



# **RED ELÉCTRICA** CORPORACIÓN

## **Board of Directors**

10 March 2015

Delegation of the General Shareholders Meeting in favour of the Board of Directors, for a capital increase and issue of obligations. Explanatory Report.



## **EXPLANATORY REPORT OF THE BOARD OF DIRECTORS**

**DELEGATION IN FAVOUR OF THE COMPANY'S BOARD OF DIRECTORS OF THE RIGHTS TO INCREASE THE CAPITAL STOCK AND ISSUE OBLIGATIONS AND OTHER FIXED INCOME SECURITIES (INCLUDING CONVERTIBLE AND/OR EXCHANGEABLE SECURITIES), IN EITHER CASE WITH THE POWER TO TOTALLY OR PARTLY EXCLUDE PREFERENTIAL SUBSCRIPTION RIGHTS UP TO AN OVERALL MAXIMUM OF 20% OF THE CAPITAL STOCK, WITH EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT THE COMPANY BY-LAWS (POINTS EIGHT AND NINE OF THE AGENDA OF THE GENERAL MEETING).**

### **1. OBJECT OF THE REPORT.**

The Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter, the "**Company**"), at a meeting held on 10 March 2015, has agreed to present to the General Shareholders Meeting, under Points Eight and Nine of the Agenda, a delegation in favour of the Company's Board of Directors of the rights both to increase the capital stock and to issue obligations and other fixed income securities (including convertible and/or exchangeable securities), in either case with the power to totally or partly exclude preferential subscription rights, with express authorisation to accordingly redraft the Company By-laws.

This Report is hereby drawn up by the Board of Directors of the Company in compliance with the provisions established in Articles (i) 286, 297.1.b) and 506 of the current Spanish Companies Act [*Ley de Sociedades de Capital*] (hereinafter, "**LSC**"), in relation to the delegation in favour of the Board of Directors of the right to increase the capital stock; and (ii) 511 LSC and 319 of the Mercantile Registry Regulations and, by analogy, Article 297.1.b) LSC, in relation to the delegation in favour of the Board of Directors of the right to issue obligations or similar fixed income securities, including convertible obligations.

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

### **2. EXPLANATION OF THE DELEGATION IN FAVOUR OF THE COMPANY'S BOARD OF DIRECTORS OF THE POWERS TO INCREASE THE CAPITAL STOCK AND TO ISSUE OBLIGATIONS AND OTHER FIXED INCOME SECURITIES (INCLUDING CONVERTIBLE AND/OR EXCHANGEABLE SECURITIES), IN EITHER CASE WITH THE POWER TO TOTALLY OR PARTLY EXCLUDE PREFERENTIAL SUBSCRIPTION RIGHTS, UP TO AN OVERALL MAXIMUM OF 20% OF THE CAPITAL STOCK, WITH EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT THE COMPANY BY-LAWS.**

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



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

Article 297.1.b) of the current LSC, in order to overcome difficulties such as not being able to anticipate short or medium-term needs for a capital increase and to ensure a fast and effective response, allows the General Meeting, with the requirements established for amending the Company By-laws, to delegate in favour of the Directors the power to order a capital increase, once or several times, until a certain figure is reached, at the time and in the amount decided, without consulting the General Meeting. Such capital increase may in no case exceed half the Company's capital stock at the authorisation date and must be executed through monetary contributions within a maximum five-year term, following the date of the General Meeting's resolution.

In turn, Article 319 of the Mercantile Registry Regulations expressly foresees the possibility of delegation in favour of Directors of the right to issue obligations or other securities that acknowledge or create debt, exercisable within a maximum of 5 years. Furthermore, the possibility of entrusting directors with the power to issue share-convertible obligations is expressly regulated for listed companies in Article 511 LSC; by analogy, it is also possible to entrust them with the power to order a capital increase, once or several times [Art. 297.1.b) LSC].

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

Moreover, pursuant to Article 506 LSC, a delegation to the Board of Directors in order to increase the capital stock, referred to in this Report, also includes the right to totally or partly exclude preferential subscription rights held by the shareholders, if these rights exist and this is necessary in the Company's interest, in the terms of said Article 506 LSC.

Nevertheless, although a delegation for a capital increase will cover 50% of the Company's capital stock at the authorisation date, this specific right to totally or partly exclude the preferential subscription rights held by shareholders will be limited to a maximum represented by 20% of the capital stock i.e. fifty-four million one hundred and eight thousand (54,108,000) euros, to also include any capital increases resulting from the issue of convertible obligations, which may be ordered further to this delegation.

Thus, with respect to an authorisation to issue securities convertible into new Company shares, a proposal is hereby made to exercise this same right to totally or partly exclude the preferential subscription rights of shareholders, with the same overall limit of up to 20% of the Company's capital stock, pursuant to Articles 417 and 511 LSC.

This 20% maximum of the capital stock, to potentially exclude preferential subscription rights, is a result of current international criteria and trends in corporate governance matters, aimed at providing a response to the concerns of many investors about an excessive dilution of their shareholding in the Company, should the Board of Directors, pursuant to the powers that are hereby delegated, decide to order a capital increase and exclude said rights.

The Board of Directors considers that this power to exclude preferential subscription rights is partly justified by the relatively smaller costs associated to the transaction, usually resulting from this exclusion, when compared to an issue of preferential subscription rights; and,



furthermore, because it enables Directors to be in a position to notably increase their capacity to provide a rapid response, often required by current financial markets, enabling the Company to take advantage of the time when market conditions are most favourable. In addition, a removal of preferential subscription rights causes less distortion in the trading of Company shares during the issue period, which is usually shorter than in the case of an issue with rights.

Consequently, please note that the power to exclude preferential subscription rights is delegated by the General Meeting in favour of the Board of Directors; the Board, given the specific circumstances of the case and in compliance with legal requirements, will then decide whether or not such rights will be excluded. Furthermore, as indicated, this exclusion may only be ordered for a maximum of 20% of the capital stock, adding any capital increases and issues of convertible obligations that the Board of Directors may order pursuant to both delegations.

Should the Board of Directors decide to use the possibility of excluding preferential subscription rights in relation to a specific capital increase or issue of convertible obligations, which is eventually agreed further to the authorisations granted by the General Shareholders Meeting, when the increase is agreed it will issue an explanatory report of the specific reasons in the corporate interest that justify its decision to remove said rights which, in turn, will be subject to the auditors' report referred to in Articles 308.2, 417 and 511 LSC.

Both reports will be presented to the shareholders and announced at the first General Meeting held after the capital increase resolution, pursuant to the provisions established in Articles 506.4 LSC and 511 LSC.

Consequently, further to the authorisation granted by the General Shareholders Meeting, the Board of Directors will be entitled to amend, without having to previously consult the General Meeting, Article 5 of the Company By-laws regarding the capital stock (as foreseen in Article 297.2 LSC), as this will provide the necessary flexibility when adopting future capital increase resolutions, in such a way as to be able to use this power whenever this is deemed appropriate in the Company's interest, with the possibility of even ordering an exclusion of preferential subscription rights.

Finally, the resolutions proposed to the General Meeting will include a revocation of former delegations in these matters, in order to avoid both authorisations overlapping in time, without prejudice to the full validity and effectiveness of any issues, issue plans, delegations of powers and other acts agreed pursuant to said delegations, which are in force at the date of the General Shareholders Meeting.

### **3. PROPOSED RESOLUTIONS.**

**PROPOSED RESOLUTIONS TO DELEGATE IN FAVOUR OF THE COMPANY'S BOARD OF DIRECTORS THE POWERS TO INCREASE THE CAPITAL STOCK AND ISSUE OBLIGATIONS AND OTHER FIXED INCOME SECURITIES (INCLUDING CONVERTIBLE AND/OR EXCHANGEABLE SECURITIES), IN EITHER CASE WITH THE POWER TO TOTALLY OR PARTLY EXCLUDE PREFERENTIAL SUBSCRIPTION RIGHTS UP TO AN OVERALL MAXIMUM OF 20% OF THE CAPITAL STOCK, WITH AN EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT THE COMPANY BY-LAWS AND REVOKE ALL FORMER DELEGATIONS (POINTS EIGHT AND NINE OF THE GENERAL MEETING'S AGENDA).**

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

Delegation of powers by the General Shareholders Meeting in favour of the Board of Directors, in financial matters.



**1. DELEGATION IN FAVOUR OF THE BOARD OF DIRECTORS, FOR A FIVE (5) YEAR TERM, OF THE POWER TO INCREASE THE CAPITAL STOCK, AT ANY TIME, ONCE OR SEVERAL TIMES, UP TO A MAXIMUM OF ONE HUNDRED AND THIRTY-FIVE MILLION TWO HUNDRED AND SEVENTY THOUSAND (135,270,000) EUROS, EQUIVALENT TO HALF THE CURRENT CAPITAL STOCK, IN THE AMOUNT AND AT THE ISSUE RATE DECIDED BY THE BOARD OF DIRECTORS IN EACH CASE, WITH THE POWER TO TOTALLY OR PARTLY EXCLUDE PREFERENTIAL SUBSCRIPTION RIGHTS, FOR AN OVERALL MAXIMUM OF 20% OF THE CAPITAL STOCK AND WITH AN EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT ARTICLE 5 OF THE COMPANY BY-LAWS AND IF NECESSARY, APPLY FOR THE ADMISSION TO TRADING, PERMANENCE AND/OR EXCLUSION OF THE SHARES ON ORGANIZED SECONDARY MARKETS. (POINT EIGHT OF THE AGENDA OF THE GENERAL MEETING).**

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

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

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

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

**3.- Exclusion of preferential subscription rights.** - Pursuant to the provisions established in Article 506 of the current Spanish Companies Act, the Board of Directors is expressly entitled to totally or partly exclude preferential subscription rights related to all or some of the share issues it may order by virtue of this authorisation, as long as this is necessary in the corporate interest and the face value of the issued shares, plus any issue premium agreed, represents the fair value of the Company shares, according to a report issued by an accounts auditor, at the Board of Directors' request, other than the Company's accounts auditor, appointed to this effect by the Mercantile Registry each time the right is exercised to exclude preferential subscription rights; furthermore,



the Board of Directors will issue a report describing the specific reasons in the corporate interest that justify the measures, pursuant to the provisions of Articles 417 and 506 of the current Spanish Companies Act; these reports will be made available to the shareholders and announced at the first General Meeting held following the capital increase resolution.

Nevertheless, this right will be limited to a maximum represented by 20% of the Company's capital stock at the authorisation date, i.e. fifty-four million one hundred and eight thousand (54,108,000) euros.

**4.- Calculation of the overall limit.-** The amount of any capital increases that may be ordered by the Board of Directors, further to the proposal that is hereby presented to the General Meeting's approval under Point Nine of the Agenda in order to cover the conversion of obligations, bonds and other similar fixed income securities convertible into newly issued shares, or warrants with a right to newly issued shares, will be deemed as included within the maximum limits referred to in 1 and 3 above that are available at all times.

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

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

**7. Revocation.-** This delegation will entail an express revocation of the delegation conferred to the Board of Directors by virtue of a resolution adopted by the Ordinary General Shareholders Meeting held on 20 May 2010, similarly to the one gathered in this point of the Agenda, insofar as it has not been used prior to the adoption of this resolution.

**"2. DELEGATION IN FAVOUR OF THE BOARD OF DIRECTORS, FOR A TERM OF FIVE (5) AND AN OVERALL LIMIT OF FIVE BILLION (5,000,000,000) EUROS, OF THE POWER TO ISSUE, ONE OR SEVERAL TIMES, DIRECTLY OR THROUGH COMPANIES OF THE RED ELÉCTRICA GROUP, DEBENTURES, BONDS AND OTHER FIXED INCOME DEBT INSTRUMENTS OF A SIMILAR NATURE, WHETHER SIMPLE OR CONVERTIBLE OR EXCHANGEABLE FOR SHARES IN THE COMPANY, OTHER COMPANIES OF THE RED ELÉCTRICA GROUP OR OTHER COMPANIES THAT ARE NOT RELATED TO IT, INCLUDING WITHOUT LIMITATION, PROMISSORY NOTES, ASSET-BACKED SECURITIES, PREFERRED SECURITIES AND WARRANTS THAT PROVIDE THE RIGHT TO DELIVER SHARES OF THE COMPANY OR OTHER COMPANIES IN THE RED ELÉCTRICA GROUP, WHETHER NEWLY ISSUED OR IN CIRCULATION, WITH THE EXPRESS ATTRIBUTION OF THE POWER TO EXCLUDE, IN FULL OR IN PART, THE PREFERRED SUBSCRIPTION RIGHT FOR A MAXIMUM TERM, OVERALL OF 20% OF THE SHARE CAPITAL; AUTHORISATION SO THAT THE COMPANY CAN GUARANTEE NEW ISSUES OF FIXED-INCOME SECURITIES (INCLUDING CONVERTIBLE OR EXCHANGEABLE SECURITIES) BY COMPANIES OF THE RED ELÉCTRICA GROUP; AUTHORISATION TO**



**GIVE, IF APPLICABLE, NEW WORDING TO ARTICLE 5 OF THE COMPANY BY-LAWS AND TO REQUEST, AS THE CASE MAY BE, ADMISSION OF SECURITIES TO TRADING, CONTINUED TRADING AND/OR EXCLUSION. (POINT NINE OF THE AGENDA OF THE GENERAL MEETING)**

**1.- Delegation to the Board of Directors.-** Delegate to the Board of Directors, in the broadest and most efficient manner possible in Law and in accordance with the provision of Article 319 of the Mercantile Registry Regulations, in Article 511 of the Spanish Companies Act and other regulations on the issue of securities, the power to issue fixed-income securities pursuant to the following conditions.

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

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

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

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

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



*It is hereby established that, in accordance with the provisions of Article 510 of the in force Spanish Companies Act, the maximum legal limit for issuing the obligations and other securities that are acknowledged or create debt as established in Article 405 of said Law, does not apply to the Company.*

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

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

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



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

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

2.- In the event that the issue is convertible and exchangeable, the Board of Directors may establish that the Company reserves the right to choose at any given time between converting into new shares or exchanging for shares in circulation, specifying the nature of the shares to be delivered when carrying out the conversion or exchange, being able to even choose to provide a combination of newly issued shares and pre-existing shares. In any case, the Company must respect the equal treatment among all of the holders of fixed-income securities that are converted or exchanged on the same date.

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

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



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

6.- *Pursuant to the provisions of Article 415.2 of the in force Spanish Companies Act, the debentures, bonds or other fixed-income securities cannot be converted into shares when the face value of such debentures, bonds or securities to be converted is less than the face value of the shares into which they will be converted. Furthermore, debentures, bonds or other fixed-income securities that can be converted for a lower figure than their face value cannot be issued.*

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

**7.- Rights of the holders of convertible securities.-** *The holders of convertible or exchangeable securities and warrants will enjoy all the rights that they are recognised under current legislation.*

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

1.- *The power that the Board of Directors has, in accordance with the provisions of Article 511 of the in force Spanish Companies Act, to exclude in full or in part, the preferred subscription right of the shareholders when it is justified that this is in the Company's interest.*

*In any case, if the Board of Directors were to decide to remove the preferred subscription right of the shareholders in relation to a specific issue of convertible securities that it were to eventually decide to carry out in accordance with this authorisation, it must provide, when approving the issue and in accordance with the provisions of Articles 417 and 511 of the in force Spanish Companies Act, a report from the Board of Directors detailing the specific reasons of corporate interest that justify said measure and must obtain the compulsory report from the auditor in which a technical opinion is provided on the reasonability of the data contained in the report from the directors and on the suitability of the conversion relationship and, as the case may be, its adjustment formula, to offset a potential dilution of the financial participation of the shareholders. Such reports will be made available to the shareholders and communicated to the first General Shareholders' Meeting held after the corresponding resolution to issue.*



*This power to exclude the preferred subscription right will, in any case, be limited to the increases in share capital that are carried out in accordance with this authorisation and those which constitute the object of point Eight on the Agenda of this General Meeting up to the corresponding maximum amount, overall, of 20% of the share capital as at the date this resolution is adopted.*

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

*This authorisation to increase the share capital in order to convert securities or exercise warrants includes the authority to issue and to put into circulation, once or several times, the shares representing it, that are necessary to carry out the conversion or the exercise, as well as, pursuant to Article 297.2 of the Spanish Companies Act, to provide new wording to article 5 of the Company By-laws regarding the share capital and the number of shares in circulation and, where applicable, to cancel the part of the share capital increase which had not been necessary for converting the securities into shares or to exercise the warrants.*

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

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

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

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



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

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

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

**13. Revocation.-** This delegation entails the express revocation insofar as it has not been used prior to the adoption of this resolution, of the delegation granted to the Board of Directors, by virtue of the resolution adopted by the Ordinary General Shareholders' Meeting held on 20 May 2010, with a nature similar to the one contained in this point of the Agenda of the General Meeting, notwithstanding the full validity of the issues, issue programs, delegations of powers and any other acts agreed in accordance with said delegation that are in force on the date of this resolution.