHEET, CONSOLIDATED INCOME STATEMENT, CONSOLIDATED STATEMENT OF CHANGES IN NET WORTH, CONSOLIDATED CASH FLOW STATEMENT AND CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS) AND THE MANAGEMENT REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR 2007.**

The following resolution is proposed for submission to the Annual Shareholders' Meeting:

To approve the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in net worth, consolidated cash flow statement and

consolidated notes to the financial statements), and the consolidated Management Report of the Red Eléctrica Group, of which the controlling company is Red Eléctrica de España, S.A., for 2007.

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, relate to those prepared by the Board of Directors at the Meeting held on March 27, 2008.

**PROPOSED RESOLUTION CONCERNING ITEM THREE ON THE AGENDA:**

**EXAMINATION AND APPROVAL OF THE PROPOSED ALLOCATION OF INCOME AT RED ELÉCTRICA DE ESPAÑA, S.A. AND DISTRIBUTION OF DIVIDENDS, FOR THE YEAR ENDED DECEMBER 31, 2007**

The following resolution is proposed for submission to the Annual Shareholders' Meeting:

To approve the allocation of income proposed by the Board of Directors at its Meeting held on March 27, 2008 and, as a result, to distribute the 2007 income, amounting to €238,682,246.14, as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	91,744,398.96
TO DIVIDENDS:	
INTERIM DIVIDEND	52,208,266.18
SUPPLEMENTARY DIVIDEND (calculated in relation to all shares)	94,729,581.00
<hr/>	
TOTAL	238,682,246.14

It is expressly resolved to pay shareholders entitled to dividends the gross amount of €1.0871 per share. Dividends will be paid on July 1, 2008 at the banks and financial institutions to be announced, and the gross amount of €0.3868 per share, distributed as an interim dividend on January 2, 2008 pursuant to the Board of Directors' Resolution of December 20, 2007, will be deducted.

**PROPOSED RESOLUTION CONCERNING ITEM FOUR ON THE AGENDA:**

**EXAMINATION AND APPROVAL OF THE MANAGEMENT CARRIED OUT BY THE BOARD OF DIRECTORS OF RED ELÉCTRICA DE ESPAÑA, S.A. IN 2007.**

The following resolution is proposed for submission to the Annual Shareholders' Meeting:

To approve the management of the Board of Directors of Red Eléctrica de España, S.A. in 2007.

**PROPOSED RESOLUTION CONCERNING ITEM SIX ON THE AGENDA:**

**PROPOSED SUBSIDIARIZATION OF THE ACTIVITY OF SYSTEM OPERATOR, ELECTRICITY TRANSMISSION NETWORK MANAGER AND ELECTRICITY TRANSMITTER, PURSUANT TO THE MANDATE PROVIDED FOR IN LAW 17/2007.**

The following resolutions are proposed for submission to the Annual Shareholders' Meeting:

**One. Contribution of a line of business.**

It is agreed to propose to the Shareholders' Meeting, in accordance with the legal mandate provided for in Additional Provision Three of Law 17/2007 and on the basis of the report prepared by the Board and attached to this proposal, the contribution of the balance sheet items, assets, liabilities and personnel of the line of business that engages in the activities of system operator, transmission network manager and transmitter currently pursued by Red Eléctrica de España, S.A. ("Red Eléctrica") to Red Eléctrica de España TSO, S.L.U. ("REE TSO"), sole-shareholder company, wholly owned by Red Eléctrica and incorporated for such purpose.

The contribution of the related activities, balance sheet items and personnel will serve as the subscription and payment by Red Eléctrica of the entirety of the capital increase to be agreed on at REE TSO, equal to the par value and the additional paid-in capital deemed suitable in accordance with the provisions of the following paragraphs. Simultaneously, REE TSO will reregister as a corporation (*sociedad anónima*), will increase capital and will amend its Bylaws to adapt them to the Electricity Industry Law. The capital increase will be performed by way of the issue of common shares, of the same series and class, to which the restrictions established in Additional Provision Three of Law 17/2007 will apply.

In general, the balance sheet items, assets, liabilities and personnel to be contributed will include practically all the items owned by Red Eléctrica, with the exception of: (i) the corporate headquarters and property not used for the transferred activity; (ii) the holdings in other companies, which will remain at Red Eléctrica, as controlling company; and (iii) the activity of telecommunications for third parties and international long-term energy exchange, including the related rights and obligations, which will be contributed to the subsidiary of the Group Red Eléctrica Internacional, S.A.U. (REI).

On the balance sheet of Red Eléctrica as at March 31, 2008, the overall value of the line of business to be contributed, as transpires from the corporate documentation, is €1,018,845,163.11. Such value is approximate, since the contribution is to include all of the balance sheet items and personnel making up such line of business at the time of its contribution and Red Eléctrica will continue to pursue its activities and provide services until that time, with any consequent balance sheet amendments that may derive therefrom. Based on the estimate made with the data at March 31, the capital increase at REE TSO will be equal to an amount of €1,018,845,163.11, consisting of four hundred million shares, each with a par value of €2, and with overall additional paid-in capital of €218,845,163.11.

Greater detail on the proposed transaction can be found in the report attached to this resolution.

### **Two. Delegation to the Board of Directors.**

It is agreed to propose to the Shareholders' Meeting, for the execution of what is envisaged in this proposal, that it delegate to the Board of Directors (conferring the power to delegate on the Chairman, on the Secretary or on any of its members) the determination, with the necessary precision, of the balance sheet items, assets, liabilities and personnel to be contributed, for the subscription and payment of the related resolution to increase capital at REE TSO, its valuation, and the making of any necessary changes to the planned transaction in order to bring it into line with any parameters, conditions or requirements that may be stipulated by the relevant authorities.

### **Three. Performance of the transaction under the tax neutrality regime.**

It is agreed to propose to the Annual Shareholders' Meeting that since the transaction is a non-cash contribution of a line of business pursuant to the provisions of Article 83.3 of the Revised Corporate Income Tax Law, approved by Legislative Royal Decree 4/2004, of March 5, 2004, it be performed under the tax neutrality regime established in Title VII, Chapter VIII of the Revised Law and other provisions relating to such special regime.

## **REPORT PREPARED BY THE BOARD OF DIRECTORS OF RED ELÉCTRICA DE ESPAÑA, S.A. ON THE PROJECT FOR THE SUBSIDIARIZATION OF THE ACTIVITY OF SYSTEM OPERATOR, TRANSMISSION NETWORK MANAGER AND TRANSMITTER, PURSUANT TO LAW 17/2007**

For the purposes of fulfilling the requirement to inform the Shareholders' Meeting, the Board of Directors of RED ELÉCTRICA DE ESPAÑA, S.A. (the "Company" or "Red Eléctrica") draws up and signs this report (the "Report") with a view to explaining and justifying in detail the project for the subsidiarization of the activity of system operator, transmission network manager and transmitter, pursuant to the legal mandate provide for in Law 17/2007.

## **I. INTRODUCTION**

### **1. Background**

Additional Provision Three of Law 17/2007, amending Electricity Industry Law 54/1997, and transposing Directive 2003/54/EC of the European Parliament and of the Council of June 26, 2003 concerning common rules for the internal market in electricity (“Law 17/2007”) established the statutory mandate for Red Eléctrica to contribute to a subsidiary all its regulated activities on the following terms:

*“1. Red Eléctrica de España, SA shall incorporate a subsidiary in which it shall own all of the capital stock, which shall have the functions of system operator, transmission network manager and transmitter, and which shall be incorporated with the contribution of all the material and personal resources currently assigned to the pursuit of such activities (...).”*

In turn, Transitional Provision Three establishes the time period for compliance with such mandate:

*“1. Within one year from the coming into force of this Law, Red Eléctrica de España, Sociedad Anónima, shall incorporate the subsidiaries referred to in Additional Provision Five [it should read Three] of this Law (...).”*

Since Law 17/2007 provided that it was to come into force on the day following its publication in the Official State Gazette (July 5, 2007), the time period for compliance with the legal mandate will expire on July 5, 2008.

### **2. Description of the transaction**

Pursuant to such mandate, and for this sole and exclusive purpose, Red Eléctrica recently incorporated “Red Eléctrica de España, TSO, S.L. (Sole-Shareholder Company)” (“REE TSO”), to which it will contribute the independent economic unit consisting of the line of business relating to its functions as system operator, transmission network manager and transmitter, including the assets and personnel assigned to such functions, in a capital increase by way of a non-cash contribution (the “Subsidiarization”). Simultaneously, REE TSO will reregister as a corporation (*sociedad anónima*), will increase capital and will amend its Bylaws to bring them into line with the Electricity Industry Law.

In general, the balance sheet items, assets, liabilities and personnel to be contributed will include practically all the items owned by Red Eléctrica, with the exception of: (i) the corporate headquarters and property not used for the transferred activity; (ii) the holdings in other companies, which will remain at Red Eléctrica, as controlling company; and (iii) the activity of telecommunications for third parties and international long-term energy exchange, including the related rights and obligations, which will be contributed to the subsidiary of the Group Red Eléctrica Internacional, S.A.U. (REI).

Among the most noteworthy assets and liabilities to be contributed to REE TSO is the entire electricity transmission network in Spain and the financial debt associated with the financing of the electricity transmission installations.

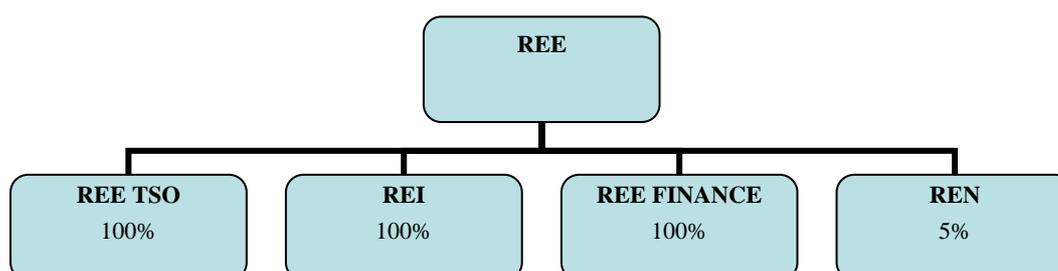
Practically all Red Eléctrica personnel will be transferred to REE TSO, by way of business succession, pursuant to Article 44 of the Workers’ Statute.

Taking the balance sheet of Red Eléctrica at March 31, 2008 as a reference, the report entitled “Economic and Financial Description of the Corporate Restructuring” was prepared and is attached as **Exhibit I**. Such Exhibit is approximate, since the contribution is to be of all the elements composing the line of business at the time of the contribution and Red Eléctrica will continue to pursue its activities and provide services until that time, with any consequent balance sheet amendments that may derive therefrom. Based on the estimate made with the data at March 31, the capital increase at REE TSO will be equal to an amount of €1,018,845,163.11, consisting of four hundred million shares, each with a par value of €2, and with overall additional paid-in capital of €218,845,163.11. Exhibit I also includes, to aid comprehension, an approximation of the planned corporate restructuring transaction, further detailing the planned contribution to REI.

In this connection, it is proposed to the Shareholders’ Meeting that it delegate to the Board of Directors (conferring the power to delegate on the Chairman, on the Secretary or on any of its members) the determination, with the necessary precision, of the balance sheet items, assets, liabilities and personnel to be contributed, for the subscription and payment of the relating resolution to increase capital at REE TSO, its valuation, and the making of any necessary changes to the planned transaction in order to bring it into line with any parameters, conditions or requirements that may be determined by the relevant authorities.

The Board of Directors of Red Eléctrica (or the persons to whom powers have been delegated or who hold sufficient powers-of-attorney), as the competent body of the sole shareholder of REE TSO and, as such, exercising the powers attributed to the Annual Shareholders’ Meeting of REE TSO, will adopt the other pertinent corporate resolutions at REE TSO, including its reregistration as a corporation, the amount and characteristics of the capital increase and the necessary amendments to the Bylaws of REE TSO, in order to bring the company’s structure into line with the regulated activities of the electricity industry it is to pursue, and will submit to the tax neutrality regime.

Following the performance of such transaction, the direct holdings of Red Eléctrica will be as follows:



### 3. Companies involved

The participants of the subsidiarization are Red Eléctrica, as contributing company, and REE TSO, as receiving company.

The particulars of both companies are as follows:

- a) RED ELÉCTRICA DE ESPAÑA, S.A. was incorporated for an indefinite term in a deed executed on January 29, 1985, in the presence of Madrid Notary Tomás Aguilera de la Cierva, under number 72 of his protocol, and is registered at the

Madrid Mercantile Registry in volume 214 general, 191 of section 3 of the Companies Book, sheet 38, on page 62.853, entry number 1.

The registered office of Red Eléctrica is at Paseo del Conde de los Gaitanes, 177, Alcobendas, C.P. 28109, Madrid.

- b) RED ELÉCTRICA DE ESPAÑA TSO, S.L. was incorporated for an indefinite term in a deed executed on December 21, 2007, in the presence of Madrid Notary Manuel Rodríguez Marín, under number 796 of his protocol, and is registered at the Madrid Mercantile Registry in volume 25.097, sheet 192, section 8, on page M-452031, entry number 1.

The registered office of REE TSO is at Paseo del Conde de los Gaitanes, 177, Alcobendas, C.P. 28109, Madrid.

In one and the same act, REE TSO will reregister as a corporation, increase capital and amend its Bylaws to bring them into line with the Electricity Industry Law.

## **II. CAPITAL STOCK SITUATION**

- a) The capital stock of Red Eléctrica currently stands at TWO HUNDRED SEVENTY MILLION FIVE HUNDRED AND FORTY THOUSAND EUROS (€270,540,000), represented by ONE HUNDRED THIRTY-FIVE MILLION TWO HUNDRED AND SEVENTY THOUSAND (135,270,000) fully subscribed and paid-in shares, of a single class and series, each with a par value of TWO EUROS (€2), represented by book entries.
- b) The capital stock of REE TSO currently stands at SIX THOUSAND EUROS (€6,000), represented by THREE THOUSAND (3,000) cumulative and indivisible participation units, each with a par value of TWO EUROS (€2), numbered sequentially from 1 through 3,000, which are not securities and may not be represented by certificates or book entries and may not be called shares (*acciones*). All participation units are fully subscribed and paid-in by the sole shareholder, Red Eléctrica.

## **III. MANAGING BODY**

This Report is drafted and signed by all members of the Board of Directors of Red Eléctrica.

The members of the Board of Directors are:

- Luis Atienza Serna.
- Juan Gurbindo Gutiérrez.
- Manuel Alves Torres.
- Rafael Suñol Trepal.
- Pedro Rivero Torre.
- Antonio Garamendi Lecanda.

- José Riva Francos.
- Jose Manuel Serra Peris.
- María de los Ángeles Amador Millán.
- Martín Gallego Málaga.
- Francisco Javier Salas Collantes.

#### **IV. ECONOMIC ASPECTS OF THE PLANNED SUBSIDIARIZATION**

The reason supporting the adoption by the Directors of Red Eléctrica of the resolution to sign this Report, which led them to decide to submit the transaction in question to the Company Shareholders' Meeting, is the legal mandate established in Additional Provision Three of Law 17/2007.

Red Eléctrica intends to subsidiarize the activities of system operator, transmission network manager and transmitter by way of the non-cash contribution to REE TSO of the aforementioned independent economic unit constituting the line of business detailed in **Exhibit I**.

The subsidiarization will in no way whatsoever limit the pursuit of such activities, since the items not contributed are neither relevant nor essential to their pursuit, and the activities will continue to be pursued on the same economic terms both before and after the contribution.

As indicated above, for the purposes of Article 39.3 of the Corporations Law and Article 133.1 paragraph two of the Mercantile Registry Regulations, the set of assets and liabilities to be transferred alongside the debts incurred on the organization and functioning of the transferred assets are capable of constituting an independent economic unit and, accordingly, a line of business, namely, system operator, transmission network manager and transmitter, capable of functioning with its own means, both at the Company and at the subsidiary.

As a result of the subsidiarization, the technical, material, financial and human resources assigned to the activities of system operator, transmission network manager and transmitter will be contributed to REE TSO so that it has the same resources as have been used to date by the Company, thus ensuring that they are pursued correctly.

With this aim, the contribution to REE TSO of the line of business of Red Eléctrica which engages in the activities of system operator, transmission network manager and transmitter, and the receipt in exchange by Red Eléctrica of the corresponding number of shares representing the capital stock of REE TSO, is proposed to the Red Eléctrica Shareholders' Meeting.

#### **V. LEGAL ASPECTS OF THE PLANNED SUBSIDIARIZATION**

##### **1. Legislation**

The transaction described herein, as well as all of the formalities and steps necessary for its execution, is to be performed in accordance with the corporate legislation set

forth in Limited Liability Companies Law 2/1995 (*Ley de Sociedades de Responsabilidad Limitada* or “LSRL”), in Legislative Royal Decree 1564/1989, approving the Revised Corporations Law (*Ley de Sociedades Anónimas* or “LSA”), as well as the provisions of the Mercantile Registry Regulations approved by Royal Decree 1784/1996.

## **2. Report by the Managing Body of REE TSO**

Pursuant to the provisions of Article 155 of the LSA (since the company will be reregistered as a corporation at the same time as the capital increase), the Sole Director of REE TSO must place at the disposal of its sole shareholder, Red Eléctrica, a report detailing the planned contributions, the persons who are to make such contributions, namely Red Eléctrica itself, the number and par value of the shares to be transferred, and the safeguards adopted to ensure the effectiveness of the capital increase, according to the nature of the assets composing the contribution.

## **3. Amendment of bylaws**

As a result of the subsidiarization, the bylaws of both companies involved in the transaction are to be brought into line with the new structure imposed by the Law.

The amendments of the bylaws affecting Red Eléctrica are covered in the mandatory specific report by the Board of Directors, in accordance with (i) the provisions of Article 144.1 a) of the LSA, which requires the preparation of a written report by the directors setting forth the reasons behind the proposed amendment of the bylaws to be submitted to the Shareholders’ Meeting for approval; (ii) Article 158 of the Mercantile Registry Regulations; and (iii) Article 1 of the Regulations of the Shareholders’ Meeting of the Company, which provides that any amendment of the Regulations shall require a report by the Board of Directors justifying the amendment.

## **4. Performance of the subsidiarization**

Once the subsidiarization resolution has been adopted and the related amendment to the Bylaws made, as the case may be, by the Red Eléctrica Annual Shareholders’ Meeting, Red Eléctrica, following a Board of Directors’ Resolution and as sole shareholder of REE TSO, will approve the capital increase at REE TSO by way of the related non-cash contribution, and the pertinent amendment to the Bylaws of REE TSO, all of the foregoing subject to any administrative authorization and formalities that may apply.

The resolutions will then be notarized and registered at the Mercantile Registry.

## **5. Tax regime**

Should the subsidiarization be resolved upon, it will also be resolved to perform the transaction under the tax regime established in Title VII, Chapter VIII of the Revised Corporate Income Tax Law, approved by Legislative Royal Decree 4/2004, since the valid legal, economic and business grounds stipulated therein are present in this restructuring transaction.

## **6. Expert Report**

Pursuant to the provisions of Article 38 of the LSA, the non-cash contribution constituting the subsidiarization must be the subject of a report prepared by an independent expert designated by the Mercantile Registrar. The expert report must

contain the valuation criteria adopted, indicating whether the values arrived at are in line with the number and par value and, as the case may be, the additional paid-in capital of the shares to be issued in exchange.

Additionally, the Board of Red Eléctrica has deemed it appropriate to have PriceWaterhouseCoopers, the Company's auditor, issue a report on the criteria proposed for the contribution. Such report is attached as **Exhibit II**.

## **VI. CAPITAL INCREASE AT REE TSO**

As stated above, the capital stock of Red Eléctrica currently stands at two hundred seventy million five hundred and forty thousand euros (€270,540,000), represented by one hundred thirty-five million two hundred and seventy thousand (135,270,000) fully subscribed and paid-in shares, of a single class and series, each with a par value of two euros (€2), represented by book entries.

Given the nature of the planned subsidiarization, consisting of a non-cash contribution by Red Eléctrica to REE TSO for which it will in turn receive the related shares in REE TSO, the capital stock figure of Red Eléctrica will remain unchanged.

In turn, the related capital increase will be carried out at the receiving company, REE TSO. As mentioned above, according to an estimate based on data at March 31, the capital increase at REE TSO would be for a total amount of €1,018,845,163.11, consisting of four hundred million shares, each with a par value of €2 and with overall additional paid-in capital of €218,845,163.11.

In any event, it is proposed to the Shareholders' Meeting that it delegate to the Board of Directors (conferring the power to delegate on the Chairman, the Secretary and on the Board members it deems appropriate), where necessary, the adoption of the pertinent corporate resolutions at REE TSO, including the amount and characteristics of the capital increase.

## **VII. PROCEDURE FOR SUBSCRIBING THE REE TSO SHARES**

Red Eléctrica will subscribe and pay in all of the shares issued at REE TSO under the capital increase, recording its ownership thereof in the REE TSO Share Register. Such shares will be newly-issued shares, belonging to the same class and series, with all inherent voting and economic rights, and will be identical to the shares already in existence.

## **VIII. ADVANTAGES ATTRIBUTED TO DIRECTORS AND INDEPENDENT EXPERTS**

It is placed on record that no special advantages whatsoever are to be attributed at either of the companies involved in the transaction to the Directors of either company or to the independent experts.

### **EXHIBIT I**

## **ECONOMIC AND FINANCIAL DESCRIPTION OF THE CORPORATE RESTRUCTURING**

### **1. PRO FORMA BALANCE SHEET AT MARCH 31, 2008 OF REE HOLDING, AND CONTRIBUTIONS TO REE TSO AND TO REI AT MARCH 31, 2008**

Taking the Red Eléctrica balance sheet as at March 31, 2008 as a reference, pro forma balance sheets were prepared of Red Eléctrica (REE HOLDING), the proposed transaction (contribution of line of business to REE TSO), as were the balance sheets resulting from the contribution of activity to REI. Such balance sheets are approximate since the contributions are to be made in respect of all of the items comprising such actives at the time of the contribution and Red Eléctrica will continue to pursue its activities and provide services, with any consequent balance sheet amendments, up to the time of contribution.

Based on the estimate using data at March 31, the capital increase at REE TSO will be equal to an amount of €1,018,845,163.11, comprising four hundred million shares, each with a par value of €2 and overall additional paid-in capital of €218,845,163.11, while the contribution to REI will imply, as the case may be, a capital increase amounting to €10,000.

The criteria adopted in this document will be analyzed and reviewed by PriceWaterhouseCoopers (“PwC”), which will issue the pertinent report thereon. In addition to the report by PwC, a report will be requested from an independent expert, in accordance with corporate/commercial legislation.

Moreover, transactions are envisaged in the ordinary course of business which will alter the indicated data. The most significant of these transactions, for a better understanding of the transaction, include the recognition of the supplementary dividend, following approval by the Annual Shareholders’ Meeting, amounting to €94,730,000. This transaction will give rise to the need to keep cash at REE HOLDING to honor such obligation and will lead to a smaller capital increase at REE TSO than indicated in the data.

### **1.1. REE HOLDING**

REE HOLDING is the “preexisting” company, that is, the company that will contribute the regulated line of business to REE TSO and the activity of telecommunications for third parties and international long-term energy exchange to REI. The pro forma balance sheet of REE HOLDING, following the contributions will be as follows:

**RED ELÉCTRICA DE ESPAÑA, S.A.**  
**BALANCE SHEET (PRO FORMA), €thousands**  
Under Spanish National Chart of Accounts

ASSETS	03.31.08	LIABILITIES	03.31.08
<b>Investment property</b>	<b>44,229</b>	<b>Net worth</b>	<b>1,219,615</b>
<b>Long-term investments in Group and associate companies</b>	<b>1,079,778</b>	- Shareholders' equity	1,219,615
- REE TSO	1,018,851		
Initial incorporation	6		
<b>Capital contribution to REE TSO</b>	<b>1,018,845</b>	<b>Total net worth</b>	<b>1,219,615</b>
- REI	58,927		
Initial incorporation	60,000		
<b>Capital contribution to REI</b>	<b>10</b>		
Provisions	(1,083)		
- REE FINANCE BV	2,000	<b>Noncurrent liabilities</b>	875
<b>Long-term financial investments</b>	<b>93,450</b>		
- REN	93,450	<b>Total noncurrent liabilities</b>	<b>875</b>
<b>Deferred tax assets</b>	<b>962</b>		
<b>Total noncurrent assets</b>	<b>1,218,419</b>	<b>Current liabilities</b>	191,081
<b>Current assets</b>	<b>193,152</b>		
<b>Total current assets</b>	<b>193,152</b>	<b>Total current liabilities</b>	<b>191,081</b>
<b>TOTAL ASSETS</b>	<b>1,411,571</b>	<b>TOTAL NET WORTH AND LIABILITIES</b>	<b>1,411,571</b>

### Real Estate Investment

The contribution of the line of business involves the transfer of all assets (net with accumulated amortization) assigned to the activities of system operator, transmission network manager and transmitter and, accordingly, only the assets pertaining to land, property and installations associated with the corporate headquarters, and the land and property currently not assigned to the aforementioned activities, will remain at REE HOLDING.

Set forth below is a list of such assets:

- La Moraleja (Alcobendas - Madrid)
- Tres Cantos (Madrid)
- Albatros (Alcobendas – Madrid)
- Barcelona
- Bilbao
- La Coruña
- Seville
- San Sebastián de los Reyes (Madrid)
- Valencia
- Loeches (Madrid-Land not assigned to the transmission activity)
- Technical installations associated with these properties
- Any other property acquired, to be used as the corporate headquarters of the Group.

Accordingly, REE TSO and REI will continue to pursue their activities at these buildings, as they have been doing to date, although they will become the lessees of the buildings.

There are also four buildings that are recorded under Current Assets as Noncurrent Assets held for sale, namely:

- Oviedo
- Logroño
- Castellón
- Granada

### **Investments in Group companies and associates**

REE HOLDING, as parent company of the Group, will hold the stake in REE TSO, REI and REE FINANCE BV.

The value of REE HOLDING's stake in REE TSO and REI will be determined by the difference between assets and liabilities resulting from the contributions to REE TSO and REI at the time of the capital increase.

### **Long-term financial investments**

REE HOLDING, as parent company of the Group, will keep the investment in Redes Energéticas Nacionais, SGPS, S.A. (REN).

### **Deferred tax assets**

Only the deferred tax assets associated with the assets and liabilities it owns will remain at REE HOLDING.

### **Current assets**

Upon the contribution of the line of business, REE HOLDING will keep the assets relating to:

- tax rights until the contribution of the line of business;
- collection rights relating to assets assigned to the company (e.g., leases, etc.);
- the noncurrent assets held for sale referred to under the real estate investments caption and relating to the premises in Oviedo, Logroño, Castellón and Granada;
- current assets in the form of cash at the time of the contributions, although since said cash was not available at March 31, 2008, it gives rise to a collection right with TSO, generated principally to balance the difference between the assets and liabilities relating to the activity of telecommunications for third parties and long-term international energy exchanges in the contribution to REI, in order to meet the tax obligations and the financial obligations arising from the Red Eléctrica promissory note issue program registered at the CNMV on January 24, 2008, which remain at Red Eléctrica.

## **Net worth**

### **Shareholders' equity**

In the case of REE HOLDING, the capital stock figure remains unchanged, this company's shares being the shares listed on the market. All reserves will be kept at this company.

Treasury stock remains at REE HOLDING.

### **Noncurrent liabilities**

This caption encompasses all items relating to the activity, such as security deposits for leases and other long-term obligations.

### **Current liabilities**

Current liabilities include liabilities relating to:

- tax obligations until the contribution of the line of business;
- debt obligations deriving from the promissory note program;
- payment obligations relating to assets assigned to this company (leases, consumption, etc.);
- payment obligations with REI, arising in order to meet the obligations transferred to REI and deriving from the activity of telecommunications for third parties and long-term international energy exchanges, which will mean more liabilities than assets at REI and, if not offset, will lead to an asset imbalance at REI. This payment obligation will be cash at the time of the contribution and will not give rise to accounts between Group companies;
- compensation owed to members of the Board of Directors.

## **1.2. LINE OF BUSINESS CONTRIBUTED TO REE TSO**

REE TSO receives the assets and liabilities deriving from the contribution of the regulated line of business. The composition of the contributed line of business would be as follows:

**LINE OF BUSINESS CONTRIBUTED TO REE TSO (€thousand)**  
Under Spanish National Chart of Accounts

ASSETS	03.31.08	NET WORTH AND LIABILITIES	03.31.08
Intangible assets	3,454	<b>Net worth</b>	<b>1,249,116</b>
Tangible fixed assets	4,693,560	- Shareholders' equity	1,018,845
Long-term financial investments	11,290	- Capital contribution	1,018,845
Deferred tax assets	54,580	- Adjustments due to change in value	43,323
		- Subsidies	186,948
<b>Total noncurrent assets</b>	<b>4,762,884</b>	<b>Total net worth</b>	<b>1,249,116</b>
Current assets	383,483	<b>Noncurrent liabilities</b>	2,930,696
<b>Total current assets</b>	<b>383,483</b>	<b>Total</b>	<b>2,930,696</b>
<b>TOTAL ASSETS</b>	<b>5,146,367</b>	<b>Current liabilities</b>	966,555
		<b>Total current liabilities</b>	<b>966,555</b>
		<b>TOTAL NET WORTH AND LIABILITIES</b>	<b>5,146,367</b>

### Tangible and intangible assets

Under the contribution of the line of business, all assets, both in service and in progress, pertaining to the activities of system operator, transmission network manager and transmitter will be transferred to REE TSO, with the exception of the buildings used for the corporate headquarters mentioned above.

The bulk of the assets to be contributed will be composed of all electricity transmission installations (lines, substations, power equipment, etc.), as well as of systems and equipment for communications, control, auxiliary services, lands, structures and other auxiliary items necessary for the appropriate functioning of those installations, and of the equipment, systems and installations pertaining to the activity of system operator.

### Long-term financial investments

Long-term credit granted to personnel, security deposits, deposits and derivative financial instruments associated with the financial debt will be contributed.

### Tax assets

All tax assets originating from the transferred items will be contributed.

### Current assets

In general, all items recorded as current assets of Red Eléctrica (inventories, accounts receivable, etc.) form part of the contribution, with the exception of the amounts already described which remain at REE HOLDING and the balances relating to the activity of telecommunications for third parties and long-term international energy exchanges.

## **Net worth**

### **Shareholders' equity**

The value of the capital increase is established as the result of the difference between the assets and the liabilities contributed, equal to €1,018,845 thousand.

### **Adjustments due to change in value**

The net worth resulting from the valuation of the transferred derivative financial instruments associated with the financial debt will be contributed.

### **Subsidies**

The net worth deriving from subsidies received relating to the assets and activities of TSO will be contributed.

## **Noncurrent liabilities**

All long-term financial debt with financial institutions and Group companies (REE FINANCE BV) is contributed. It includes the provisions, deferred tax liabilities and other noncurrent liabilities related to the contributed line of business.

## **Current liabilities**

This caption includes the short-term financial debt with financial institutions and Group companies. It also includes all current liabilities (fixed asset suppliers, trade payables, etc.) related to the contributed line of business.

## **1.3. CONTRIBUTION OF LINE OF BUSINESS TO REI**

As part of the corporate restructuring and simultaneous to the subsidiarization, the activity of telecommunications for third parties and long-term international energy exchanges, with the related assets and liabilities, will be contributed to REI.

The rights and obligations to be contributed to REI will be the right to use the telecommunications network, the associated agreements, and the obligations to provide services already paid for, with the related consideration for their provision, collection rights and payment obligations relating to long-term international energy exchanges, with the associated agreements.

The detail of the contribution to REI is as follows:

**LINE OF BUSINESS CONTRIBUTED TO REI (€thousand)**  
Under Spanish National Chart of Accounts

ASSETS	31.03.08	LIABILITIES	31.03.08
		<b>Net worth</b>	<b>10</b>
		- Shareholders' equity	10
		Capital contribution	10
		<b>Total net worth</b>	<b>10</b>
Current assets	84,366	Noncurrent liabilities	69,208
		<b>Total</b>	<b>69,208</b>
<b>Total current assets</b>	<b>84,366</b>	Current liabilities	15,148
		<b>Total current liabilities</b>	<b>15,148</b>
<b>TOTAL ASSETS</b>	<b>84,366</b>	<b>TOTAL NET WORTH AND LIABILITIES</b>	<b>84,366</b>

### Current assets

The collection rights with third parties for the activity of telecommunications and long-term international energy exchanges, and the collection rights with REE HOLDING (cash on date of contribution) to meet the obligations arising from having more liabilities than assets from the management of the activity of telecommunications for third parties and long-term international energy exchanges will be contributed.

### Net worth

#### Shareholders' equity

The planned contribution could entail a capital increase of €10 thousand.

### Noncurrent liabilities

The amounts collected in advance for the activity of telecommunications for third parties and long-term international energy exchanges will be contributed.

### Current liabilities

The current liabilities of the activity of telecommunications for third parties and long-term international energy exchanges will be contributed.

## **EXHIBIT II**

**PWC REPORT ON THE METHODS USED IN EXHIBIT I (available in Spanish:  
[http://www.ree.es/accionistas/pdf/junta2008/informe\\_PwC.pdf](http://www.ree.es/accionistas/pdf/junta2008/informe_PwC.pdf))**

**PROPOSED RESOLUTIONS CONCERNING ITEMS SEVEN AND EIGHT ON THE AGENDA:**

**AMENDMENT OF THE CORPORATE BYLAWS (ITEM SEVEN, SECTIONS 7.1, 7.2, 7.3 AND 7.4) AND OF THE REGULATIONS OF THE SHAREHOLDERS' MEETING (ITEM EIGHT, SECTIONS 8.1 AND 8.2)**

**AMENDMENT OF THE CORPORATE BYLAWS IN RELATION TO THE COMPANY'S NAME AND LEGAL REGIME; CORPORATE PURPOSE; CAPITAL STOCK; ACCOUNTING RECORD OF SHARES; QUORUM; SCOPE OF THE BYLAWS; SPECIAL REGIME OF THE STATE INDUSTRIAL HOLDING COMPANY; AND THE ELIMINATION OF THE TRANSITIONAL PROVISIONS WITH A VIEW TO BRINGING THEIR CONTENTS INTO LINE WITH THE REQUIREMENTS STIPULATED IN LAW 17/2007: AMENDMENT OF ARTICLES 1 "NAME AND LEGAL REGIME", 2 "CORPORATE PURPOSE", 5 "CAPITAL STOCK", 6 "ACCOUNTING RECORD OF SHARES", "14 "QUORUM", 33 "SCOPE OF THESE BYLAWS", SOLE ADDITIONAL PROVISION "SPECIAL REGIME OF THE STATE INDUSTRIAL HOLDING COMPANY" AND ELIMINATION OF THE TRANSITIONAL PROVISIONS (ONE AND TWO) OF THE CORPORATE BYLAWS.**

**AMENDMENT OF THE REGULATIONS OF THE SHAREHOLDERS' MEETING WITH A VIEW TO BRINGING THEIR CONTENTS INTO LINE WITH THE REQUIREMENTS STIPULATED IN LAW 17/2007 IN RELATION TO LIMITATIONS ON SHAREHOLDERS RIGHTS AND VOTING: AMENDMENT OF ARTICLES 6.3 "LIMITATIONS" AND 15.8 "VOTE" OF THE REGULATIONS OF THE SHAREHOLDERS' MEETING**

**I. SUPPORTING REPORT FROM THE BOARD OF DIRECTORS ON ITEMS SEVEN AND EIGHT OF THE AGENDA CONCERNING THE AMENDMENT OF THE BYLAWS AND OF THE REGULATIONS OF THE SHAREHOLDERS' MEETING**

**1. Subject-matter of the Report**

The Board of Directors of Red Eléctrica de España, S.A. ("the Company"), at a meeting held on April 17, 2008, agreed to submit to the Shareholders' Meeting under Item Seven of the Agenda (Sections 7.1, 7.2, 7.3 and 7.4), the amendment of the corporate bylaws where they refer to Articles 1 ("Name and legal regime"), 2 ("Corporate purpose"), 5 ("Capital stock"), 6 ("Accounting record of shares"), 14 ("Quorum"), 33 ("Scope of these Bylaws"), Sole Additional Provision ("Special regime of the State Industrial Holding Company") and elimination of Transitional Provisions (One and Two) of the Bylaws; and under Item Eight of the Agenda (Sections 8.1 y 8.2), the amendment of the Regulations of the Shareholders' Meeting where they refer to Articles 6.3 ("Limitations") and 15.8 ("Vote").

This report was prepared by the Board of Directors of the Company pursuant to (i) Article 144.1 a) of the Spanish Corporations Law (*Ley de Sociedades Anónimas* or "LSA") which requires the preparation of a written report by the Directors setting forth the reasons behind the proposed amendment of the bylaws submitted to the Shareholders' Meeting for approval; (ii) Article 158 of the Mercantile Registry Regulations ; and (iii) Article 1 of the Regulations of the Shareholders' Meeting of the Company, which provides that any amendment of the Regulations shall require a report by the Board of Directors justifying the amendment.

**2. Support for the amendment of the bylaws and of the Regulations of the Shareholders' Meeting**

Additional Provision Three of Law 17/2007, amending Electricity Industry Law 54/1997, bringing it into line with the provisions of Directive 2003/54/EC, of the European Parliament and of the Council, of 26 June, concerning common rules for the internal market in electricity (“Law 17/2007”) established the statutory mandate for the Company to contribute to a subsidiary all its regulated activities (the “Subsidiarization”), on the following terms:

*“Additional Provision Three. Incorporation of subsidiaries of Red Eléctrica de España, S.A.*

*1. Red Eléctrica de España, SA shall incorporate a subsidiary in which it shall own all of the capital stock, which shall have the functions of system operator, transmission network manager and transmitter, and which shall be incorporated with the contribution of all the material and personal resources currently assigned to the pursuit of such activities. Red Eléctrica de España, SA may transfer its corporate name to the subsidiary.*

*2. The subsidiary of Red Eléctrica de España, SA incorporated pursuant to Paragraph 1 above shall be subject to all provisions of the Electricity Industry Law and concordant provisions relating to system operator and transmission network manager and shall have the right of first refusal stipulated in Article 91 of Law 53/2002. Shares in the parent company may be owned by any individual or legal entity, provided that the total of its direct or indirect holding in the capital of this company does not exceed five percent (5%) of the capital stock and that it does not exercise voting and other non-economic rights of more than three percent (3%).*

*These shares cannot be syndicated for any purpose. Parties pursuing activities in the Electricity Industry and individuals or legal entities which directly or indirectly own holdings in the capital thereof equal to more than five percent (5%) cannot exercise voting and other non-economic rights of more than one percent (1%) at the company in charge of system operation.*

*Red Eléctrica de España, SA, cannot transfer to third parties the shares of this subsidiary which pursues regulated activities.”*

In this connection, Transitional Provision Three stipulates the deadlines for carrying out the foregoing mandates.

*“Transitional Provision Three. Adaptation of the bylaws and organic structure of Red Eléctrica de España, SA*

*1. Within one year from the coming into force of this Law, Red Eléctrica de España, Sociedad Anónima, shall incorporate the subsidiaries referred to in Additional Provision Five [it should read Three] of this Law and shall bring its bylaws and organic structure into line with Additional Provision Twenty Three, on the creation of a specific organic unit, of Electricity Industry Law 54/1997.*

*The fees of notaries and of mercantile and property registrars incurred on the formalities necessary for bringing the organic structure into line with the separation of activities, as well as those necessary for the incorporation of the subsidiaries shall be reduced to 10% ...”*

The amendment of the Bylaws and of the Regulations of the Shareholders’ Meeting currently proposed is aimed at complying with the statutory mandate to bring the

Company's Bylaws into line with the new structure provided for in Law 17/2007, in coordination with the execution of the Subsidiarization, which is also the subject-matter of a proposal by the Board of Directors to the Shareholders' Meeting.

Thus, the corporate purpose is made to include the ownership of capital stock in the company which is to pursue the regulated activities, all references to the application of the legislation governing the Electricity Industry, which will begin to apply to the subsidiary (and which must be reflected in the subsidiary's bylaws), are eliminated and the limits on the shareholdings and the voting and other non-economic rights of shareholders are brought into line with this last legislative amendment.

Also as part of this reform, a proposal is made, as a systematic improvement, to eliminate the Transitional Provisions existing in the Bylaws, the first due to its being obsolete and the second because its contents can be included in the Articles without the transitional nature that arises from its current location, and to include certain terminological specifications.

Lastly, due to the Subsidiarization, it has been deemed appropriate and a proposal is therefore made to change the Company's name since, pursuant to the last paragraphs of Additional Provision Three of Law 17/2007, its current corporate name is to be transferred to the subsidiary incorporated for such purpose.

The proposed amendments are linked to the Subsidiarization process and therefore will be conditional on its execution.

In the process of executing the Subsidiarization and amending the Bylaws and the Regulations of the Shareholders' Meeting, the Board of Directors is counting on the participation of external advisors who are experts on the matter.

Having regard to the foregoing, the following is proposed:

- 1) The amendment of Article 1 of the Bylaws, on name and legal regime, for the following reasons:
  - With respect to the name, to change it due to the Subsidiarization process since, pursuant to the last paragraphs of Additional Provision Three of Law 17/2007, its current corporate name is to be transferred to the subsidiary incorporated for such purpose.
  - With respect to legal regime, following the Subsidiarization, the Electricity Industry Law will, for the most part, apply to the subsidiary, while the Company will only be subject to that Law in specific matters referring basically to shareholdings. Accordingly, it would not appear necessary to make such a significant reference to that Law which, in any case, would be covered by the last paragraph of the Article. The Securities Market Law is also included as part of the legal regime governing the Company, with a view to emphasizing the influence of this Law on the Company as a listed company.

Consequently, we propose amending Article 1 of the Corporate Bylaws to give it the following wording, in which the changes with respect to the former wording have been highlighted:

<b>Article 1.- Name and legal regime</b>	<b>Article 1.- Name and legal regime</b>
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Current wording	Proposed wording
<p>The Company is called “RED ELÉCTRICA DE ESPAÑA, S.A.” and shall be governed by these Bylaws, by Law 54/1997 governing the Electricity Industry or any legislation replacing it in the future (the “Electricity Industry Law”), as well as by any provisions implementing such Law which apply to it, by the Spanish Corporations Law, the Spanish Commercial Code and other applicable legislation.</p>	<p>The Company is called “<b>RED ELÉCTRICA CORPORACIÓN, S.A.</b>” and shall be governed by these Bylaws, by the Spanish Corporations Law, the Spanish Commercial Code, <b>the Securities Market Law</b> and other applicable legislation.</p>

- 2) The amendment of Article 2 of the Bylaws, on corporate purpose, is aimed at emphasizing the fact that the regulated functions of the Electricity Industry are no longer exercised by the Company but rather are to be exercised by a subsidiary whose capital stock will be wholly owned by the Company.

In this connection, references which will apply to the subsidiary when it takes on those functions, and which should be recorded in its bylaws, are eliminated since they are no longer applicable to the Company. Mention is also made of activities related to the Company’s function as a holding company. Lastly, the amendment also includes certain terminological specifications.

Reference to the Company’s obligation not to transfer the shares in this subsidiary, pursuant to the last paragraph of Additional Provision Three of Law 17/2007, will be made in the bylaws of the subsidiary.

Consequently, we propose amending Article 2 of the Corporate Bylaws to give it the following wording, in which the changes with respect to the former wording have been highlighted:

Article 2.- Corporate purpose Current wording	Article 2.- Corporate purpose Proposed wording
<p>Notwithstanding any other powers and functions which may be conferred on it by law or regulation, the Company’s corporate purpose shall be:</p> <p>1. to pursue, in the broadest sense, all manner of activities relating to the transmission of electricity and, in particular, to transmit electricity and to plan, design, construct, operate, maintain, maneuver, modify, acquire, transfer and close all manner of electricity transmission or</p>	<p><b>The Company’s corporate purpose shall be:</b></p> <p><b>1. to own, pursuant to the legislation in force at any given time, the capital stock of the company which is to act as system operator, transmission network manager and electricity transmitter, pursuant to Additional Provision Three of Law 17/2007 (“Law 17/2007”);</b></p>

<p>auxiliary electricity transmission facilities;</p> <p>2. to manage the Spanish electricity transmission network pursuant to the applicable legislation.</p> <p>In order to manage the transmission network, the Company shall carry out the required functions or activities and, in particular, manage the inter-system transmission of electricity using the Spanish Electric System transmission networks;</p> <p>3. to take charge, in the broadest sense, of the technical management of the Electric System on the applicable statutory terms, with a view to guaranteeing the continuity and security of the electricity supply and the correct coordination of the electricity production and transmission system, for which it shall carry out the necessary functions or activities, in accordance with the principles of transparency, objectivity and independence;</p> <p>4. to carry out, in the broadest sense, the functions conferred on it by the legislation in force at any given time in relation to the economic management of the Electric System.</p> <p>5. to cooperate with all operators and subjects of the Iberian Electricity Market as are necessary for the discharge of its functions;</p> <p>6. the Company may also perform all manner of studies and provide all manner of services relating to its activity, in particular, the design, development, implementation and operation of services relating to the corporate information, management and organization specific to its activity;</p>	<p><b>2. to manage its group of companies, comprising the holdings in the capital stock of its member companies;</b></p> <p>3. to research, study and plan investment and corporate organization projects, as well as to promote, create and develop industrial, commercial or services enterprises; to research, develop and operate communications, information technologies and other new technologies in all respects; to provide assistance or support services to investees, for which purpose it may provide to those companies such guarantees and deposits as may be appropriate;</p> <p><b>4. to design, develop, implement and operate services relating to the corporate information, management and organization specific to its activity;</b></p> <p><b>5. this purpose is deemed to include all activities which are necessary for its performance, or make such performance possible, and which comply with the law.</b></p>
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<p>7. in compliance with the limitations stipulated in the Electricity Industry Law and its implementing provisions, to research, study and plan investment and corporate organization projects, as well as to promote, create and develop industrial, commercial or services enterprises; to research, develop and operate communications, information technologies and other new technologies in all respects; to provide assistance or support services to investees, for which purpose it may provide to those companies such guarantees and deposits as may be appropriate;</p> <p>8. this corporate purpose includes all activities which are necessary for or enable its fulfillment, provided that they comply with the law and, in particular, with the provisions governing, at any given time, the electricity transmission activity and the functioning of the Electric System;</p> <p>9. the Company shall perform those of the foregoing activities which at any given time are incompatible with electricity transmission, the operation of the Electric System or the management of the electricity transmission network pursuant to the legislation governing the Electricity Industry, through the incorporation or acquisition of holdings in Companies which pursue such activities, after obtaining, if appropriate, such authorizations or licenses as are required pursuant to the legislation in force.</p>	
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3) The amendment of Article 5 of the Bylaws, on capital stock, in addition to including the provisions of Additional Provision Three, Section 2, of Law 17/2007 on the limits on shareholdings and on voting and other non-economic rights in the Company, has the systematic purpose of including some of the provisions of Transitional Provision Two of the Bylaws, since the elimination of such Transitional Provisions is proposed

further on, either due to their lack of force or because they can be included in the articles of the Bylaws without this transitional nature. In this case, we propose transferring to this Article the first paragraph of the Transitional Provision.

Consequently, we propose amending Article 5 of the Corporate Bylaws to give it the following wording, in which the changes with respect to the former wording have been highlighted:

Article 5.- Capital stock Current wording	Article 5.- Capital stock Proposed wording
<p>1. The capital stock of the Company stands at two hundred and seventy million five hundred and forty thousand euros (€270,540,000), and is divided into one hundred and thirty five million two hundred and seventy thousand (135,270,000) shares, of a single class and series, each with a par value of two euros (€2), fully subscribed and paid in, and represented by book entries.</p> <p>2. Pursuant to the Electricity Industry Law:</p> <p>1) the total direct or indirect holding owned by any individual or legal entity in the capital stock of the Company can at no time be greater than three percent (3%) of the capital stock or of the voting rights of the Company, unless otherwise authorized by the Law. These shares cannot be syndicated for any purpose. For parties pursuing activities in the Electricity Industry and individuals or legal entities which directly or indirectly own holdings in the capital thereof equal to more than five percent (5%), the maximum holding in the capital stock of the Company shall be one percent (1%). Furthermore, the direct or indirect holdings of parties pursuing activities in the Electricity Industry, when added together, must not total more than forty percent (40%).</p>	<p>1. The capital stock of the Company stands at two hundred and seventy million five hundred and forty thousand euros (€270,540,000), and is divided into one hundred and thirty five million two hundred and seventy thousand (135,270,000) shares, of a single class and series, each with a par value of two euros (€2), fully subscribed and paid in, and represented by book entries.</p> <p>2. Pursuant to <b>Additional Provision Three of Law 17/2007 and to the Electricity Industry Law:</b></p> <p>1) the total direct or indirect holding owned by any individual or legal entity in the capital stock of the Company can at no time be greater than five percent (5%) of the capital stock of the Company, unless otherwise authorized by the Law. These shares cannot be syndicated for any purpose. <b>No shareholder may exercise voting or other non-economic rights of more than three percent (3%).</b> Parties pursuing activities in the Electricity Industry and individuals or legal entities which directly or indirectly own holdings in the capital thereof equal to more than five percent (5%) <b>cannot exercise voting or other non-economic rights of more than one percent (1%).</b> Furthermore, the direct or indirect holdings of parties pursuing activities in the Electricity Industry, when added together, must not total more than forty percent (40%).</p>

<p>2) In order to calculate the holding of each shareholder, an individual or legal entity shall be deemed to own, in addition to the shares and other securities owned or acquired by the entities belonging to its group, as defined in Article 4 of Securities Market Law 24/1988, those which are owned by:</p> <p>(a) persons acting in their own name but for the account of the aforesaid shareholder, on a concerted basis or forming a decision-making unit, the members of a legal entity's Board of Directors being deemed, unless proven otherwise, to act for the account of or on a concerted basis with such entity;</p> <p>(b) the shareholders with whom the aforesaid shareholder exercises the control of a dependent company.</p> <p>In any case, regard shall be had both to the nominee ownership of the shares and other securities and to the voting rights held under any title.</p> <p>3) Notwithstanding the provisions of Article 6.2 of these Bylaws, the infringement of the limits indicated in Article 5.2 or of those imposed at any time by the legislation in force shall entail the legal consequences determined therein, including, if appropriate, the imposition of the relevant penalties and that which is provided for in these Bylaws and, in particular, in Provisional Provision Two.</p>	<p>2) In order to calculate the holding of each shareholder, an individual or legal entity shall be deemed to own, in addition to the shares and other securities owned or acquired by the entities belonging to its group, as defined in Article 4 of Securities Market Law 24/1988, those which are owned by::</p> <p>(a) persons acting in their own name but for the account of the aforesaid shareholder, on a concerted basis or forming a decision-making unit, the members of a legal entity's Board of Directors being deemed, unless proven otherwise, to act for the account of or on a concerted basis with such entity;</p> <p>(b) the shareholders with whom the aforesaid shareholder exercises the control of a dependent company..</p> <p>In any case, regard shall be had both to the nominee ownership of the shares and other securities and to the voting rights held under any title.</p> <p>3) Notwithstanding the provisions of Article 6.2 of these Bylaws, the infringement of the limits indicated in Article 5.2 or of those imposed at any time by the legislation in force shall entail the legal consequences determined therein, including, if appropriate, the imposition of the relevant penalties and that which is provided for in these Bylaws.</p> <p><b>Voting and other non-economic rights attaching to shares or other securities which, pursuant to the provisions of the legislation in force at any given time, exceed the limit stipulated in this Article shall be held in</b></p>
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<p>4) As an exception to the general rule and by reason of the singular regime conferred by the Electricity Industry Law on the State Industrial Holding Company (<i>Sociedad Estatal de Participaciones Industriales</i>), the holding and the voting rights of this Company shall be governed by the provisions of Additional Provision One of these Bylaws.</p>	<p><b>abeyance until they are brought into line with that limit.</b></p> <p>4) As an exception to the general rule and by reason of the singular regime conferred by the Electricity Industry Law on the State Industrial Holding Company (<i>Sociedad Estatal de Participaciones Industriales</i>), the holding and the voting rights of this Company shall be governed by the provisions of <b>these Bylaws, except where provided for in</b> Additional Provision One <b>hereof.</b></p>
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- 4) The amendment of Article 6 of the Bylaws, on the accounting record of shares is aimed at bringing its terminology into line with that used in Law 17/2007, which refers to voting and other non-economic rights where before, in Article 34.1 of the Electricity Industry Law, reference was made merely to voting rights.

<p><b>Article 6.- Accounting record of shares</b> <b>Current wording</b></p>	<p><b>Article 6.- Accounting register of shares</b> <b>Proposed wording</b></p>
<p>1. The shares are represented by book entries and are traded on the Spanish stock market, in the Unified Computerized Trading System. They shall be governed by the legislation regulating the Securities Market and other statutory provisions in force. Their admission to trading on other stock markets of foreign securities or other organized secondary markets may be requested.</p> <p>Pursuant to Article 60.2 of the Corporations Law, notwithstanding its representation by book entries, the Company is subject to the rules on the obligatory registering of its shares imposed by the legislation in force.</p> <p>The Company shall only acknowledge as a shareholder, to all effects and purposes including the attendance of and voting at Shareholders' Meetings, whoever is lawfully recorded in the entries made</p>	<p>1. The shares are represented by book entries and are traded on the Spanish stock market, in the Unified Computerized Trading System. They shall be governed by the legislation regulating the Securities Market and other statutory provisions in force. Their admission to trading on other stock markets of foreign securities or other organized secondary markets may be requested.</p> <p>Pursuant to Article 60.2 of the Corporations Law, notwithstanding its representation by book entries, the Company is subject to the rules on the obligatory registering of its shares imposed by the legislation in force.</p> <p>The Company shall only acknowledge as a shareholder, to all effects and purposes including the attendance of and voting at Shareholders' Meetings, whoever is lawfully recorded in the entries made in the related</p>

<p>in the related accounting records, which shall include a note of the creation of rights in rem over the shares. Where shares have not been fully paid in, this circumstance shall be recorded in the related accounting entry.</p> <p>2. The Company shall not acknowledge the exercise of voting rights relating to shares or other securities or rights in the Company owned or held by any individual or legal entity in excess of the limits on maximum ownership of shares or securities in the Company imposed at any given time by the legislation in force.</p>	<p>accounting records, which shall include a note of the creation of rights in rem over the shares. Where shares have not been fully paid in, this circumstance shall be recorded in the related accounting entry.</p> <p>2. The Company shall not acknowledge the exercise of <b>voting or other non-economic</b> rights relating to shares or other securities or rights in the Company owned or held by any individual or legal entity in excess of the limits on maximum ownership of shares or securities in the Company imposed at any given time by the legislation in force.</p>
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- 5) The amendment of Article 14 of the Bylaws, on quorum, has the systematic purpose of including some of the provisions of Transitional Provision Two of the Bylaws, since the elimination of such Transitional Provisions is proposed further on either due to their lack of force or because they can be included in articles of the Bylaws without this transitional nature. In this case, we propose transferring paragraph two of Transitional Provision Two to this Article, although with a slight change, since Additional Provision Three of Law 17/2007 refers to voting and other non-economic rights where before, in Article 34.1 of the Electricity Industry Law, reference was made merely to voting rights. Accordingly, shares attaching voting and other non-economic rights which are held in abeyance cannot be counted when calculating the quorum for convening the meeting, since the right to attend the Shareholders' Meeting will also be held in abeyance.

Consequently, we propose amending Article 14 of the Corporate Bylaws to give it the following wording, in which the changes with respect to the former wording have been highlighted:

<b>Article 14.- Quorum Current wording</b>	<b>Article 14.- Quorum Proposed wording</b>
<p>Annual and Special Shareholders' Meetings shall be called and validly convened pursuant to the law.</p> <p>In order for the Annual or Special Shareholders' Meeting to be able to adopt validly a resolution for the increase or reduction of capital, the reregistration, merger or spin-off of the Company and, in general, any amendment of the Corporate Bylaws, shareholders holding at least fifty percent (50%) of the subscribed voting capital must be present or represented at first call. At second call</p>	<p>Annual and Special Shareholders' Meetings shall be called and validly convened pursuant to the law.</p> <p>In order for the Annual or Special Shareholders' Meeting to be able to adopt validly a resolution for the increase or reduction of capital, the reregistration, merger or spin-off of the Company and, in general, any amendment of the Corporate Bylaws, shareholders holding at least fifty percent (50%) of the subscribed voting capital must be present or represented at first call. At second</p>

<p>the attendance or representation of twenty five percent (25%) of said capital shall be sufficient.</p> <p>Shareholders entitled to attend and vote and who cast their vote absentee, in the manner provided for in Article 17 of these Bylaws, must be counted as present for the purposes of convening the Shareholders' Meeting.</p> <p>Non-voting shares and those whose holders are not up to date on the payment of capital calls, shall not be counted as present at any Shareholders' Meeting.</p>	<p>call the attendance or representation of twenty five percent (25%) of said capital shall be sufficient.</p> <p>Shareholders entitled to attend and vote and who cast their vote absentee, in the manner provided for in Article 17 of these Bylaws, must be counted as present for the purposes of convening the Shareholders' Meeting.</p> <p>Non-voting shares and those whose holders are not up to date on the payment of capital calls, shall not be counted as present at any Shareholders' Meeting.</p> <p><b>Shares or other securities whose voting and other non-economic rights are in excess of the limits recognized in Article 5 shall not be counted when calculating the quorum required to convene the relevant Shareholders' Meetings or when calculating the majorities for the adoption of resolutions.</b></p>
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- 6) The amendment of Article 33 of the Bylaws, on the scope of the Bylaws, has the purpose of bringing it into line with the new structure provided for under Law 17/2007, insofar as the Company will cease to be the company in charge of the technical management of the Electricity Industry, the manager of the electricity transmission network and an electricity transmitter subject, as such, to the Electricity Industry Law and its implementing legislation.

Mention is also made to the Securities Market Law, since it also regulates the corporate aspects of the Company, as a listed company.

Consequently, we propose amending Article 33 of the Corporate Bylaws to give it the following wording, in which the changes with respect to the former wording are highlighted:

<b>Article 33.- Scope of these Bylaws Current wording</b>	<b>Article 33.- Scope of these Bylaws Proposed wording</b>
These Bylaws regulate the relationship among shareholders and the relationship between the shareholders and the Company exclusively in the corporate scope regulated by the Spanish Corporations Law and the Spanish	These bylaws regulate the relationship among shareholders and the relationship between the shareholders and the Company exclusively in the corporate scope regulated by the Spanish Corporations Law, <b>the Securities</b>

Commercial Code, but in no way regulate any contractual or other relationships existing among the shareholders themselves or between the shareholders and the Company, whether as Electricity Production Market agents and, in the case of the Company, also as the party in charge of the Technical Management of the Electric System, Manager of the electricity transmission network and electricity transmitter. These relationships shall be governed by their own provisions and, in particular, by the Electricity Industry Law and its implementing provisions.	<b>Market Law</b> and the Spanish Commercial Code, but in no way regulate any contractual or other relationships existing among the shareholders themselves or between the shareholders and the Company.
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- 7) The amendment of the Sole Additional Provision of the Bylaws, on the Special Regime of the State Industrial Holding Company, has the purpose of amending the legislative reference, according to the new provisions introduced in Law 17/2007.

Consequently we propose amending the Sole Additional Provision of the Corporate Bylaws to give it the following wording, in which the changes with respect to the former wording have been highlighted:

<b>Sole Additional Provision.- Special Regime for the State Industrial Holding Company Current wording</b>	<b>Sole Additional Provision.- Special Regime for the State Industrial Holding Company Proposed wording</b>
<p>1. By virtue of the provisions of the Electricity Industry Law, neither the limitations stipulated in Article 31.4 of said Law on the holding of shares in the Company nor the limitations stipulated in these Bylaws on voting rights at the Shareholders' Meeting shall apply to the State Industrial Holding Company. The State Industrial Holding Company shall in all cases have a shareholding of not less than 10%.</p> <p>2. Where a Director, who is an individual, holds his office on behalf of the shareholder referred to in Transitional Provision Nine in relation to Article 34.1 of the Electricity Industry Law, his compensation must be brought into line with the applicable provisions on matters of conflicts of interest in the public sector stipulated for such</p>	<p>1. By virtue of provisions of the Electricity Industry Law, neither the limitations stipulated in <b>Section 2 of Additional Provision Three of Law 17/2007</b> nor the limitations stipulated in these Bylaws <b>on the holding of shares in the Company</b> and on <b>voting and other non-economic</b> rights shall apply to the State Industrial Holding Company. The State Industrial Holding Company shall in all cases have a shareholding of not less than 10%.</p> <p>2. Where a Director, who is an individual, holds his office on behalf of the shareholder referred to in Transitional Provision Nine in relation to Article 34.1 of the Electricity Industry Law, his compensation must be brought into line with the applicable provisions on matters of conflicts of interest in the public sector stipulated for such purpose,</p>

<p>purpose, notwithstanding any compensation that might be due to the public shareholder, either because it is directly designated member of the Board of Directors or for services provided to the Board or to its standing committees by persons representing that public shareholder in the Company's capital and exceeding those which, pursuant to the aforesaid legislation, may relate to them personally, all of the foregoing for as long as ownership is maintained pursuant to Transitional Provision Nine.</p>	<p>notwithstanding any compensation that might be due to the public shareholder, either because it is directly designated member of the Board of Directors or for services provided to the Board or to its standing committees by persons representing that public shareholder in the Company's capital and exceeding those which, pursuant to the aforesaid legislation, may relate to them personally, all of the foregoing for as long as ownership is maintained pursuant to Transitional Provision Nine.</p>
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- 8) The elimination of the Transitional Provisions is based on the lack of force of the first and, as indicated above, on the systematic improvement entailed by introducing the wording of the second into the articles of the Bylaws, thus eliminating the transitional nature entailed by its current location.

Consequently, we propose eliminating the Transitional Provisions of the Bylaws, currently worded as follows:

***“TRANSITIONAL PROVISIONS***

***ONE***

*Under Transitional Provision Nine of the Electricity Industry Law, the State Industrial Holding Company shall have a shareholding in the Company of at least 25% through December 31, 2003.*

***TWO***

*The voting rights relating to shares or other securities which, pursuant to the provisions of the legislation force at any given time, exceed the limit stipulated in Article 5 of these Bylaws, shall be held in abeyance until they are brought into line with that limit.*

*Shares or other securities whose voting rights are held in abeyance shall be counted for the calculation of the quorum required to convene the relevant Shareholders' Meetings and, on the contrary, shall not be counted when calculating the majorities for the adoption of resolutions.*

- 9) The amendment of Article 6.3 of the Regulations of the Shareholders' Meeting, on the limitations on the rights of shareholders, is aimed at amending the legislative reference, according to the new provision introduced in Law 17/2007.

Consequently, we propose amending Article 6.3 of the Regulations of the Shareholders' Meeting to give it the following wording, in which the changes with respect to the former wording have been highlighted:

6.3 Limitations Current wording	6.3 Limitations Proposed wording
Shareholders' rights are subject to the limitations stipulated in Article 34 of the Law governing the Electricity Industry, which limitations are also set forth in the current Bylaws.	Shareholders' rights are subject to the limitations stipulated in <b>Additional Provision Three of Law 17/2007, ("Law 17/2007")</b> and in Article 34 of the Law governing the Electricity Industry, which limitations are also set forth in the current Bylaws.

10) The amendment of Article 15.8 of the Regulations of the Shareholders' Meeting, on voting, like the foregoing, is aimed at amending the legislative reference, according to the new provision introduced in Law 17/2007.

Consequently, we propose amending Article 15.8 of the Regulations of the Shareholders' Meeting to give it the following wording, in which the changes with respect to the former wording have been highlighted:

Article 15.8. Vote Current wording	Article 15.8. Vote Proposed wording
<p>Each share confers one voting right pursuant to the Bylaws, subject to the limitations contained therein in accordance with the mandate under the Law governing the Electricity Industry.</p> <p>The Chairman shall submit to a separate vote all matters which are substantially independent, thus enabling shareholders to exercise their voting preferences separately. In particular, the following shall be subject to a separate vote:</p> <p>(i) the appointment, ratification or removal of each Director; and</p> <p>(ii) in the event of an amendment of the Bylaws, each Article or group of Articles which are substantially independent.</p> <p>The Chairman shall decide on the most appropriate method for voting in each case, which he shall announce publicly at the Shareholders' Meeting sufficiently in advance of the vote.</p>	<p>Each share confers one voting right pursuant to the Bylaws, subject to the limitations contained therein in accordance with the mandate under the Law governing the Electricity Industry <b>and under Additional Provision Three of Law 17/2007.</b></p> <p>The Chairman shall submit to a separate vote all matters which are substantially independent, thus enabling shareholders to exercise their voting preferences separately. In particular, the following shall be subject to a separate vote:</p> <p>(i) the appointment, ratification or removal of each Director; and</p> <p>(ii) in the event of an amendment of the Bylaws, each Article or group of Articles which are substantially independent.</p> <p>The Chairman shall decide on the most appropriate method for voting in each case, which he shall announce publicly at the Shareholders' Meeting sufficiently in advance of the vote.</p>

However, the following deductive methods may be adopted to expedite voting:

- (i) In the vote on the Board's proposals relating to items included on the Agenda, to regard as votes in favor those of all shares present, except for votes against, blank votes and abstentions which were expressly declared via notification of the Secretary of the Shareholders' Meeting, or, if appropriate, of the Notary present at the meeting, in such manner as may be decided by the Chairman.
- (ii) In the vote on proposed resolutions relating to items not included in the Agenda or alternative proposals to those of the Board, to regard as votes against those of all shares present, except for votes in favor, blank votes and abstentions which were expressly declared via notification of the Secretary of the Shareholders' Meeting, or, if appropriate, of the Notary present at the meeting, in such manner as may be decided by the Chairman.

In the foregoing two cases, the declaration or casting of votes via notification of the Secretary or, if appropriate, of the Notary, may be carried out individually in relation to each of the items on the Agenda, or collectively for some or all of them. The Secretary shall furnish the Chairman with the list of the scrutineers drawn up together with the Notary, if the latter was involved, with the result of the vote on each proposal. The list of votes counted must record all votes, indicating the voter's identity, the capacity in which he cast the vote (shareholder or representative) and whether he votes in favor or against or, if appropriate, his abstention. The Notary, if any, shall record this in the minutes in the

However, the following deductive methods may be adopted to expedite voting:

- (i) In the vote on the Board's proposals relating to items included on the Agenda, to regard as votes in favor those of all shares present, except for votes against, blank votes and abstentions which were expressly declared via notification of the Secretary of the Shareholders' Meeting, or, if appropriate, of the Notary present at the meeting, in such manner as may be decided by the Chairman.
- (ii) In the vote on proposed resolutions relating to items not included in the Agenda or alternative proposals to those of the Board, to regard as votes against those of all shares present, except for votes in favor, blank votes and abstentions which were expressly declared via notification of the Secretary of the Shareholders' Meeting, or, if appropriate, of the Notary present at the meeting, in such manner as may be decided by the Chairman.

In the foregoing two cases, the declaration or casting of votes via notification of the Secretary or, if appropriate, of the Notary, may be carried out individually in relation to each of the items on the Agenda, or collectively for some or all of them. The Secretary shall furnish the Chairman with the list of the scrutineers drawn up together with the Notary, if the latter was involved, with the result of the vote on each proposal. The list of votes counted must record all votes, indicating the voter's identity, the capacity in which he cast the vote (shareholder or representative) and whether he votes in favor or against or, if appropriate, his abstention. The Notary, if any, shall record this in the minutes in the

<p>same way.</p> <p>Shareholders entitled to attend and vote may cast their vote on the proposals relating to items included on the agenda by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote is duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Corporate Bylaws, the Regulations of the Shareholders' Meeting and all such supplementary rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors.</p> <p>Votes by postal correspondence shall be cast by sending the Company a document in which the vote is recorded, accompanied by the attendance card issued by the entity or entities in charge of keeping the book entries record or, if appropriate, by the Company.</p> <p>Votes by electronic communication shall be cast using a recognized electronic signature or other kind of safeguard which the Board of Directors considers suitable to ensure the authenticity and the identification of the shareholder exercising the right to vote.</p> <p>Any vote cast by any of the means described in the previous two paragraphs must be received by the Company before midnight (24:00) on the day immediately prior to that set for the holding of the Shareholders' Meeting at first call. Otherwise, the vote shall be deemed not to have been cast.</p> <p>The Board of Directors, having regard to the technical and legal bases making it possible and duly guaranteeing the identity of the individual exercising his right to vote, is authorized to implement the foregoing provisions by establishing</p>	<p>same way.</p> <p>Shareholders entitled to attend and vote may cast their vote on the proposals relating to items included on the agenda by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote is duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Corporate Bylaws, the Regulations of the Shareholders' Meeting and all such supplementary rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors.</p> <p>Votes by postal correspondence shall be cast by sending the Company a document in which the vote is recorded, accompanied by the attendance card issued by the entity or entities in charge of keeping the book entries record or, if appropriate, by the Company.</p> <p>Votes by electronic communication shall be cast using a recognized electronic signature or other kind of safeguard which the Board of Directors considers suitable to ensure the authenticity and the identification of the shareholder exercising the right to vote.</p> <p>Any vote cast by any of the means described in the previous two paragraphs must be received by the Company before midnight (24:00) on the day immediately prior to that set for the holding of the Shareholders' Meeting at first call. Otherwise, the vote shall be deemed not to have been cast.</p> <p>The Board of Directors, having regard to the technical and legal bases making it possible and duly guaranteeing the identity of the individual exercising his right to vote, is authorized to implement the foregoing provisions by establishing</p>
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<p>the appropriate rules, means and procedures according to the state of the art with a view to instrumenting the casting of votes and the grant of proxies by electronic means, in compliance with any legislation which may be enacted for this purpose.</p> <p>In particular, the Board of Directors may regulate the use of alternative safeguards to the electronic signature for the casting of the electronic vote and reduce the advance period for the Company's receipt of votes cast by postal or electronic correspondence or by any other means of remote communication, in accordance with the provisions of the previous paragraphs.</p> <p>In any event the Board of Directors shall take the necessary measures to avoid duplications and to ensure that the person who cast the vote was duly entitled to do so in accordance with the provisions of Article 15 of the Corporate Bylaws.</p> <p>The implementing provisions adopted by the Board of Directors under the provisions of this Article, as well as the means, procedures and forms established for granting a proxy and exercising the right to vote absentee shall be posted on the Company's website.</p> <p>The personal attendance of the Shareholders' Meeting by the shareholder or by his representative shall constitute the revocation of a vote cast by postal or electronic correspondence or by any other means of remote communication.</p>	<p>the appropriate rules, means and procedures according to the state of the art with a view to instrumenting the casting of votes and the grant of proxies by electronic means, in compliance with any legislation which may be enacted for this purpose.</p> <p>In particular, the Board of Directors may regulate the use of alternative safeguards to the electronic signature for the casting of the electronic vote and reduce the advance period for the Company's receipt of votes cast by postal or electronic correspondence or by any other means of remote communication, in accordance with the provisions of the previous paragraphs.</p> <p>In any event the Board of Directors shall take the necessary measures to avoid duplications and to ensure that the person who cast the vote was duly entitled to do so in accordance with the provisions of Article 15 of the Corporate Bylaws.</p> <p>The implementing provisions adopted by the Board of Directors under the provisions of this Article, as well as the means, procedures and forms established for granting a proxy and exercising the right to vote absentee shall be posted on the Company's website.</p> <p>The personal attendance of the Shareholders' Meeting by the shareholder or by his representative shall constitute the revocation of a vote cast by postal or electronic correspondence or by any other means of remote communication.</p>
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## **II. PROPOSED RESOLUTIONS**

### **1. PROPOSED RESOLUTIONS FOR AMENDING THE CORPORATE BYLAWS (ITEM SEVEN ON THE AGENDA, SECTIONS 7.1, 7.2, 7.3 AND 7.4).**

It is resolved to propose to the Shareholders' Meeting the amendment of the Company's Bylaws on the terms described in the report prepared by the directors pursuant to Article 144.1 a) of the Spanish Corporations Law and Article 158 of the

Mercantile Registry Regulations, with a separate vote on each block of articles whose amendment is proposed, as set forth below, consisting of:

**One.**

Amending Articles 1 (“Name and legal regime”) and 2 (“Corporate object”) of the Corporate Bylaws, which will be worded as follows:

**“Article 1. Name and legal regime**

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

**“Article 2. Corporate purpose**

*The Company’s corporate purpose shall be:*

- 1. to own, pursuant to the legislation in force at any given time, the capital stock of the company which is to act as system operator, transmission network manager and electricity transmitter, pursuant to Additional Provision Three of Law 17/2007 (“Law 17/2007”);*
- 2. to manage its group of companies, comprising the holdings in the capital stock of its member companies;*
- 3. to research, study and plan investment and corporate organization projects, as well as to promote, create and develop industrial, commercial or services enterprises; to research, develop and operate communications, information technologies and other new technologies in all respects; to provide assistance or support services to investees, for which purpose it may provide to those companies such guarantees and deposits as may be appropriate;*
- 4. to design, develop, implement and operate services relating to the corporate information, management and organization specific to its activity;*
- 5. this purpose is deemed to include all activities which are necessary for its performance or make such performance possible and which comply with the law.”.*

**Two.**

To amend Articles 5 (“Capital stock”), 6 (“Accounting records of shares”) and 14 (“Quorum”) of the Corporate Bylaws, which will be worded as follows:

**“Article 5. Capital stock**

- 1. The capital stock of the Company stands at two hundred and seventy million five hundred and forty thousand euros (€270,540,000), and is divided into one hundred and thirty five million two hundred and seventy thousand (135,270,000) shares, of a single class and series, each with a par value of two euros (€2), fully subscribed and paid in, and represented by book entries.*
- 2. Pursuant to Additional Provision Three of Law 17/2007 and to the Electricity Industry Law:*

- 1) *the total direct or indirect holding owned by any individual or legal entity in the capital stock of the Company can at no time be greater than five percent (5%) of the capital stock of the Company, unless otherwise authorized by the Law. These shares cannot be syndicated for any purpose. No shareholder may exercise voting or other non-economic rights of more than three percent (3%). Parties pursuing activities in the Electricity Industry and individuals or legal entities which directly or indirectly own holdings in the capital thereof equal to more than five percent (5%), cannot exercise voting or other non-economic rights of more than one percent (1%). Furthermore, the direct or indirect holdings of parties pursuing activities in the Electricity Industry, when added together, must not total more than forty percent (40%).*
- 2) *In order to calculate the holding of each shareholder, an individual or legal entity shall be deemed to own, in addition to the shares and other securities owned or acquired by the entities belonging to its group, as defined in Article 4 of Securities Market Law 24/1988, those which are owned by:*
  - a) *persons acting in their own name but for the account of the aforesaid shareholder, on a concerted basis or forming a decision-making unit, the members of a legal entity's Board of Directors being deemed, unless proven otherwise, to act for the account of or on a concerted basis with such entity;*
  - b) *the shareholders with whom the aforesaid shareholder exercises the control of a dependent company.*

*In any case, regard shall be had both to the nominee ownership of the shares and other securities and to the voting rights held under any title*

3. *Notwithstanding the provisions of Article 6.2 of these Bylaws, the infringement of the limits indicated in Article 5.2 or of those imposed at any time by the legislation in force shall entail the legal consequences determined therein, including, if appropriate, the imposition of the relevant penalties and that which is provided for in these Bylaws*

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

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

#### ***"Article 6. Accounting record of shares***

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

*Pursuant to Article 60.2 of the Corporations Law, notwithstanding its representation by book entries, the Company is subject to the rules on the obligatory registering of its shares imposed by the legislation in force.*

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

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

***“Article 14. Quorum.***

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

*In order for the Annual or Special Shareholders' Meeting to be able to adopt validly a resolution for the increase or reduction of capital, the reregistration, merger or spin-off of the Company and, in general, any amendment of the Corporate Bylaws, shareholders holding at least fifty percent (50%) of the subscribed voting capital must be present or represented at first call. At second call the attendance or representation of twenty five percent (25%) of said capital shall be sufficient.*

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

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

*Shares or other securities whose voting and other non-economic rights are in excess of the limits recognized in Article 5 shall not be counted when calculating the quorum required to convene the relevant Shareholders' Meetings or when calculating the majorities for the adoption of resolutions”.*

**Three**

To amend Article 33 of the Bylaws (“Scope of these Bylaws”), which will be worded as follows:

***“Article 33. Scope of these Bylaws***

*These bylaws regulate the relationship among shareholders and the relationship between the shareholders and the Company exclusively in the corporate scope regulated by the Spanish Corporations Law, the Securities Market Law and the Spanish Commercial Code, but in no way regulate any contractual or other relationships existing among the shareholders themselves or between the shareholders and the Company”.*

**Four.**

To amend the Sole Additional Provision, which will be worded as follows, and to eliminate the Transitional Provisions of the Corporate Bylaws.

**“SOLE ADDITIONAL PROVISION. SPECIAL REGIME OF THE STATE INDUSTRIAL HOLDING COMPANY**

1. *By virtue of provisions of the Electricity Industry Law, neither the limitations stipulated in Section 2 of Additional Provision Three of Law 17/2007 nor the limitations stipulated in these Bylaws on the holding of shares in the Company and on voting and other non-economic rights shall apply to the State Industrial Holding Company. The State Industrial Holding Company shall in all cases have a shareholding of not less than 10%.*
2. *Where a Director, who is an individual, holds his office on behalf of the shareholder referred to in Transitional Provision Nine in relation to Article 34.1 of the Electricity Industry Law, his compensation must be brought into line with the applicable provisions on matters of conflicts of interest in the public sector stipulated for such purpose, notwithstanding any compensation that might be due to the public shareholder, either because it is directly designated member of the Board of Directors or for services provided to the Board or to its standing committees by persons representing that public shareholder in the Company’s capital and exceeding those which, pursuant to the aforesaid legislation, may relate to them personally, all of the foregoing for as long as ownership is maintained pursuant to Transitional Provision Nine.”*

**2. PROPOSED RESOLUTIONS FOR AMENDING THE REGULATIONS OF THE SHAREHOLDERS’ MEETING (ITEM EIGHT ON THE AGENDA, SECTIONS 8.1 AND 8.2).**

**One.**

To amend Article 6.3 (“Limitations”) of the Regulations of the Shareholders’ Meeting, which will be worded as follows:

**“6.3. Limitations**

*Shareholders’ rights are subject to the limitations stipulated in Additional Provision Three of Law 17/2007, (“Law 17/2007”) and in Article 34 of the Law governing the Electricity Industry, which limitations are also set forth in the current Bylaws.”*

**Two.**

To amend Article 15.8 (“Vote”) of the Regulations of the Shareholders’ Meeting, which will be worded as follows:

**“Article 15.8. Vote**

*Each share confers one voting right pursuant to the Bylaws, subject to the limitations contained therein in accordance with the mandate under the Law governing the Electricity Industry and under Additional Provision Three of Law 17/2007.*

*The Chairman shall submit to a separate vote all matters which are substantially independent, thus enabling shareholders to exercise their voting preferences separately. In particular, the following shall be subject to a separate vote:*

- (i) the appointment, ratification or removal of each Director; and*
- (ii) in the event of an amendment of the Bylaws, each Article or group of Articles which are substantially independent.*

*The Chairman shall decide on the most appropriate method for voting in each case, which he shall announce publicly at the Shareholders' Meeting sufficiently in advance of the vote.*

*However, the following deductive methods may be adopted to expedite voting:*

- (i) In the vote on the Board's proposals relating to items included on the Agenda, to regard as votes in favor those of all shares present, except for votes against, blank votes and abstentions which were expressly declared via notification of the Secretary of the Shareholders' Meeting, or, if appropriate, of the Notary present at the meeting, in such manner as may be decided by the Chairman.*
- (ii) In the vote on proposed resolutions relating to items not included in the Agenda or alternative proposals to those of the Board, to regard as votes against those of all shares present, except for votes in favor, blank votes and abstentions which were expressly declared via notification of the Secretary of the Shareholders' Meeting, or, if appropriate, of the Notary present at the meeting, in such manner as may be decided by the Chairman.*

*In the foregoing two cases, the declaration or casting of votes via notification of the Secretary or, if appropriate, of the Notary, may be carried out individually in relation to each of the items on the Agenda, or collectively for some or all of them. The Secretary shall furnish the Chairman with the list of the scrutineers drawn up together with the Notary, if the latter was involved, with the result of the vote on each proposal. The list of votes counted must record all votes, indicating the voter's identity, the capacity in which he cast the vote (shareholder or representative) and whether he votes in favor or against or, if appropriate, his abstention. The Notary, if any, shall record this in the minutes in the same way.*

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

*Votes by postal correspondence shall be cast by sending the Company a document in which the vote is recorded, accompanied by the attendance card issued by the entity or entities in charge of keeping the book entries record or, if appropriate, by the Company.*

*Votes by electronic communication shall be cast using a recognized electronic signature or other kind of safeguard which the Board of Directors considers suitable to ensure the authenticity and the identification of the shareholder exercising the right to vote.*

*Any vote cast by any of the means described in the previous two paragraphs must be received by the Company before midnight (24:00) on the day immediately prior to that set for the holding of the Shareholders' Meeting at first call. Otherwise, the vote shall be deemed not to have been cast.*

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

*In particular, the Board of Directors may regulate the use of alternative safeguards to the electronic signature for the casting of the electronic vote and reduce the advance period for the Company's receipt of votes cast by postal or electronic correspondence or by any other means of remote communication, in accordance with the provisions of the previous paragraphs.*

*In any event the Board of Directors shall take the necessary measures to avoid duplications and to ensure that the person who cast the vote was duly entitled to do so in accordance with the provisions of Article 15 of the Corporate Bylaws.*

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

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

## **PROPOSED RESOLUTIONS CONCERNING ITEM NINE ON THE AGENDA:**

### **AUTHORIZATION OF THE BOARD OF DIRECTORS FOR THE DERIVATIVE ACQUISITION OF TREASURY STOCK**

The Shareholders' Meeting held on May 31, 2007 authorized the Board of Directors so that, pursuant to Article 75 and concordant articles of the Corporations Law, it could carry out, directly or indirectly, and insofar as deemed necessary given the circumstances, the derivative acquisition of shares in Red Eléctrica de España, S.A. The term of the aforesaid authorization was 18 months as from the date of the Shareholders' Meeting that granted it.

As is habitual and because the end of the term of the resolution adopted by the Shareholders' Meeting held on May 31, 2007 is approaching, it has become necessary to propose to the Shareholders' Meeting the adoption of a new resolution to replace the foregoing and render it void, so as to keep its term from overlapping that of the resolutions whose approval is now proposed.

The plan is also for the Shareholders' Meeting to renew the authorization granted last year, making it possible, as from the date on which the Meeting is held, to award shares of the Company's treasury stock directly to employees and Executive Directors of the Company and of the companies in its consolidated group, as a form of compensation, as well as to establish a compensation system for members of the Management and Executive Directors of Red Eléctrica de España, S.A., extendable to those of the companies of its consolidated group; which system will require a resolution that must meet certain statutory conditions for approval.

Consequently, the following resolutions are proposed for submission to the Shareholders' Meeting:

**One. Authorization for the derivative acquisition of treasury stock on the statutory terms and, as the case may be, for the direct award thereof to employees and Executive Directors of the Company and to those of the companies belonging to its consolidated group, as compensation**

To authorize the Board of Directors of the Company so that, pursuant to Article 75 and concordant Articles and to Additional Provision One of the Corporations Law and other applicable legislation, it may carry out directly or indirectly, and insofar as deemed necessary given the circumstances, the derivative acquisition of shares in Red Eléctrica de España, S.A. The maximum number of shares to be acquired may not exceed the statutory limit and all of the foregoing will at all times be conditional on the meeting of all other applicable statutory requirements.

The acquisitions cannot be made for a price higher than the stock market price at the time of acquisition or for a price lower than 50% of the stock market value at such time.

The acquisition may be made as a sale/purchase or swap, or in any other form of transaction for consideration, as deemed necessary given the circumstances.

Pursuant to paragraph three of Article 75.1 of the Corporations Law, the Company's Board of Directors may use all or some of the treasury stock acquired, as well as that which is already owned by the Company on the date of the approval of this resolution, to set up compensation programs aimed at the direct award of shares to employees and Executive Directors of the Company and of the companies belonging to its consolidated group.

For all of the foregoing, the Board of Directors is authorized with the broadest powers necessary to apply for all such authorizations and to adopt all such resolutions as may be necessary or appropriate for compliance with the legislation in force and for the successful enforcement of this resolution.

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

**Two. Authorization for its award as compensation to members of Company management and to the Executive Directors of the Company and to those of the companies belonging to its consolidated group**

To approve the participation of members of Company management and Executive Directors of the Company and of the companies belonging to its consolidated group in a compensation system under which the payment of a part of their compensation can be made through the award of Company shares.

The following are the main characteristics of this system:

- Beneficiaries: Members of Company Management and Executive Directors of the Company and members of the Management of companies belonging to its consolidated group.
- Voluntary nature: participants may submit voluntarily to the compensation plan.
- Maximum limit: the maximum amount of compensation receivable in shares is €12,000 per participant and year.
- Award Date: Shares are to be awarded within the term of this authorization.
- Number of Shares receivable by each participant: will be based on the amount of the compensation, up to the limit of not more than €12,000 per year, and on the price per share at close of trading on the Award Date.
- Maximum number of shares authorized: the maximum total number of shares to be awarded will be based on the share's value at close of trading on the Award Date and the amount of the total compensation in this form of all participants up to the aforesaid limit of €12,000 per year per participant.

- Share value: the price of the shares in Red Eléctrica de España, S.A. at close of trading on the Award Date.
- Origin of Shares: the shares will originate as treasury stock (former or new) whether directly or through investees.
- Term: this compensation system will apply during the next 18 months stipulated for such purpose by the legal system.

### **Three. Revocation of previous authorizations**

To revoke and, accordingly, render void the authorization for the derivative acquisition of treasury stock granted to the Board of Directors at the Shareholders' Meeting held on May 31, 2007.

## **PROPOSED RESOLUTION CONCERNING ITEM TEN ON THE AGENDA:**

### **INFORMATION ON THE COMPENSATION POLICY OF THE BOARD OF DIRECTORS OF RED ELÉCTRICA DE ESPAÑA, S.A. AND RATIFICATION OF THE BOARD RESOLUTIONS SETTING ITS COMPENSATION FOR 2007**

#### **1. Information on the compensation policy of the Board of Directors of Red Eléctrica de España, S.A.**

The Shareholders' Meeting is given a summary of the contents of the report on the compensation policy of the Board of Directors which was made available to shareholders in the documentation of the Shareholders' Meeting, as follows:

The report was prepared according to the recommendations set forth in the Conthe Code, according to Section 40, and the European Recommendation dated December 14, 2004 and stipulates the guiding principles governing the compensation of the Board of Directors, emphasizing its moderation, consistency with the habitual practices of listed companies, link to the Company's earnings and transparency.

It also defines the statutory and regulatory framework governing the compensation of the Board of Directors, which establishes the following compensation items and criteria: (i) fixed fees for attendance and dedication to the Board, (ii) part of the compensation is linked to the Company's annual income, (iii) compensation for sitting on Board Committees, (iv) bylaw limit on the overall annual compensation of the entire Board: 1.5% of the Company's net income approved by the Shareholders' Meeting, (v) within the statutory, bylaw and regulatory limits, the Board of Directors is responsible for allocating its annual compensation among the foregoing items and among the directors in such manner, at such time and in such proportion as it determines and (vi) possibility of compensation plans based on the award of Company shares.

Special reference is also made to the compensation of external directors. The Company intends to have it linked to their actual

dedication, unconnected with the employee welfare systems applicable only to Executive Directors, serving to motivate their dedication but without compromising their independence (in particular, in relation to independent directors), compatible with and independent from the habitual coverage of risks established by the Company for a director's attendance of meetings and performance of functions.

The Company has also set up a three-year compensation plan for managers, including the Executive Director, which is linked to the performance of objectives and is to be settled, as the case may be, at the end of 2008. The report states that the compensation items for 2008 remain unchanged with respect to those stipulated for 2007 (fees for attending board meetings, amounts for sitting on Board Committees and compensation linked to the company's annual net income) and that the amount of the compensation entails, for all items, 0.79% of the Company's net income, under the maximum limit of 1.5% stipulated in the Bylaws.

Information is also given on the current possibility for managers and members of the Board of Directors to request the payment of a part of their compensation, up to a maximum of €12,000 per year, by way of the award of Company shares, the extension of which to a further 18 months has been submitted to the approval of this Shareholders' Meeting in the related proposal included in the meeting Agenda.

With respect to projections for future years, the report states that no changes are foreseen in the methods used to date to set the compensation of the Board of Directors based, as indicated above, on moderation and on a contained increase, below the projected increase of the Company's income over the next few years. The policy set forth in the Report was proposed by the Appointments, Compensation and Corporate Governance Committee and was approved by the Board of Directors.

The policy was defined by the aforesaid Committee on the basis of an intensive analysis, initiated in 2006, of the recommendations made in the Conthe Code, with a view to bringing the directors' compensation policy into line with the best practices of corporation governance.

## **2. Ratification of the resolutions of the Board of Directors of Red Eléctrica de España, S.A. setting its compensation for 2007**

Pursuant to Article 20 of the Corporate Bylaws, the Board of Directors is to allocate the amount of the annual compensation among the various items established (fixed fees for attendance and dedication to the Board, compensation linked to the Company's annual income, compensation for sitting on Board Committees) and within the bylaw limit on the overall annual compensation set for the entire Board in Article 20 at 1.5% of the Company's net income approved by the Shareholders' Meeting. This decision is adopted by the Board on an annual basis, at the proposal of the Appointments and Compensation Committee.

Nonetheless, the Board of Directors has agreed to submit the resolutions setting the compensation of the Board of Directors for 2007, together with the individual and consolidated financial statements, the proposal for distributing income and its own corporate management, to the ratification of the Annual Shareholders' Meeting.

Consequently, the following resolution is proposed, for submission to the Shareholders' Meeting:

To ratify, effective as from January 1, 2007, the resolutions adopted by the Board of Directors at its meetings held on December 20, 2007 and February 7, 2008, setting its compensation for 2007 and 2008 pursuant to Article 20 of the Corporate Bylaws, at the proposal, in both cases, of the Appointments, Compensation and Corporate Governance Committee; the essential terms of which are as follows:

1) With respect to the compensation for 2007:

To set the compensation of the Board of Directors, for all items, at 0.79% of the net income for 2007.

The part of the Board's compensation linked to the income for 2007 will be paid, according to the percentage agreed in the preceding paragraph, following approval by the Shareholders' Meeting of the 2007 financial statements.

2) With respect to the compensation for 2008:

a) to set the amount of the fee for attending Board meetings as from the January 2008 meeting at €5,055.

This amount will be paid for attendance or delegation;

b) to set the annual compensation of each member of the Audit Committee and the Appointments and Compensation Committee at €28,894.

This compensation will be paid by calendar quarter, in arrears;

c) expenses incurred on travel to attend meetings of the Board and of its Committees will form part of the total compensation of the Board of Directors.

The foregoing compensation will apply as from January 1, 2008.

Pursuant to Article 20 of the Corporate Bylaws, the foregoing amounts are compatible with and independent of the salaries, compensation, severance pay, pensions or indemnities of any class stipulated in general or individually for members of the Board of Directors who have an employment relationship, whether ordinary or special senior management, or an independent professional relationship with the Company, which relationships will be compatible with the office of Board member.

**PROPOSED RESOLUTION CONCERNING ITEM ELEVEN ON THE AGENDA:**

**DELEGATION OF POWERS FOR THE FULL ENFORCEMENT OF THE RESOLUTIONS ADOPTED AT THE SHAREHOLDERS' MEETING**

With a view to materializing the foregoing resolutions which may be adopted by the Shareholders' Meeting, the following resolution was proposed for submission to the Shareholders' Meeting:

Notwithstanding the authorizations conferred by the Shareholders' Meeting expressly on the Board of Directors, the broadest powers are delegated to the Chairman and to each member of the Board of Directors of the Company, as well as to the Secretary and the Deputy Secretary of the Board, so that they may exercise them individually with a view to implementing, enforcing and registering each and every one of the resolutions adopted by this Shareholders' Meeting, including the execution of the relevant agreements and documents, with such clauses and terms as they deem appropriate, as well as interpreting, correcting and supplementing such agreements and documenting them in a public deed, depending on their enforceability and on the comments made by any body or authority, in particular, the oral or written classification of the Mercantile Registrar, carrying out such acts as may be required or appropriate for their proper performance and, in particular, to have those which are able to be registered, registered at the Mercantile Registry.

## II. ITEMS OF INFORMATION

### **CONCERNING ITEM TWELVE ON THE AGENDA:**

#### **INFORMING THE SHAREHOLDERS' MEETING OF THE AMENDMENTS TO THE REGULATIONS OF THE BOARD OF DIRECTORS APPROVED AT THE BOARD MEETING HELD ON DECEMBER 20, 2007**

The Shareholders' Meeting is given a summary of the contents of the amendments of the Regulations of the Board of Directors, on the following terms:

Pursuant to Article 115 of the Securities Market Law, the Shareholders' Meeting is informed that the Board of Directors, at its meeting held on December 20, 2007, resolved to amend the Regulations of the Board of Directors of Red Eléctrica de España, S.A., previously approved on November 18, 2003. Notice of the Regulations was served on the National Securities Market Commission (Comisión Nacional del Mercado de Valores or "CNMV"), they are available on the Company's website -www.ree.es- and they are registered at the Mercantile Registry. They were also included in the documentation of the Shareholders' Meeting made available to the shareholders.

The new wording has the main purpose of bringing the Regulations into line with the recommendations introduced by the Unified Code of Good Governance approved by the National Securities Market Commission on May 19, 2006. The initiative for the reform came from the Board, in plenum, which is one of the instances foreseen for reform under Article 3 of the Regulations. The process to reform and adapt the Regulations of the Board of Directors had as its guidelines: (i) the incorporation of the new contents of the Code, (ii) the elimination of contradictions and superfluous requirements; and (iii) the technical refinement of the allocation of powers among the various bodies of the Company and, consequently, of the regulatory instruments that reflect them.

In particular, the following articles were amended: Article 3. *Amendment*, Article 4. *Dissemination*, Article 5. *General supervisory function*, Article 6. *Institutional guideline*, Article 7. *Qualitative composition*, Article 9. *Chairman of the Board*, Article 10. *Secretary of the Board*, Article 11. *Deputy Secretary of the Board*, Article 12. *Committees on the Board of Directors*, Article 13. *Composition and Functioning*, Article 14. *Functions of the Audit Committee*, Article 15. *Composition and Functioning*, Article 16. *Functions of the Appointments, Compensation and Corporate Governance Committee*, Article 19. *Appointment of Directors*, Article 20. *Appointment of External Directors*, Article 21. *Term of office*, Article 22. *Removal of Directors*, Article 24. *Orientation and update*, Article 27. *Director's compensation*, Article 28. *Directors' duties of diligence*, Article 29. *Directors' duties of loyalty*, Article 30. *A Director's duty to inform*, and Article 31. *Transactions with significant shareholders*.

The Regulations of the Board of Directors will be attached as an Exhibit to the Notarial Minutes of the Shareholders' Meeting and to any certificate that may be issued.

**CONCERNING ITEM THIRTEEN ON THE AGENDA:**

**INFORMING THE SHAREHOLDERS' MEETING OF THE ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR 2007**

The Shareholders' Meeting is given a summary of the contents of the Annual Corporate Governance Report of the Company for 2007, on the following terms:

Pursuant to Article 37 of the Regulations of the Board of Directors, the Shareholders' Meeting is informed that the Board of Directors, at its meeting held on April 17, 2008, resolved to approve unanimously the Annual Corporate Governance Report of Red Eléctrica de España, S.A. for 2007, which was reported to the National Securities Market Commission as a significant fact and is available on the Company's website -[www.ree.es](http://www.ree.es)- and in the documentation of the Shareholders' Meeting made available to shareholders.

The Report reflects the firm and determined concern of the Company, since its beginnings, to adopt voluntarily the best practices of corporate governance. Its purpose is not to limit itself to meeting the requirements stipulated by the legal system, but rather it aims to reflect, completely and in detail, beyond the statutory requirements, all such matters as shareholders, investors and the markets may deem significant to a thorough knowledge of the Company.

Most notable is the publication of the compensation of the Board of Directors, including, in detail and itemized by director, the compensation of each one in 2007 for sitting on the Board and on the various Board Committees. Information is also given on the clauses on severance pay of the Executive Director and of members of the Company's senior management, which have not undergone any change since their communication in the 2006 report. Information is also offered on the Directors' attendance of and absences from Board meetings and Committee meetings and emphasis is given to the self-evaluation process of Board members and Committees which was put into place by the Board of Directors in 2007, with the support of an external consultant.

**CONCERNING ITEM FOURTEEN ON THE AGENDA:**

**INFORMING THE SHAREHOLDERS' MEETING OF THE ITEMS CONTAINED IN THE MANAGEMENT REPORT RELATING TO ARTICLE 116 OF THE SECURITIES MARKET LAW**

The Shareholders' Meeting was given a summary of the contents of the items of the 2007 Management Report relating to Article 116 of the Securities Market Law, on the following terms:

The Company refers to the contents of the Report required by Article 116 bis of the Securities Market Law, which was made available to shareholders, together with the other documentation of the Shareholders' Meeting, in the call to the Shareholders' Meeting and which is posted on the Company's website ([www.ree.es](http://www.ree.es)).

In connection with this report, the sections referring to capital structure, significant shareholders, restrictions on voting rights, side agreements and rules on the appointment and removal of directors have already been reflected in the Company's Annual Corporate Governance Report.