



**RED ELÉCTRICA**  
DE ESPAÑA

***Board of Directors***

*April 26, 2007*

Proposals of Resolutions  
Ordinary General Shareholders' Meeting

**For approval**

## I. RESOLUTIONS FOR APPROVAL

**PROPOSAL OF RESOLUTION RELATING TO POINT ONE OF THE AGENDA:  
REVIEW AND APPROVAL OF THE FINANCIAL STATEMENTS (BALANCE SHEET,  
INCOME STATEMENT AND NOTES TO THE FINANCIAL STATEMENTS) AND OF THE  
MANAGEMENT REPORT OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR THE YEAR  
ENDED DECEMBER 31, 2006.**

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

Approve the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statements) and Management Report of Red Eléctrica de España, S.A. for the year 2006.

The Financial Statements and the Management Report of Red Eléctrica de España, S.A., the approval of which is hereby proposed, are those which were drawn up by the Board of Directors at its meeting of March 22, 2007.



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**PROPOSAL OF RESOLUTION RELATING TO POINT TWO OF THE AGENDA:  
REVIEW AND APPROVAL OF THE FINANCIAL STATEMENTS (BALANCE SHEET,  
INCOME STATEMENT AND NOTES TO THE FINANCIAL STATEMENTS) AND OF THE  
MANAGEMENT REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA DE  
ESPAÑA, S.A. FOR THE YEAR 2006.**

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

Approve the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statements) and Management Report of the Consolidated Group of Red Eléctrica de España, S.A. for the year 2006.

The Financial Statements and the Management Report of the Consolidated Group of Red Eléctrica de España, S.A., the approval of which is hereby proposed, are those which were drawn up by the Board of Directors at its meeting of March 22, 2007.



**PROPOSAL OF RESOLUTION RELATING TO POINT THREE OF THE AGENDA:  
REVIEW AND APPROVAL OF THE PROPOSAL FOR THE APPLICATION OF THE  
RESULT OF RED ELÉCTRICA DE ESPAÑA, S.A. AND DISTRIBUTION OF THE  
DIVIDEND, RELATING TO THE YEAR ENDED DECEMBER 31, 2006.**

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

Approve the application of the result proposed by the Board of Directors, at its meeting of March 22, 2007 and, consequently, distribute the profit of the year 2006 which amounts to 198,676,266.93 euros as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	77,684,383.41
TO DIVIDENDS:	
INTERIM DIVIDEND	43,428,065.52
COMPLEMENTARY DIVIDEND (calculated on all of the shares)	77,563,818.00
<hr/>	
TOTAL	198,676,266.93

It is expressly agreed to pay to the shares entitled to a dividend the gross sum of 0.8984 euros per share. The dividend will be paid on July 2, 2007, at the banks and financial institutions which will be duly announced, deducting from the amount thereof the gross sum of 0.3250 euros per share paid on account of the dividend on January 2, 2007, pursuant to the resolution of the Board of Directors of November 29, 2006.



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**PROPOSAL OF RESOLUTION RELATING TO POINT FOUR OF THE AGENDA:  
REVIEW AND APPROVAL OF THE MANAGEMENT BY THE BOARD OF DIRECTORS OF  
RED ELÉCTRICA DE ESPAÑA, S.A. IN THE YEAR 2006.**

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

Approve the management of the Board of Directors of Red Eléctrica de España, S.A. for the year 2006.



**PROPOSALS OF RESOLUTIONS RELATING TO POINT FIVE OF THE AGENDA: AMENDMENT OF THE BYLAWS IN RELATION TO THE POWERS OF THE GENERAL SHAREHOLDERS' MEETING, THE COMMITTEES OF THE BOARD AND THE DUTIES OF THE SECRETARY OF THE BOARD, IN ORDER TO ADAPT THEIR CONTENTS TO THE RECOMMENDATIONS INTRODUCED BY THE UNIFIED CODE OF GOOD GOVERNANCE APPROVED, AS A SINGLE DOCUMENT OF RECOMMENDATIONS OF GOOD CORPORATE GOVERNANCE, BY THE NATIONAL SECURITIES MARKET COMMISSION (CNMV), ON MAY 19, 2006.**

**AMENDMENT OF ARTICLES 11 (GENERAL SHAREHOLDERS' MEETING), 22 (COMMITTEES OF THE BOARD AND DELEGATION OF AUTHORITIES), 23 (AUDIT COMMITTEE), 24 (APPOINTMENTS AND REMUNERATION COMMITTEE) AND 26 (ON THE SECRETARY OF THE BOARD) OF THE BYLAWS.**

## **I. JUSTIFYING REPORT OF THE BOARD OF DIRECTORS.**

**Report issued by the Board of Directors of Red Eléctrica de España, S.A. for the purposes of the provisions of Article 144.1 a) of the Corporations Act and Article 158 of the Commercial Registry Regulations, in relation to the amendment of Articles 11 (General Shareholders' Meeting), 22 (Committees of The Board and delegation of authorities), 23 (Audit Committee), 24 (Appointments and Remuneration Committee) and 26 (The Secretary of the Board) of the Bylaws, submitted to the General Shareholders' Meeting convened at first call for May 30, 2007 under point Five of the Agenda.**

### **1.1 Purpose of the Report.**

The Board of Directors of Red Eléctrica de España, S.A. (hereinafter the Company), at a meeting held on April 26, 2007 has decided to submit to the General Shareholders' Meeting under point five of its agenda, the amendment of Articles 11 (General Shareholders' Meeting), 22 (Committees of The Board and delegation of authorities), 23 (Audit Committee), 24 (Appointments and Remuneration Committee) and 26 (The Secretary of the Board) of the Bylaws.

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

### **1.2 Justification for the bylaws reform.**

The National Securities Market Commission ("CNMV"), by Resolution of May 22, 2006, approved the Single Document of Recommendations on Corporate Governance, also called the Unified Code of Good Corporate Governance, for the purposes of the provisions of paragraph one f) of Order ECO/3722, of December 26. This Resolution provides that Companies must adopt the Unified Code as a reference when presenting, in the first half of 2008, the Annual Report on Corporate Governance for the year 2007.



The bylaws amendment which is proposed is intended to maintain the Company, as has always been its objective, at the forefront of corporate good governance, taking advantage of the holding of the General Shareholders' Meeting to commence the adaptation of the Company's Bylaws to the recommendations of the Unified Code.

For this purpose the Board of Directors has proceeded on the basis of the following premises:

- a) The amendment of the Company's rules of corporate governance is not obligatory –even at the level of recommendation– in this financial year. However, the Company has the firm wish to promptly incorporate the reform.
- b) At the present time, when the General Shareholders' Meeting has to be called to appraise the management of the Company, it is appropriate to commence the reform. Thus, at an initial stage, the necessary amendments to the Company's Bylaws and to the Regulations of the General Shareholders' Meeting can be made by the General Shareholders' Meeting so as, at a second stage, to have the adequate framework and sufficient flexibility to introduce by resolutions of the Board of Directors the adaptations of all the other rules of corporate governance of the Company.
- c) The following must be the guidelines for the process of reform and adaptation: (i) the incorporation of the new contents of the Unified Code; (ii) the elimination of contradictions and superfluous requirements; and (iii) the technical refinement of the distribution of powers among the different bodies of the Company and, consequently, of the regulatory instruments which reflect them.

This last premise perhaps requires some clarification. The most authoritative academic opinion on corporate law has conferred on the Board of Directors a series of powers of its own, excluding the intervention of the General Shareholders' Meeting. This is contained in the Company's Bylaws. Among these powers of its own is the power of self-organization. This conferral is accompanied by a greater imposition of duties and responsibilities. Thus, it is appropriate to review the Company's Bylaws so as, in relation to the aspects which are considered appropriate, to lighten their content, "delegalize" matters which can only be dealt with in the Regulations and thus provide the Bylaws with greater flexibility and allow the Board of Directors greater capacity for self-regulation.

In the analysis conducted, and for the rest of the process of revision of the Company's rules of corporate governance in progress, the Board of Directors has available the participation of external advisers who are experts on the subject.

Finally, the Board wishes to emphasize its wish that the Company adopt and observe the recommendations of good corporate governance in force at any given time, which are already observed at present, except in relation to specific aspects arising from the particular characteristics of the Company or from the need for a sufficient period of time in order to implement them, all of which will be duly explained in the relevant Annual Report on Corporate Governance.

The bylaws amendment which is proposed is intended to include the amendments made to the aforementioned Unified Code by:



**ONE.-**

- 1) The amendment of Article 11 of the Bylaws, devoted to the General Shareholders' Meeting, in order to include Recommendation no. 3 of the Unified Code on the submission for the approval of the General Shareholders' Meeting of operations which involve a structural modification of the Company.

Consequently, it is proposed to amend Article 11 of the Bylaws, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<b>Article 11. The General Shareholders' Meeting</b>  <b>Text in force</b>	<b>Article 11. The General Shareholders' Meeting</b>  <b>Proposed Text</b>
<p>The shareholders, assembled as a duly called General Meeting, shall decide by majority on the matters within the competence of the General Meeting or those others submitted to it by the Board of Directors, without prejudice to the fact that the General Meeting may not interfere in or assume the authorities that are exclusive to the Board of Directors.</p> <p>All the shareholders, including those dissident and those absent from the Meeting, shall be bound by the resolutions adopted by the General Meeting without prejudice to the rights and actions vested in them by Law.</p> <p>The General Meeting shall be governed by the applicable legislation, by these Bylaws and by its Regulations.</p>	<p>The shareholders, assembled as a duly called General Meeting, shall decide by majority on the matters within the competence of the General Meeting or those others submitted to it by the Board of Directors, without prejudice to the fact that the General Meeting may not interfere in or assume the authorities that are exclusive to the Board of Directors.</p> <p><b>In particular, the General Meeting shall have the authority to approve operations whose effect is equivalent to that of transformation of the corporate purpose or to that of liquidation of the Company.</b></p> <p>All the shareholders, including those dissident and those absent from the Meeting, shall be bound by the resolutions adopted by the General Meeting without prejudice to the rights and actions vested in them by Law.</p> <p>The General Meeting shall be governed by the applicable legislation, by these Bylaws and by its Regulations.</p>



**TWO.-**

- 2) The amendment of Article 22 of the Bylaws, devoted to the Committees of the Board and Delegation of Authorities, has the aforementioned purpose of rendering the Bylaws more flexible and providing the Board of Directors with a greater capacity for self-regulation, transferring to the Regulations of the Board what is not purely of a bylaws nature.

Consequently, it is proposed to amend Article 22 of the Bylaws, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<p align="center"><b>Article 22. Committees of the Board and Delegation of Authorities</b></p> <p align="center"><b>Text in force</b></p>	<p align="center"><b>Article 22. Committees of the Board and Delegation of Authorities</b></p> <p align="center"><b>Proposed Text</b></p>
<p>The Board shall approve its internal Regulations with the basic rules for its organization and operation, the rules of conduct of its members and the system of supervision and control to achieve the maximum degree of professionalism and efficiency in its action promoting the active participation of all its members and ensuring that the corporate interest and that of the shareholders prevail over their own, observing the law, the Bylaws and the principles of sound corporate governance.</p> <p>The Board shall act by plenary meeting or committees which may be organized permanently or for a specific matter, with delegated and executive authorities or study, advice and proposal. Pursuant to Law and to these Bylaws, the Audit <b>Committee</b> and the Appointments and Remuneration <b>Committee</b>, with the duties established for them in the following articles, should necessarily be organized.</p>	<p>The Board shall approve its internal Regulations with the basic rules for its organization and operation, the rules of conduct of its members and the system of supervision and control to achieve the maximum degree of professionalism and efficiency in its action promoting the active participation of all its members and ensuring that the corporate interest and that of the shareholders prevail over their own, observing the law, the Bylaws and the principles of sound corporate governance.</p> <p>The Board shall act by plenary meeting or committees which may be organized permanently or for a specific matter, with delegated and executive authorities or study, advice and proposal. Pursuant to Law and to these Bylaws, the Audit <b>Committee</b> and the Appointments and Remuneration <b>Committee</b>, with the duties established for them in the following articles, should necessarily be organized. <b>In addition, the Board shall create, according to the recommendations of corporate governance in force at any given time, such other committees as it considers appropriate for the</b></p>



<p>Without prejudice to the powers of attorney that the Board of Directors may confer upon any person, it may appoint an Executive Committee, which shall consist of the Directors resolved by the Board and at which the Secretary of the Board shall act as the Secretary, and one or more Managing Directors.</p> <p>The organization of an Executive Committee, the appointment of the Directors to be its members, the appointment of one or more Managing Directors and the permanent delegation of authorities, if appropriate, shall require to be valid the vote in favor of two thirds of the members of the Board of Directors of the Company. The delegation of authorities notwithstanding, the Board of Directors shall maintain the delegated authorities.</p>	<p><b>better organization and operation of the Company.</b></p> <p><b>The Committees shall keep the Board of Directors informed at all times of the activities in which they engage.</b></p> <p>Without prejudice to the powers of attorney that the Board of Directors may confer upon any person, it may appoint an Executive Committee, which shall consist of the Directors resolved by the Board and at which the Secretary of the Board shall act as the Secretary, and one or more Managing Directors.</p> <p>The organization of an Executive Committee, the appointment of the Directors to be its members, the appointment of one or more Managing Directors and the permanent delegation of authorities, if appropriate, shall require to be valid the vote in favor of two thirds of the members of the Board of Directors of the Company. The delegation of authorities notwithstanding, the Board of Directors shall maintain the delegated authorities.</p>
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- 3) The amendment of Article 23 of the Bylaws, devoted to the Audit Committee, in addition to including Recommendation no. 44 of the Unified Code as regards its composition, has the same purpose as the amendment of Article 22.

Consequently, it is proposed to amend Article 23 of the Bylaws, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<p><b>Article 23. Audit Committee</b></p> <p><b>Text in force</b></p>	<p><b>Article 23. Audit Committee</b></p> <p><b>Proposed Text</b></p>
<p>1. The Company shall have an Audit Committee, which shall be nominated as established by the Board of Directors and shall consist of a number of members to be established by the Board of Directors, <b>between</b> a minimum of three <b>and a maximum of</b></p>	<p>1. The Company shall have an Audit <b>Committee</b>, which shall be nominated as established by the Board of Directors and shall consist of a number of members to be established by the Board of Directors, <b>with</b> a minimum of three</p>



five, of whom the majority shall be non-executive directors appointed by the Board of Directors. The Chairman shall be appointed from among the non-executive Directors and shall be replaced every three years, and may be reelected one year after his removal. The Secretary of the Board of Directors shall act as the Secretary.

The members of the Committee shall hold their offices for a term not exceeding three years and shall be removed when they do so in their capacity as Directors or when so resolved by the Board of Directors, following a report issued by the Appointments and Remuneration Committee.

2. The Committee shall support the Board of Directors in the performance of its supervisory duties, such as the monitoring of the procedure for the preparation of the economic-financial information and the internal controls of the Company and of the independence of the External Auditor.

3. The Audit Committee shall have at least the following authorities:

- (i) To inform at the General Shareholders' Meeting on the queries raised by the shareholders in matters within its competence.
- (ii) To propose to the Board of Directors the appointment of External Auditors to be submitted to the General Shareholders' Meeting.
- (iii) To supervise the internal audit services, if any.
- (iv) To be informed of the financial information process and of the internal control systems of the Company.
- (v) To maintain the relation with the external auditors

from among the external Directors. The Chairman shall be an independent Director appointed from among its members. The Secretary of the Board of Directors shall act as the Secretary.

**The Committee shall support the Board of Directors in the duties of monitoring the economic-financial processes and the independence of the External Auditor, and the internal control of the Company.**

2. The Audit Committee shall have at least the following authorities:

- (i) To inform at the General Shareholders' Meeting on the queries raised by the shareholders in matters within its competence.
- (ii) To propose to the Board of Directors the appointment of External Auditors to be submitted to the General Shareholders' Meeting.
- (iii) To supervise the internal audit services.
- (iv) To be informed of the financial information process and of the internal control systems of the Company.
- (v) To maintain the relation



to receive information on those affairs that may jeopardize their independence and any others relating to the procedure for the development of the audit of the accounts and those other reports contemplated in the legislation on the Auditing of Accounts and technical audit provisions.

- (vi) Any other authority vested in it by the Board either in general, under its internal regulations, or by specific commission.

4. The Committee shall assemble at the resolved intervals, which shall be at least quarterly, and whenever it is called by its Chairman or by two of its members. Any member of the executive team or of the personnel of the Company who is so requested shall be obliged to attend the meetings of the Committee and to cooperate with it and provide it with access to the information he has available. To perform its duties, the Committee shall have available the necessary resources for its independent operation. The Committee shall adopt its decisions or recommendations by majority of votes. The Minutes of its meetings shall be approved at the end of the meeting or at the beginning of the next meeting and shall be signed by the Secretary and countersigned by the person who acted as the Chairman.

5. The Committee shall keep the Board of Directors duly informed of the activities it performs.

6. The Board of Directors shall implement the authorities and rules of operation of the Audit Committee either through a specific regulation or by special provisions in the

with the external auditors to receive information on those affairs that may jeopardize their independence and any others relating to the procedure for the development of the audit of the accounts and those other reports contemplated in the legislation on the Auditing of Accounts and technical audit provisions.

- (vi) Any other authority vested in it by the Board either in general, under its internal regulations, or by specific commission.

3. Any member of the executive team or of the personnel of the Company who is so requested shall be obliged to attend the meetings of the Committee and to cooperate with it and provide it with access to the information he has available. To perform its duties, the Committee shall have available the necessary resources for its operation.

4. The Board of Directors shall implement the authorities and rules of operation of the Audit Committee either through a specific regulation or



Regulations of the Board.	by special provisions in the Regulations of the Board.
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- 4) The amendment of Article 24 of the Bylaws, devoted to the Appointments and Remuneration Committee, like the previous amendment, in addition to including Recommendations no. 44 and 54 of the Unified Code as regards its composition, has the same purpose as the amendment of Article 22. In addition, due to the special characteristics of the Company, the provision established in Recommendation no. 56 of the Unified Code seems insufficient to ensure adequate coordination between the Appointments and Remuneration Committee and the Chairman of the Board, for which reason it is preferable for the latter to continue to form part of it.

Consequently, it is proposed to amend Article 24 of the Bylaws, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<b>Article 24. Appointments and Remuneration Committee</b>	<b>Article 24. Appointments and Remuneration Committee</b>
<b>Text in force</b>	<b>Proposed Text</b>
<p>1. The Appointments and Remuneration <b>Committee</b> shall consist of the number of Directors established by the Board of Directors, <b>and shall have at least three and no more than five members, the majority of whom should be external Directors and some of whom</b> will be independent Directors.</p> <p>The Chairman of the <b>Committee</b> shall be appointed by its members and the Secretary shall be the Secretary of the Board of Directors.</p> <p><b>2. The members of the Committee shall be appointed and removed by the Board of Directors upon a proposal by the Chairman.</b></p> <p><b>The members of the Committee shall hold their office for a term not exceeding three years and shall cease from their office when they cease from their status as Directors or when this is resolved by the Board of Directors following a report issued by the Audit Committee.</b></p> <p>3. The Appointments and Remuneration <b>Committee</b> shall have</p>	<p>1. The Appointments and Remuneration <b>Committee</b> shall consist of the number of Directors established by the Board of Directors, <b>with</b> at least three members, <b>the</b> majority external of whom should be external Directors, <b>at least half of its members being</b> independent Directors.</p> <p>The Chairman of the <b>Committee</b> shall be <b>an independent Director</b> appointed by its members and the Secretary shall be the Secretary of the Board of Directors.</p> <p><b>2.</b> The Appointments and Remuneration <b>Committee</b> shall have</p>



the following basic duties:

- a) To propose to the Board of Directors the system and amount of the yearly remuneration of the Directors.
- b) To propose and review regularly the policies and schemes for remuneration of the Chairman of the Board and of the Senior Management of the Company and its subsidiaries, taking into consideration their results and responsibility, dedication and incompatibilities required from the directors. It shall also know and evaluate the policy on the executives of the Company.  
  
To ensure the transparency of the remuneration of the Board and know the golden parachute clauses included in the contracts entered into with Top Executives.
- c) To report in advance all the proposals made by the Board of Directors to the General Meeting for the appointment or removal of the Directors, including in events of co-opting.
- d) To propose to the Board of Directors a system for the selection of independent expert Directors.
- e) To propose and report on any other matter relating to the foregoing that may be requested by the Chairman or by the Board of Directors.

the following basic duties, in addition to those which may be assigned to it from time to time by the Board of Directors:

- a) To report ~~and propose,~~ in the case of independent Directors- in advance all the proposals made by the Board of Directors to the General Meeting for the appointment or removal of the Directors, including in events of co-opting.
- b) To propose to the Board of Directors the policy on remuneration of the Directors and top executives and ensure the observance thereof.

**c) Assume the functions of information, supervision**



<p>4. The Appointments and Remuneration Committee shall assemble with the adequate frequency to ensure the satisfactory performance of its duties upon the terms established in its Regulations.</p> <p>5. For a better compliance with its duties, the Committee may seek the advice of independent professionals.</p> <p>6. The Board of Directors shall develop the authorities and operating procedure of the Appointments and Remuneration Committee either through specific Regulations or in the special provisions of the Regulations of the Board.</p>	<p>and proposal in relation to corporate governance which may be determined by the Board of Directors, insofar as an ad hoc Committee is not created for such duties.</p> <p>3. The Board of Directors shall develop the authorities and operating procedure of the Appointments and Remuneration Committee either through specific Regulations or in the special provisions of the Regulations of the Board.</p>
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**THREE.-**

- 5) The amendment of Article 26 of the Bylaws, devoted to the Secretary of the Board, in order to include Recommendation no. 18 of the Unified Code as regards the matters which the Secretary must particularly monitor.

Consequently, it is proposed to amend Article 26 of the Bylaws, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<p><b>Article 26. The Secretary of the Board</b></p> <p><b>Text in force</b></p>	<p><b>Article 26. The Secretary of the Board</b></p> <p><b>Proposed Text</b></p>
<p>The Secretary of the Board of Directors shall have the following authorities:</p> <p>a) To draft the minutes of the General Meetings and the</p>	<p>The Secretary of the Board of Directors shall have the following authorities:</p> <p>a) To draft the minutes of the General Meetings and</p>



<p>meetings of the Board and, as the case may be, to sign them with the countersignature of the Chairman of the meeting.</p> <p>b) To issue the appropriate certificates, countersigned by the Chairman or, as the case may be, by the Vice-Chairman.</p> <p>c) To complete the resolutions of the Board and draw up all such reports, documents and notifications as may be entrusted with him by the Board, the Managing Director or the Chairman.</p> <p>d) To ascertain that the Bylaws and the provisions passed by the regulatory bodies are complied with.</p> <p>e) To ensure that the Board of Directors and its Committees observe the principles or policies of corporate government of the Company and the provisions of the Regulations of the Board.</p>	<p>the meetings of the Board and, as the case may be, to sign them with the countersignature of the Chairman of the meeting.</p> <p>b) To issue the appropriate certificates, countersigned by the Chairman or, as the case may be, by the Vice-Chairman.</p> <p>c) To complete the resolutions of the Board and draw up all such reports, documents and notifications as may be entrusted with him by the Board, the Managing Director or the Chairman.</p> <p>d) <b>To ensure that the activities of the Board of Directors comply with the letter and spirit of the Laws and their regulations, and with the provisions passed by the regulatory bodies.</b></p> <p>e) To ensure that the Board of Directors and its <b>Committees</b> observe the <b>Bylaws, the Regulations of the General Shareholders' Meeting and of the Board of Directors and all other rules of corporate governance of the Company.</b></p> <p>f) <b>To ensure that the rules of corporate governance of the Company and the activities of the Board of Directors take into consideration the recommendations regarding good corporate governance</b></p>
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<p>The Board of Directors may appoint a Vice-Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him in the event of absence. Should both persons be absent, the most junior Director shall act as the Secretary.</p>	<p><b>in force from time to time.</b></p> <p>The Board of Directors may appoint a Vice-Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him in the event of absence. Should both persons be absent, the most junior Director shall act as the Secretary.</p>
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## II. PROPOSAL OF RESOLUTIONS.

A resolution is adopted to propose to the General Shareholders' Meeting the amendment of the Company's Bylaws in the terms stated in the report drawn up by the directors in accordance with Article 144.1 a) of the Corporations Act and Article 158 of the Commercial Registry Regulations, in order to vote separately on each of the articles the amendment of which is proposed, as is done below, consisting of:

### One.-

Amend **Article 11 (General Shareholders' Meeting)** which will be worded as follows:

*"Article 11. The General Shareholders' Meeting*

*The shareholders, assembled as a duly called General Meeting, shall decide by majority on the matters within the competence of the General Meeting or those others submitted to it by the Board of Directors, without prejudice to the fact that the General Meeting may not interfere in or assume the authorities that are exclusive to the Board of Directors.*

*In particular, the General Meeting shall have the authority to approve operations whose effect is equivalent to that of transformation of the corporate purpose or to that of liquidation of the Company.*

*All the shareholders, including those dissident and those absent from the Meeting, shall be bound by the resolutions adopted by the General Meeting without prejudice to the rights and actions vested in them by Law.*

*The General Meeting shall be governed by the applicable legislation, by these Bylaws and by its Regulations."*



## **Two.-**

(The three articles are jointly voted on, since they refer to the regulation of the Committees of the Board of Directors and, therefore, are materially linked)

Amend **Articles 22 (Committees of the Board and delegation of authorities), 23 (Audit Committee) and 24 (Appointments and Remuneration Committee)** which will be worded as follows:

*“Article 22. Committees of the Board and delegation of authorities*

*The Board shall approve its internal Regulations with the basic rules for its organization and operation, the rules of conduct of its members and the system of supervision and control to achieve the maximum degree of professionalism and efficiency in its action promoting the active participation of all its members and ensuring that the corporate interest and that of the shareholders prevail over their own, observing the law, the Bylaws and the principles of sound corporate governance.*

*The Board shall act by plenary meeting or committees which may be organized permanently or for a specific matter, with delegated and executive authorities or study, advice and proposal. Pursuant to Law and to these Bylaws, the Audit Committee and the Appointments and Remuneration Committee, with the duties established for them in the following articles, should necessarily be organized. In addition, the Board shall create, according to the recommendations of corporate governance in force at any given time, such other committees as it considers appropriate for the better organization and operation of the Company.*

*The Committees shall keep the Board of Directors informed at all times of the activities in which they engage.*

*Without prejudice to the powers of attorney that the Board of Directors may confer upon any person, it may appoint an Executive Committee, which shall consist of the Directors resolved by the Board and at which the Secretary of the Board shall act as the Secretary, and one or more Managing Directors.*

*The organization of an Executive Committee, the appointment of the Directors to be its members, the appointment of one or more Managing Directors and the permanent delegation of authorities, if appropriate, shall require to be valid the vote in favor of two thirds of the members of the Board of Directors of the Company. The delegation of authorities notwithstanding, the Board of Directors shall maintain the delegated authorities.”*

*“Article 23. Audit Committee*

*1. The Company shall have an Audit Committee, which shall be nominated as established by the Board of Directors and shall consist of a number of members to be established by the Board of Directors, with a minimum of three from among the external Directors. The Chairman shall be an independent Director appointed from among its members. The Secretary of the Board of Directors shall act as the Secretary.*



*The Committee shall support the Board of Directors in the duties of monitoring the economic-financial processes and the independence of the External Auditor, and the internal control of the Company.*

*2. The Audit Committee shall have at least the following authorities:*

- (i) To inform at the General Shareholders' Meeting on the queries raised by the shareholders in matters within its competence.*
- (ii) To propose to the Board of Directors the appointment of External Auditors to be submitted to the General Shareholders' Meeting.*
- (iii) To supervise the internal audit services.*
- (iv) To be informed of the financial information process and of the internal control systems of the Company.*
- (v) To maintain the relation with the external auditors to receive information on those affairs that may jeopardize their independence and any others relating to the procedure for the development of the audit of the accounts and those other reports contemplated in the legislation on the Auditing of Accounts and technical audit provisions.*
- (vi) Any other authority vested in it by the Board either in general, under its internal regulations, or by specific commission.*

*3. Any member of the executive team or of the personnel of the Company who is so requested shall be obliged to attend the meetings of the Committee and to cooperate with it and provide it with access to the information he has available. To perform its duties, the Committee shall have available the necessary resources for its operation.*

*4. The Board of Directors shall implement the authorities and rules of operation of the Audit Committee either through a specific regulation or by special provisions in the Regulations of the Board.”*

#### *Article 24. Appointments and Remuneration Committee*

*1. The Appointments and Remuneration Committee shall consist of the number of Directors established by the Board of Directors, with at least three members, the majority external of whom should be external Directors, at least half of its members being independent Directors.*

*The Chairman of the Committee shall be an independent Director appointed by its members and the Secretary shall be the Secretary of the Board of Directors.*

*2. The Appointments and Remuneration Committee shall have the following basic duties, in addition to those which may be assigned to it from time to time by the Board of Directors:*

- a) To report –and propose, in the case of independent Directors- in advance all the proposals made by the Board of Directors to the General Meeting*



*for the appointment or removal of the Directors, including in events of co-opting.*

- b) To propose to the Board of Directors the policy on remuneration of the Directors and top executives and ensure the observance thereof.*
- c) Assume the functions of information, supervision and proposal in relation to corporate governance which may be determined by the Board of Directors, insofar as an ad hoc Committee is not created for such duties.*

*3. The Board of Directors shall develop the authorities and operating procedure of the Appointments and Remuneration Committee either through specific Regulations or in the special provisions of the Regulations of the Board.”*

### **Three.-**

Amend **Article 26 (The Secretary of the Board)** which will be worded as follows:

*“Article 26. The Secretary of the Board*

*The Secretary of the Board of Directors shall have the following authorities:*

- a) To draft the minutes of the General Meetings and the meetings of the Board and, as the case may be, to sign them with the countersignature of the Chairman of the meeting.*
- b) To issue the appropriate certificates, countersigned by the Chairman or, as the case may be, by the Vice-Chairman.*
- c) To complete the resolutions of the Board and draw up all such reports, documents and notifications as may be entrusted with him by the Board, the Managing Director or the Chairman.*
- d) To ensure that the activities of the Board of Directors comply with the letter and spirit of the Laws and their regulations, and with the provisions passed by the regulatory bodies.*
- e) To ensure that the Board of Directors and its Committees observe the Bylaws, the Regulations of the General Shareholders’ Meeting and of the Board of Directors and all other rules of corporate governance of the Company.*
- f) To ensure that the rules of corporate governance of the Company and the activities of the Board of Directors take into consideration the recommendations regarding good corporate governance in force from time to time.*

*The Board of Directors may appoint a Vice-Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him in the event of absence. Should both persons be absent, the most junior Director shall act as the Secretary.”*



**PROPOSAL OF RESOLUTIONS RELATING TO POINT SIX OF THE AGENDA: AMENDMENT OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING IN RELATION TO THE POWERS OF THE GENERAL SHAREHOLDERS' MEETING, THE CALLING THEREOF AND VOTING, IN ORDER TO ADAPT THEIR CONTENT TO THE RECOMMENDATIONS INTRODUCED BY THE UNIFIED CODE OF GOOD GOVERNANCE APPROVED, AS A SINGLE DOCUMENT OF RECOMMENDATIONS OF GOOD CORPORATE GOVERNANCE, BY THE NATIONAL SECURITIES MARKET COMMISSION (CNMV), ON MAY 19, 2006.**

**AMENDMENT OF ARTICLES 3 (POWERS OF THE GENERAL SHAREHOLDERS' MEETING), 5 (CALL) AND 15.8 (VOTING) OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING.**

## **I. JUSTIFYING REPORT OF THE BOARD OF DIRECTORS.**

**Report issued by the Board of Directors of Red Eléctrica de España, S.A. for the purposes of the provisions of Article 1 of the Regulations of the General Shareholders' Meeting, in relation to the amendment of Articles 3 (Powers of the General Shareholders' Meeting), 5 (Call) and 15.8 (Voting), submitted to the General Shareholders' Meeting convened at first call for May 30, 2007 under point Six of the Agenda.**

### **1.1 Purpose of the Report.**

The Board of Directors of Red Eléctrica de España, S.A. (hereinafter the Company), at a meeting held on April 26, 2007 has decided to submit to the General Shareholders' Meeting under point six of its agenda, the amendment of **Articles 3** (Powers of the General Shareholders' Meeting), 5 (Call) and 15.8 (Voting), of the Regulations of the General Shareholders' Meeting.

This Report is issued by the Company's Board of Directors in compliance with the provisions of Article 1 of the Regulations of the General Shareholders' Meeting, which provides that the Board of Directors shall attach a report justifying the amendment of the aforementioned Regulations, explaining the reasons for the proposal of the amendment which is submitted for the approval of the General Shareholders' Meeting under point six of the agenda.

### **1.2 Justification**

The National Securities Market Commission ("CNMV"), by Resolution of May 22, 2006, approved the Single Document of Recommendations on Corporate Governance, also called the Unified Code of Good Corporate Governance, for the purposes of the provisions of paragraph one f) of Order ECO/3722, of December 26. This Resolution provides that Companies must adopt the Unified Code as a reference when presenting, in the first half of 2008, the Annual Report on Corporate Governance for the year 2007.

The amendment of the Regulations of the General Shareholders' Meeting which is proposed is intended to maintain the Company, as has always been its objective, at the forefront of corporate good governance, taking advantage of the holding of the General



Shareholders' Meeting to commence the adaptation of the Regulations of the General Shareholders' Meeting of the Company to the recommendations of the Unified Code.

For this purpose the Board of Directors has proceeded on the basis of the following premises:

- d) The amendment of the Company's rules of corporate governance is not obligatory –even at the level of recommendation– in this financial year. However, the Company has the firm wish to promptly incorporate the reform.
- e) At the present time, when the General Shareholders' Meeting has to be called to appraise the management of the company, it is appropriate to commence the reform. Thus, at an initial stage, the necessary amendments to the Company's Bylaws and to the Regulations of the General Shareholders' Meeting can be made by the General Shareholders' Meeting so as, at a second stage, to have the adequate framework and sufficient flexibility to introduce by resolutions of the Board of Directors the adaptations of all the other rules of corporate governance of the Company.
- f) The following must be the guidelines for the process of reform and adaptation: (i) the incorporation of the new content of the Unified Code; (ii) the elimination of contradictions and superfluous requirements; and (iii) the technical refinement of the distribution of powers among the different bodies of the Company and, consequently, of the regulatory instruments which reflect them.

This last premise perhaps requires some clarification. The most authoritative academic opinion on corporate law has conferred on the Board of Directors a series of powers of its own, excluding the intervention of the General Shareholders' Meeting. This is contained in the Company's Bylaws. Among these powers of its own is the power of self-organization. This conferral is accompanied by a greater imposition of duties and responsibilities. Thus, it is appropriate, as has been done in the proposal of the amendment of the Bylaws, to review the Company's Regulations of the General Shareholders' Meeting so as, in relation to the aspects which are considered appropriate, to lighten their content, "delegalize" matters which can only be dealt with in the Regulations of the Board of Directors and thus provide the Regulations of the General Shareholders' Meeting with greater flexibility and allow the Board of Directors greater capacity for self-regulation.

In the analysis conducted, and for the rest of the process of revision of the Company's rules of corporate governance in progress, the Board of Directors has available the participation of external advisers who are experts on the subject.

Finally, the Board wishes to emphasize its wish that the Company adopt and observe the recommendations of good corporate governance in force at any given time, which is already observed at present, except in relation to specific aspects arising from the particular characteristics of the Company or from the need for a sufficient period of time in order to implement them, all of which will be duly explained in the relevant Annual Report on Corporate Governance.

The amendment of the Regulations of the General Shareholders' Meeting which is proposed is intended to include, simultaneously, some of the amendments proposed for



the Bylaws, to adapt them to certain recommendations of the aforementioned Unified Code, and, as has been pointed out in the report justifying the proposal for the amendment of the Bylaws, allow the Regulations of the Board to develop the Board's own regulation; the amendments proposed are as follows:

**ONE.-**

- 1) The amendment of Article 3 of the Regulations of the General Shareholders' Meeting, relating to the Powers of the General Shareholders' Meeting, first of all, for the same purpose as the amendment of Article 11 of the Bylaws and, secondly, to include Recommendation no. 40 in relation to the submission to the General Shareholders' Meeting, on a consultative basis, a report on the policy on the remuneration of the Directors.

Consequently, it is proposed to amend Article 3 of the Regulations of the General Shareholders' Meeting, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<p align="center"><b>Article 3. Powers of the General Shareholders' Meeting</b></p> <p align="center"><b>Text in force</b></p>	<p align="center"><b>Article 3. Powers of the General Shareholders' Meeting</b></p> <p align="center"><b>Proposed text</b></p>
<p>The General Shareholders' Meeting, duly called and legally constituted, represents all the shareholders and exercises their powers and discharges their duties in the Company. Its resolutions, adopted in accordance with these Regulations and the Corporate Bylaws, shall be binding on all the shareholders, without prejudice to the legal right of withdrawal. The General Meeting shall have the power to adopt all the resolutions belonging to its status as the Company's sovereign body. In particular, and by way of illustration, it shall be responsible for:</p> <p style="padding-left: 40px;">a) Approving the Financial Statements of Red Eléctrica de España, S.A. and the Consolidated Financial Statements of Red Eléctrica de España, S.A. and of its subsidiaries, the management of the Board of Directors and the</p>	<p>The General Shareholders' Meeting, duly called and legally constituted, represents all the shareholders and exercises their powers and discharges their duties in the Company. Its resolutions, adopted in accordance with these Regulations and the Corporate Bylaws, shall be binding on all the shareholders, without prejudice to the legal right of withdrawal. The General Meeting shall have the power to adopt all the resolutions belonging to its status as the Company's sovereign body. In particular, and by way of illustration, it shall be responsible for:</p> <p style="padding-left: 40px;">a) Approving the Financial Statements of Red Eléctrica de España, S.A. and the Consolidated Financial Statements of Red Eléctrica de España, S.A. and of its subsidiaries, the management of the Board of Directors and the</p>



<p>proposal for the application of the result.</p> <p>b) Appointing and removing the Directors, ratifying or revoking appointments by cooption and appointing and reelecting the Auditors.</p> <p>c) Deciding on programs or authorizing transactions relating to own shares.</p> <p>d) Approving the establishment of remuneration systems linked to the value of the shares for Directors.</p> <p>e) Deciding on the issue of bonds, the increase or reduction of share capital, the change of legal form, merger, spin-off, dissolution of the Company, and any amendment of the Corporate Bylaws.</p> <p>f) Authorizing the Board of Directors to increase the share capital in accordance with the provisions of the Corporations Act.</p> <p>In exercising its powers the General Shareholders' Meeting shall not interfere with the powers and functions belonging to the Board of Directors.</p>	<p>proposal for the application of the result.</p> <p>b) Appointing and removing the Directors, ratifying or revoking appointments by cooption and appointing and reelecting the Auditors.</p> <p>c) Deciding on programs or authorizing transactions relating to own shares.</p> <p>d) Approving the establishment of remuneration systems linked to the value of the shares for Directors.</p> <p>e) Deciding on the issue of bonds, the increase or reduction of share capital, the change of legal form, merger, spin-off, dissolution of the Company, and any amendment of the Corporate Bylaws.</p> <p>f) Authorizing the Board of Directors to increase the share capital in accordance with the provisions of the Corporations Act.</p> <p><b>g) Approving operations whose effect is equivalent to that of transformation of the corporate purpose or to that of liquidation of the Company.</b></p> <p>In exercising its powers the General Shareholders' Meeting shall not interfere with the powers and functions belonging to the Board of Directors.</p>
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## TWO.-

- 2) The amendment of Article 5 of the Regulations of the General Shareholders' Meeting, relating to the Call, in order to include Recommendation no. 4 of the Unified Code relating to making public at the time of publication of the notice of call the detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting.

Consequently, it is proposed to amend Article 5 of the Regulations of the General Shareholders' Meeting, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<b>Article 5. Call</b>  <b>Text in force</b>	<b>Article 5. Call</b>  <b>Proposed text</b>
<p>Both the Ordinary and the Extraordinary General Meeting shall be called by the Board of Directors by a notice published in the Official Bulletin of the Commercial Registry and in one of the largest circulation newspapers in Madrid, at least one month prior to the date set for the Meeting to be held, unless the Law requires greater advance notice and notwithstanding the fact that every effort should be made to issue the call sufficiently in advance in order to make it as easy as possible for all shareholders to anticipate their attendance.</p> <p>The notice of call shall indicate the date of the meeting at first call, and all the matters included in the Agenda. Furthermore, the date for the second call may also be established. A minimum period of twenty-four hours must elapse between both calls. When a second call is not provided for and the General Meeting cannot be held, it must be announced in the same way as the first call, within fifteen days from the date on which the Meeting was not held and at all times eight days prior to the holding of the second meeting. In the notice of call, the Board shall endeavor to indicate the probable date of the meeting at first or second call.</p>	<p>Both the Ordinary and the Extraordinary General Meeting shall be called by the Board of Directors by a notice published in the Official Bulletin of the Commercial Registry and in one of the largest circulation newspapers in Madrid, at least one month prior to the date set for the Meeting to be held, unless the Law requires greater advance notice and notwithstanding the fact that every effort should be made to issue the call sufficiently in advance in order to make it as easy as possible for all shareholders to anticipate their attendance.</p> <p>The notice of call shall indicate the date of the meeting at first call, and all the matters included in the Agenda. Furthermore, the date for the second call may also be established. A minimum period of twenty-four hours must elapse between both calls. When a second call is not provided for and the General Meeting cannot be held, it must be announced in the same way as the first call, within fifteen days from the date on which the Meeting was not held and at all times eight days prior to the holding of the second meeting. In the notice of call, the Board shall endeavor to indicate the probable date of the meeting at first or second call.</p>



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

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

The Board must call an Extraordinary General Meeting when shareholders holding five per cent of the share capital send a request stating reasons and describing the matters to be discussed, which must relate to subjects of the competence of the General Shareholders' Meeting. In this case the General Shareholders' Meeting must be called to be held

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

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

**The Board shall make available to the shareholders, in the terms indicated in the previous paragraph, the full text of the resolutions to be adopted at the General Shareholders' Meeting when this is required by Law and, in all other cases, provided that imponderable circumstances do not impede it. Insofar as the Law so permits, this text may be modified, by decision of the Board of Directors, when subsequent circumstances so require, in which case the new texts shall be made available to the shareholders in the same way or, if it is not possible, shall be described at the General Shareholders' Meeting itself.**

The Board must call an Extraordinary General Meeting when shareholders holding five per cent of the share capital send a request stating reasons and describing the matters to be discussed, which must relate to subjects of the competence of the General Shareholders' Meeting. In this case the General Shareholders' Meeting must be called to be held



within thirty days from the date on which the Board of Directors has been requested through a notary to call it and the Agenda shall be drawn up by the Board of Directors, including the matters indicated in the request in the manner which best suits corporate interests.

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

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

The failure to publish the addition to the notice of call within the period established by law shall constitute grounds for the nullity of the General Shareholders' Meeting.

If the General Meeting is not called by the Board of Directors, even when obliged to do so, it may be called, upon the request of the shareholders and after a hearing of the Board, by the competent judge where the registered office is located, who, where relevant, will indicate the person who is to chair it.

within thirty days from the date on which the Board of Directors has been requested through a notary to call it and the Agenda shall be drawn up by the Board of Directors, including the matters indicated in the request in the manner which best suits corporate interests.

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

The addition to the notice of call shall be published at least fifteen days prior to the date established for the General Shareholders' Meeting. **If the above-mentioned shareholders include it in their request, the Board shall make available to the shareholders the full text of the resolutions proposed in the same terms as are indicated above.**

The failure to publish the addition to the notice of call within the period established by law shall constitute grounds for the nullity of the General Shareholders' Meeting.

If the General Meeting is not called by the Board of Directors, even when obliged to do so, it may be called, upon the request of the shareholders and after a hearing of the Board, by the competent judge where the registered office is located, who, where relevant, will indicate the person who is to chair it.



### THREE.-

- 3) The amendment of Article 15.8 of the Regulations of the General Shareholders' Meeting, relating to Voting, in order to include Recommendation no. 5 of the Unified Code so that at the General Shareholders' Meeting matters which are substantially independent are voted on separately, in order for the shareholders to be able to exercise their voting preferences separately, embodying the two specific situations described in the Recommendation.

Consequently, it is proposed to amend Article 15.8 of the Regulations of the General Shareholders' Meeting, which will be worded as follows, in which the amendments of the previous wording are highlighted:

<b>Article 15.8. Voting</b> <b>Text in force</b>	<b>Article 15.8. Voting</b> <b>Proposed text</b>
<p>Each share confers a right to one vote upon the terms established in the Bylaws, with the limitations contained therein in accordance with the mandate under the Electricity Sector Act.</p> <p>The Chairman shall decide on the most appropriate method for voting in each case, which he will publicly announce at the General Meeting with sufficient time in advance of the vote.</p>	<p>Each share confers a right to one vote upon the terms established in the Bylaws, with the limitations contained therein in accordance with the mandate under the Electricity Sector Act.</p> <p><b>The Chairman shall submit for a vote separately matters which are substantially independent, so that the shareholders may exercise their voting preferences separately. In particular, the following shall be submitted for a vote separately:</b></p> <ul style="list-style-type: none"><li><b>(i) The appointment, ratification or removal of each of the Directors; and</b></li><li><b>(ii) In the case of the amendment of the Bylaws, each article or group of articles which are substantially independent.</b></li></ul> <p>The Chairman shall decide on the most appropriate method for voting in each case, which he will publicly announce at the General Meeting with sufficient time in advance of</p>



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

- (i) In the vote on the Board's proposals on matters included in the Agenda, to consider as votes in favor those of all the shares present except for the votes against, blank votes and abstentions which have been expressly declared by notification to the Secretary of the Meeting, or, where relevant, to the Notary who is present at the meeting, in such manner as may be decided by the Chairman.
- (ii) In the vote on proposals for resolutions relating to matters not included in the Agenda or alternative proposals to those of the Board, to consider as votes against those of all the shares present, except for votes in favor, blank votes and abstentions which have been expressly declared by notification to the Secretary of the Meeting, or, where relevant, to the Notary who is present at the meeting, in such manner as may be decided by the Chairman.

In the above-mentioned two cases, the declaration or casting of votes by notification to the Secretary or, where relevant, to the Notary, may be carried out individually in relation to each of the points on the Agenda, or collectively, for various or all of them. The Secretary shall furnish to the Chairman the list of the scrutinizers drawn up together with the Notary, if the latter has been involved, with the

the vote.

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

- (i) In the vote on the Board's proposals on matters included in the Agenda, to consider as votes in favor those of all the shares present except for the votes against, blank votes and abstentions which have been expressly declared by notification to the Secretary of the Meeting, or, where relevant, to the Notary who is present at the meeting, in such manner as may be decided by the Chairman.
- (ii) In the vote on proposals for resolutions relating to matters not included in the Agenda or alternative proposals to those of the Board, to consider as votes against those of all the shares present, except for votes in favor, blank votes and abstentions which have been expressly declared by notification to the Secretary of the Meeting, or, where relevant, to the Notary who is present at the meeting, in such manner as may be decided by the Chairman.

In the above-mentioned two cases, the declaration or casting of votes by notification to the Secretary or, where relevant, to the Notary, may be carried out individually in relation to each of the points on the Agenda, or collectively, for various or all of them. The Secretary shall furnish to the Chairman the list of the scrutinizers drawn up together with the Notary, if the latter has



result of the vote on each proposal. The list of votes counted must contain all the votes, indicating the identity of the voter, the capacity in which he casts the vote (shareholder or representative) and the manner in which he has voted or, as the case may be, abstained. The Notary, where relevant, shall record it in the same way in the minutes.

Shareholders with the right to attend and to vote may cast their votes on proposals related to matters on the agenda, by ordinary mail, email or any other means of distance communication, provided that the identity of the person exercising his voting rights is duly guaranteed, pursuant to applicable legislation and to the Corporate Bylaws, the Regulations of the General Meeting and the provisions supplementing and implementing said Regulations that may be approved by the Board of Directors.

Votes by postal correspondence shall be cast by sending the Company a document containing the vote, accompanied by the attendance card issued by the entity or entities in charge of keeping the book entries record or, where relevant, 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 identity of the shareholder who exercises the right to vote.

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

been involved, with the result of the vote on each proposal. The list of votes counted must contain all the votes, indicating the identity of the voter, the capacity in which he casts the vote (shareholder or representative) and the manner in which he has voted or, as the case may be, abstained. The Notary, where relevant, shall record it in the same way in the minutes.

Shareholders with the right to attend and to vote may cast their votes on proposals related to matters on the agenda, by ordinary mail, email or any other means of distance communication, provided that the identity of the person exercising his voting rights is duly guaranteed, pursuant to applicable legislation and to the Corporate Bylaws, the Regulations of the General Meeting and the provisions supplementing and implementing said Regulations that may be approved by the Board of Directors.

Votes by postal correspondence shall be cast by sending the Company a document containing the vote, accompanied by the attendance card issued by the entity or entities in charge of keeping the book entries record or, where relevant, 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 identity of the shareholder who exercises the right to vote.

Any vote cast by any of the means envisaged in the two previous paragraphs must be received by the Company before midnight (24:00) hours on the day immediately prior to that set for the holding of the General Meeting at first call. Otherwise, the vote shall be



<p>been cast.</p> <p>The Board of Directors, on technical and legal bases that enable this and duly guarantee the identity of the person exercising his voting right, shall be empowered to implement the above provisions, establishing the appropriate rules, means and procedures for the purpose, considering the state of the art, to cast votes and appoint proxies through electronic means, in compliance with legislation in force on the matter from time to time.</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 receipt by the Company of the votes cast by postal or electronic correspondence or by any other means of distance communication, in accordance with the provisions of the previous paragraphs.</p> <p>In any event the Board of Directors shall adopt specific measures to avoid duplications and to ensure that the person who has cast the vote is duly entitled to do so in accordance with the provisions of Article 15 of the Corporate Bylaws.</p> <p>The implementing provisions that the Board of Directors may adopt hereunder, and the means, procedures and application forms that may be established to appoint proxies and exercise voting rights from the distance shall be published on the Company's web site.</p> <p>Personal attendance at the General Meeting by the shareholder or his representative shall be deemed a revocation of the vote cast by ordinary mail, email or any other means of distance communication.</p>	<p>deemed not to have been cast.</p> <p>The Board of Directors, on technical and legal bases that enable this and duly guarantee the identity of the person exercising his voting right, shall be empowered to implement the above provisions, establishing the appropriate rules, means and procedures for the purpose, considering the state of the art, to cast votes and appoint proxies through electronic means, in compliance with legislation in force on the matter from time to time.</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 receipt by the Company of the votes cast by postal or electronic correspondence or by any other means of distance communication, in accordance with the provisions of the previous paragraphs.</p> <p>In any event the Board of Directors shall adopt specific measures to avoid duplications and to ensure that the person who has cast the vote is duly entitled to do so in accordance with the provisions of Article 15 of the Corporate Bylaws.</p> <p>The implementing provisions that the Board of Directors may adopt hereunder, and the means, procedures and application forms that may be established to appoint proxies and exercise voting rights from the distance shall be published on the Company's web site.</p> <p>Personal attendance at the General Meeting by the shareholder or his representative shall be deemed a revocation of the vote cast by ordinary mail, email or any other means of distance communication.</p>
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## II. PROPOSAL OF RESOLUTIONS.

A resolution is adopted to propose to the General Shareholders' Meeting the amendment of the Regulations of the General Shareholders' Meeting of the Company in the terms stated above, in order to vote separately on each of the articles the amendment of which is proposed, as is done below, consisting of:

### One.-

Amend **Article 3 (Powers of the General Shareholders' Meeting)** which will be worded as follows:

#### *“Article 3. Powers of the General Shareholders' Meeting*

*The General Shareholders' Meeting, duly called and legally constituted, represents all the shareholders and exercises their powers and discharges their duties in the Company. Its resolutions, adopted in accordance with these Regulations and the Corporate Bylaws, shall be binding on all the shareholders, without prejudice to the legal right of withdrawal. The General Meeting shall have the power to adopt all the resolutions belonging to its status as the Company's sovereign body. In particular, and by way of illustration, it shall be responsible for:*

- a) *Approving the Financial Statements of Red Eléctrica de España, S.A. and the Consolidated Financial Statements of Red Eléctrica de España, S.A. and of its subsidiaries, the management of the Board of Directors and the proposal for the application of the result.*
- b) *Appointing and removing the Directors, ratifying or revoking appointments by cooption and appointing and re-electing the Auditors.*
- c) *Deciding on programs or authorizing transactions relating to own shares.*
- d) *Approving the establishment of remuneration systems linked to the value of the shares for Directors.*
- e) *Deciding on the issue of bonds, the increase or reduction of share capital, the change of legal form, merger, spin-off, dissolution of the Company, and any amendment of the Corporate Bylaws.*
- f) *Authorizing the Board of Directors to increase the share capital in accordance with the provisions of the Corporations Act.*
- g) *Approving operations whose effect is equivalent to that of transformation of the corporate purpose or to that of liquidation of the Company.*

*In exercising its powers the General Shareholders' Meeting shall not interfere with the powers and functions belonging to the Board of Directors.”*



## Two.-

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

### *“Article 5. Call*

*Both the Ordinary and the Extraordinary General Meeting shall be called by the Board of Directors by a notice published in the Official Bulletin of the Commercial Registry and in one of the largest circulation newspapers in Madrid, at least one month prior to the date set for the Meeting to be held, unless the Law requires greater advance notice and notwithstanding the fact that every effort should be made to issue the call sufficiently in advance in order to make it as easy as possible for all shareholders to anticipate their attendance.*

*The notice of call shall indicate the date of the meeting at first call, and all the matters included in the Agenda. Furthermore, the date for the second call may also be established. A minimum period of twenty-four hours must elapse between both calls. When a second call is not provided for and the General Meeting cannot be held, it must be announced in the same way as the first call, within fifteen days from the date on which the Meeting was not held and at all times eight days prior to the holding of the second meeting. In the notice of call, the Board shall endeavor to indicate the probable date of the meeting at first or second call.*

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

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

*The Board shall make available to the shareholders, in the terms indicated in the previous paragraph, the full text of the resolutions to be adopted at the General Shareholders' Meeting when this is required by Law and, in all other cases, provided that imponderable circumstances do not impede it. Insofar as the Law so permits, this text may be modified, by decision of the Board of Directors, when subsequent circumstances so require, in which case the new texts shall be made available to the shareholders in the same way or, if it is not possible, shall be described at the General Shareholders' Meeting itself.*

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

*Shareholders who represent at least five per cent of the share capital may request the publication of an addition to the notice of call of a Shareholders' Meeting including one*



or more points in the Agenda. This right shall be exercised by due notification which is to be received at the registered office within five days from the publication of the notice of call.

The addition to the notice of call shall be published at least fifteen days prior to the date established for the General Shareholders' Meeting. If the above-mentioned shareholders include it in their request, the Board shall make available to the shareholders the full text of the resolutions proposed in the same terms as are indicated above.

The failure to publish the addition to the notice of call within the period established by law shall constitute grounds for the nullity of the General Shareholders' Meeting.

If the General Meeting is not called by the Board of Directors, even when obliged to do so, it may be called, upon the request of the shareholders and after a hearing of the Board, by the competent judge where the registered office is located, who, where relevant, will indicate the person who is to chair it."

### **Three.-**

Amend **Article 15.8 (Voting)** which will be worded as follows:

*"Article 15.8 Voting*

*Each share confers a right to one vote upon the terms established in the Bylaws, with the limitations contained therein in accordance with the mandate under the Electricity Sector Act.*

*The Chairman shall submit for a vote separately matters which are substantially independent, so that the shareholders may exercise their voting preferences separately. In particular, the following shall be submitted for a vote separately:*

- (i) The appointment, ratification or removal of each of the Directors; and*
- (ii) In the case of the 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 will publicly announce at the General Meeting with sufficient time 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 on matters included in the Agenda, to consider as votes in favor those of all the shares present except for the votes against, blank votes and abstentions which have been expressly declared by notification to the Secretary of the Meeting, or, where relevant, to the Notary who is present at the meeting, in such manner as may be decided by the Chairman.*
- (ii) In the vote on proposals for resolutions relating to matters not included in the Agenda or alternative proposals to those of the Board, to consider as votes against those of all the shares present, except for votes in favor, blank*



*votes and abstentions which have been expressly declared by notification to the Secretary of the Meeting, or, where relevant, to the Notary who is present at the meeting, in such manner as may be decided by the Chairman.*

*In the above-mentioned two cases, the declaration or casting of votes by notification to the Secretary or, where relevant, to the Notary, may be carried out individually in relation to each of the points on the Agenda, or collectively, for various or all of them. The Secretary shall furnish to the Chairman the list of the scrutineers drawn up together with the Notary, if the latter has been involved, with the result of the vote on each proposal. The list of votes counted must contain all the votes, indicating the identity of the voter, the capacity in which he casts the vote (shareholder or representative) and the manner in which he has voted or, as the case may be, abstained. The Notary, where relevant, shall record it in the same way in the minutes.*

*Shareholders with the right to attend and to vote may cast their votes on proposals related to matters on the agenda, by ordinary mail, email or any other means of distance communication, provided that the identity of the person exercising his voting rights is duly guaranteed, pursuant to applicable legislation and to the Corporate Bylaws, the Regulations of the General Meeting and the provisions supplementing and implementing said Regulations that may be approved by the Board of Directors.*

*Votes by postal correspondence shall be cast by sending the Company a document containing the vote, accompanied by the attendance card issued by the entity or entities in charge of keeping the book entries record or, where relevant, 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 identity of the shareholder who exercises the right to vote.*

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

*The Board of Directors, on technical and legal bases that enable this and duly guarantee the identity of the person exercising his voting right, shall be empowered to implement the above provisions, establishing the appropriate rules, means and procedures for the purpose, considering the state of the art, to cast votes and appoint proxies through electronic means, in compliance with legislation in force on the matter from time to time.*

*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 receipt by the Company of the votes cast by postal or electronic correspondence or by any other means of distance communication, in accordance with the provisions of the previous paragraphs.*

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



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*The implementing provisions that the Board of Directors may adopt hereunder, and the means, procedures and application forms that may be established to appoint proxies and exercise voting rights from the distance shall be published on the Company's web site.*

*Personal attendance at the General Meeting by the shareholder or his representative shall be deemed a revocation of the vote cast by ordinary mail, email or any other means of distance communication.”*



**PROPOSAL OF RESOLUTION RELATING TO POINT SEVEN OF THE AGENDA: RATIFICATION OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF RED ELÉCTRICA DE ESPAÑA, S.A., WHICH ESTABLISHED ITS REMUNERATION FOR THE YEAR 2006.**

In accordance with the provisions of Article 20 of the Bylaws, the Board of Directors is entitled to distribute the amount of its annual remuneration among the different items established (fixed per diems for attendance and serving on the Board, remuneration linked to the Company's annual corporate profits, remuneration for serving on the Committees of the Board) and within the bylaws limit on remuneration, global and annual, for the entire Board set in the aforementioned article at 1.5% of the Company's net profits approved by the General Shareholders' Meeting. This decision is adopted annually by the Board, upon a proposal of the Appointments and Remuneration Committee.

However, the Board of Directors submits for the ratification of the Ordinary General Shareholders' Meeting -together with the individual and consolidated Financial Statements, the proposal for the application of the result and its own corporate management- the resolutions which established the remuneration of the Board of Directors for the year 2006.

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

Ratify, with effect from January 1, 2006, the resolutions adopted by the Board of Directors, at its meetings of January 31, 2006 and February 1, 2007, which established its remuneration for the year 2006 in accordance with the provisions of Article 20 of the Bylaws, upon a proposal in both cases of the Appointments and Remuneration Committee; the essential terms of these resolutions are as follows:

1. To set at 0.91% of the net profits of the year 2006 of Red Eléctrica de España, S.A., the remuneration of the Board of Directors for all items.
2. To set at 4,630 euros the amount of the per diem for attendance at meetings of the Board of Directors in the year 2006.
3. To set at 26,460 euros the annual remuneration for each of the members of the Audit and the Appointments and Remuneration Committees in the year 2006.

In accordance with the provisions of Article 20 of the Bylaws, the above amounts are compatible with and independent of the salaries, remuneration, indemnity, pensions or compensation of any kind, established on a general or individual basis, for members of the Board of Directors who have a labor relation with the Company – ordinary or special Top Management labor relation- or relation for the provision of services. These relations will be compatible with the membership of the Board of Directors.



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

The Company's Shareholders' Meeting, held on May 26, 2006, authorized the Board of Directors, in accordance with the provisions of Article 75 and like provisions of the Corporations Act, to directly or indirectly acquire shares of Red Eléctrica de España, S.A. insofar as it considers advisable in the circumstances. The duration of the aforementioned authorization is 18 months from the date of the General Shareholders' Meeting which granted it.

As is usual, and since the term of validity of the resolution adopted by the General Shareholders' Meeting held on May 26, 2006 is soon to expire, it is necessary to propose to the General Shareholders' Meeting the adoption of a new resolution to replace the previous one and annul the latter, in order to avoid temporary overlaps with the resolutions the approval of which is now proposed.

It is also intended that the Ordinary General Shareholders' Meeting which will be held this year will renew the authorization granted last year, allowing, from the date on which it is held, the shares of the Company's treasury stock to be directly transferred to employees and executive Directors of the Company and even this year, as a new feature, also for those of the companies included in its Consolidated Group, as a form of remuneration, and to establish a system of remuneration of the members of the Management and executive Directors of Red Eléctrica de España, S.A., which may also be extended this year to those of the companies included in its Consolidated Group; the approval of the latter system requires a resolution with certain conditions established by law.

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

**One. Authorization for the acquisition of own shares under the terms provided by law and, where relevant, for the direct transfer thereof to employees and executive Directors of the Company and those of companies belonging to its Consolidated Group as remuneration.**

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

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

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

The Company's Board of Directors, in accordance with the provisions of the third paragraph of Article 75 1º of the Corporations Act, may use, in whole or in part, the own shares acquired and those which are already owned by the



Company on the date of approval of this resolution, for the execution of remuneration programs whose purpose is the direct transfer of shares to employees and executive Directors of the Company and to those of the Companies belonging to its Consolidated Group.

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

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

**Two. Authorization for the transfer thereof as remuneration to the members of the Management and to the executive Directors of the Company and to those of companies belonging to its Consolidated Group.**

Approve the participation of the members of the Management and of the executive Directors of the Company and of the companies belonging to its Consolidated Group in a system of remuneration consisting of the possibility of the payment of part of their remuneration by transfer of shares of the Company.

The following are the principal characteristics of this system:

- **Beneficiaries:** Members of the Management and executive Directors of the Company and members of the Management of the companies belonging to its Consolidated Group.
- **Voluntariness:** subjection to the plan by the participants is voluntary.
- **Maximum limit:** the maximum amount of remuneration to be received in shares is 12,000 euros per participant and year.
- **Date of Transfer:** The shares will be transferred within the term of this authorization.
- **Number of Shares to be received by each Participant:** it will depend on the amount of the remuneration, subject to the maximum limit of 12,000 euros annually, and the closing price of the share on the Stock Market on the Date of Transfer.
- **Authorized maximum number of Shares:** The maximum total number of shares to be transferred will be that according to the closing price on the Stock Market of the share on the Date of Transfer and the amount of the total remuneration by this means of all the participants subject to the above-mentioned limit of 12,000 euros annually per participant.
- **Value of the shares:** the price of the share of Red Eléctrica de España, S.A. at the closing price on the stock market on the Date of Transfer.



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- Origin of the Shares: the shares will be derived from treasury stock –old or new-, whether directly or through subsidiaries.
  - Term: this remuneration system will be applicable in the next 18 months.

**Three. Revocation of the previous authorizations.**

Revoke, and therefore annul, the authorization for the acquisition of own shares granted to the Board of Directors by the General Shareholders' Meeting held on May 26, 2006.



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

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

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



## II. INFORMATION MATTERS

### **MATTER RELATING TO POINT TEN OF THE AGENDA: INFORMATION FOR THE GENERAL SHAREHOLDERS' MEETING CONCERNING THE ANNUAL REPORT ON CORPORATE GOVERNANCE OF RED ELÉCTRICA DE ESPAÑA, S.A. FOR THE YEAR 2006.**

It is proposed to inform the General Shareholders' Meeting, in summary form, of the content of the Annual Report on Corporate Governance of the Company, for the year 2006, in the following terms:

In accordance with the provisions of Article 39 of the Regulations of the Board of Directors, it is reported that the Board of Directors, at a meeting held on April 26, 2007, decided to unanimously approve the Annual Report on Corporate Governance of Red Eléctrica de España, S.A., for the year 2006, which has been notified to the National Securities Market Commission (CNMV) as a relevant fact and is available on the Company's web site - [www.ree.es](http://www.ree.es)- and in the documentation of the General Shareholders' Meeting made available to the shareholders.

The Report reflects the clear and decided concern of the Company since it was established to voluntarily adopt the best practices on corporate governance. Its purpose is not limited to complying with the requirements established by law but rather is intended to reflect, in full and in detail, and beyond the requirements established by law, all such matters as the shareholders, investors and Markets may consider relevant in order to have a better knowledge of the Company.

Particular attention should be drawn to the publicity of the remuneration of the members of the Board of Directors, including, in detail and on an individual basis for each Director, the remuneration of each of them in 2006 due to their membership of the Board and of the different Committees which form part of it. Information is also included regarding the guaranteed indemnity clauses of the executive Director and of the members of the Top Management of the Company, which have not undergone any change in relation to that notified in the report for 2005.

In addition, information is offered concerning the attendance and absences of the Directors at the meetings of the Board and at the meetings of the Committees and attention is drawn to the process of self-assessment of its members and Committees which, in 2006, has been carried out by the Board of Directors, with the assistance of an external consultant.

The information contained in the Annual Report on Corporate Governance is complemented by that which is permanently published on the subject on the Company's web site, [www.ree.es](http://www.ree.es).



## **CALL OF THE GENERAL SHAREHOLDERS' MEETING**

Taking into consideration the resolutions proposed by the Board of Directors at the meeting of April 26, 2007, it is proposed to:

Call an Ordinary Shareholders' Meeting, which will be held at first call on **May 30, 2007**, at **12:30** p.m. at Teatro Auditorio Ciudad de Alcobendas, Calle Blas de Otero 4, Alcobendas, Madrid and, where relevant, at second call on **May 31, 2007** in the same place and at the same time, in order to deliberate and decide on the matters included in the following Agenda:

### **I. MATTERS FOR APPROVAL**

#### **One**

Review and approval of the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statement) and of the Management Report of Red Eléctrica de España, S.A. for the year ended December 31, 2006.

#### **Two**

Review and approval of the Financial Statements (Balance Sheet, Income Statement and Notes to the Financial Statement) and of the Management Report of the Consolidated Group of Red Eléctrica de España, S.A. for the year ended December 31, 2006.

#### **Three**

Review and approval of the proposal for the application of the result of Red Eléctrica de España, S.A. and distribution of the dividend, relating to the year ended December 31, 2006.

#### **Four**

Review and approval of the management by the Board of Directors of Red Eléctrica de España, S.A. in the year 2006.

#### **Five**

Amendment of the Bylaws in relation to the powers of the General Shareholders' Meeting, the Committees of the Board and the duties of the Secretary of the Board, in order to adapt their content to the recommendations introduced by the Unified Code of Good Governance approved, as a single document of recommendations of good corporate governance, by the National Securities Market Commission (CNMV), on May 19, 2006:

- 5.1 Amendment of Article 11 "General Shareholders' Meeting".
- 5.2 Amendment of Articles 22 "Committees of the Board and delegation of authorities", 23 "Audit Committee" and 24 "Appointments and Remuneration Committee".
- 5.3 Amendment of Article 26 "The Secretary of the Board".

#### **Six**

Amendment of the Regulations of the General Shareholders' Meeting in relation to the powers of the General Shareholders' Meeting, the calling thereof and voting, in order to



adapt their content to the recommendations introduced by the Unified Code of Good Governance approved, as a single document of recommendations of good corporate governance, by the National Securities Market Commission (CNMV), on May 19, 2006:

- 6.1 Amendment of Article 3 “Powers of the General Shareholders’ Meeting”.
- 6.2 Amendment of Article 5 “Call”.
- 6.3 Amendment of Article 15.8 “Voting”.

#### **Seven**

Ratification of the resolutions of the Board of Directors of Red Eléctrica de España, S.A., which established its remuneration for the year 2006.

#### **Eight**

Authorizations for the Board of Directors to acquire own shares:

- 8.1 Authorization for the acquisition of own shares under the terms provided by law and, where relevant, for the direct transfer thereof to employees and executive Directors of the Company and those of companies belonging to its Consolidated Group as remuneration.
- 8.2 Authorization for the transfer thereof as remuneration to the members of the Management and to the executive Directors of the Company and to those of companies belonging to its Consolidated Group.
- 8.3 Revocation of the previous authorizations.

#### **Nine**

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

## **II. INFORMATION MATTERS**

#### **Ten**

Information for the General Shareholders’ Meeting concerning the Annual Report on Corporate Governance of Red Eléctrica de España, S.A. for the year 2006.



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## **NOTARY'S INVOLVEMENT**

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

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