

## **CORPORATE BYLAWS, AS AMENDED AND RESTATED**

### **TITLE I. CORPORATE NAME, PURPOSE, DURATION AND REGISTERED OFFICE**

#### **Article 1. Corporate name.**

The company shall be named ENDESA, S.A. and shall be governed by these Corporate Bylaws, by the provisions of the Spanish Corporations Law and by any other applicable laws.

#### **Article 2. Purpose**

1. The purpose of the company is:
  - a) The electricity business including its different industrial and commercial areas of business.
  - b) The exploitation of all types of primary energy resources.
  - c) The provision of industrial services and, especially, telecommunications, water and gas services, in addition to those preparatory or complementary services of the business areas included in the purpose of the company.
  - d) The management of the Group of Companies, formed by means of shareholdings in other companies.
2. Both domestically and internationally, the company will carry on those activities that integrate its purpose directly or through its shareholdings in other companies.

#### **Article 3. Duration.**

The duration of the company is indefinite and its operations began on the date on which its deed of incorporation was executed.

#### **Article 4. Registered office.**

The registered office shall be located in Madrid, at calle de Ribera del Loira, number 60. The Board of Directors shall be empowered to change the domicile within the municipality of this city.

Likewise, the Board of Directors shall have the power to create, shutdown or transfer company branches, agencies, representative offices or any other offices of the company.

### **TITLE II. SHARE CAPITAL AND SHARES.**

#### **Article 5. Share Capital.**

The company has a share capital of €1,270,502,540.40 that is fully subscribed and paid up.

#### **Article 6. Shares.**

The share capital of the company comprises 1,058,752,117 shares, each having a par value of €1.20. They are represented by book-entries and belong to the same class.

The 1,058,752,117 shares that comprise the share capital, represented by account entries, are considered to be securities and are governed by the provisions of the Securities Market Act (Ley del Mercado de Valores).

#### **Article 7. Shareholders' rights.**

The share confers upon its holder legitimate shareholder status and attributes to such shareholder the rights provided by Law and by these Corporate Bylaws. The company must give equal treatment to shareholders who are subject to identical conditions.

As provided by Law and save in the cases provided therein, a shareholder has at least the following rights:

- a) The right to share in the distribution of profits and in the distribution of the equity resulting from the winding-up of the Company.
- b) The right to preferred subscription in the issuance of new shares or convertible bonds.
- c) The right to attend and vote at General Shareholders' Meetings and to contest corporate resolutions.
- d) The right to be informed.

#### **Article 8. Non-voting, redeemable and preferred shares.**

1. The company may issue non-voting shares for a par value not exceeding half of the paid-in share capital.

The holders of non-voting shares will have the right to receive a minimum annual dividend equal to 5% of the paid-in share capital for each non-voting share. Once the minimum dividend has been declared, holders of non-voting shares will have the right to the same dividend pertaining to the common shares.

2. The company may issue redeemable shares upon request by the issuing company, by the holders of said shares or by both, for a par value not exceeding a quarter of the share capital. The issue resolution will establish the terms according to which the right to redeem may be exercised. If said right is exclusively attributable to the issuing company, it may not be exercised until after a period of three years as from the date of issue.

Redeemed shares must be paid for in full at the time of subscription.

These shares must be redeemed on account of profits or earned surplus or as a result of the new issue of shares resolved by the General Shareholders' Meeting or, as the case may be, by the Board of Directors, with the aim of financing the redemption transaction. If these shares are redeemed on account of profits or surplus reserves, the company must create a reserve for the par value of the redeemed shares. In the event there is neither a sufficient amount of profits or earned surplus nor have new share been issued to finance the transaction, the shares may only be redeemed in compliance with the requirements established for share capital reduction by means of the return of contributions.

3. The company may issue shares that confer a privilege against common shares, which shall not acquire any of the modes foreseen in Articles 96.1 and 96.2 of the Spanish Capital Corporations Law (Ley de Sociedades de Capital), in compliance with the requisites foreseen for the amendment of Corporate Bylaws.

In the event the privilege consists of the right to obtain a preferred dividend, the company will be obliged to agree on the distribution of the dividend if there are distributable profits. At the time when the shares are issued, the General Shareholders' Meeting or the Board of Directors will decide if the holders of the preferred shares have the right to the same dividend as the common shares, once the

preferred dividend has been agreed upon, and if necessary, will amend the Corporate Bylaws consequently.

In the event there are no distributable profits or these do not suffice, the part of the unpaid preferred dividend will be accumulated or not, in accordance with the terms that the General Shareholders' Meeting agrees at the time it decides on the issue of shares.

Under no circumstance may common shares receive dividends on account of the profits of a financial year, as long as the relevant preferred dividend pertaining to the same financial year has not been paid for.

**Article 9. Representation of shares.**

Shares shall be represented by book entries and will be constituted as such by virtue of their registration in the relevant accounting record, which will show the references in the deed of issue and whether or not they have been fully paid in.

The right to legally act as shareholder is obtained by registration in the accounting record, which establishes the legal ownership and gives the registered holder the right to demand that the company acknowledge him as a shareholder. This right may be proven by means of the relevant certificates, issued by the entity responsible for the accounting records.

In the event the company performs some service in favor of an alleged shareholder, although the latter may not be the true owner of the share, it will be exempt from liability, provided it was performed in good faith and without gross negligence.

**Article 10. Assignment of shares.**

Shares may be assigned in accordance with the provisions of the laws in force and these Corporate Bylaws. However, shares may not be assigned until the company and, as the case may be, the capital increase of the company, has been registered with the Mercantile Registry.

**TITLE III. INCREASE OR REDUCTION OF SHARE CAPITAL**

**Article 11. Modes of increase.**

The share capital may be increased by means of the issue of new shares or by increasing the par values of the shares that already exist.

In both cases, the capital increase may be carried out against new cash or non-cash contributions to the corporate equity, including the contribution of credits against the company or against reserves or profits that already appeared on the latest approved balance sheet.

**Article 12. Power conferred to the directors to increase the share capital.**

In accordance with the requirements established for the amendment of the Corporate Bylaws, the General Shareholders' Meeting may empower the Board of Directors as described below.

- a) Once a specific amount has been resolved for the capital increase, the General Shareholders' Meeting may empower the Board of Directors to:

- 1) Execute the foregoing resolution, within a maximum period of one year, save in the case bonds are converted into shares.
  - 2) Fix the date on which the foregoing increase in the amount resolved must be carried out.
  - 3) Establish the initiation and closing date of the subscription period.
  - 4) Issue shares in accordance with the increase.
  - 5) Declare the amounts subscribed in the capital increase.
  - 6) Demand the payment of pending disbursements.
  - 7) Amend Articles 5 and 6 of the Corporate Bylaws related to the share capital, replacing them with the new figure after the increase, in accordance with the amounts actually subscribed and,
  - 8) In general, establish the terms of the capital increase in relation to everything not foreseen in the resolution by the General Shareholders' Meeting.
- b) The power to resolve, once or several times, on the capital increase, up to a specific amount, when and for the amount decided, without the need for prior consultation with the General Shareholders' Meeting. These increases may under no circumstance exceed the equivalent of one-half of the share capital at the time of authorization, and must be made by means of cash contributions, within a maximum period of five years as from the resolution of the General Shareholders' Meeting.

In this case, once the increase has been resolved and executed, the Board of Directors will also have the power to amend the articles of the Corporate Bylaws related to the share capital.

#### **Article 13. Cum pre-emptive rights.**

In capital increases with new issue of common or preferred shares, in accordance with the terms of the issue of convertible bonds and within the deadline established for this purpose by the company's directors, which shall not be less than fifteen days as from the publication of the notice of the invitation to subscribe for new shares in the Official Mercantile Registry Bulletin (Boletín Oficial del Registro Mercantil), the old shareholders and holders of convertible bonds may exercise their right to subscribe for a number of shares in proportion to the par value of the shares they own or of those that would correspond to the owners of convertible bonds, if they at this time exercised the right to convert them.

The rights to subscribe for preferred shares may be assigned in the same conditions as those applicable to the shares. In the case of a capital increase on account of the reserves, the same rule will be applicable to the free right of assignment of the new shares.

#### **Article 14. Ex pre-emptive rights.**

In the event it is in the interest of the company, when deciding on the capital increase, the General Shareholders' Meeting may resolve to totally or partially remove the pre-emptive subscription right. For this agreement to be valid, it must comply with the requisites for the amendment of Corporate Bylaws and must necessarily comply with the requirements provided for to this end in the Spanish Capital Corporations Law (Ley de Sociedades de Capital).

Under no circumstance will there be a pre-emptive right when the capital increase is due to the take-over of another company or to all or part of the split assets of another company or is due to the conversion of bonds into shares.

#### **Article 15. Share capital reduction.**

A reduction of share capital may be resolved by the General Meeting, subject to compliance with the requisites established by Law and, pursuant thereto, the purpose may be a return of contributions, a forbearance of the obligation to make pending contributions, the establishment or increase of the legal

reserve or of voluntary reserves (retained earnings), or the re-establishment of the balance between the company's capital and net equity, decreased as a consequence of losses.

The capital reduction shall be obligatory when losses have decreased net equity below two-thirds of the capital and one fiscal year has lapsed without the net equity having recovered.

#### **TITLE IV. BONDS.**

##### **Article 16. Bond issue.**

The company may issue numbered series of bonds or other securities to honor or create a debt in the terms set forth in the Capital Corporations Law and other provisions in force on this subject matter.

#### **TITLE V. STATUTORY BODIES OF THE COMPANY.**

##### **Article 17. Statutory bodies.**

The statutory bodies of the company are the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

The Board of Directors shall establish, in accordance with legal provisions and with its organizational power, the Auditing and Compliance Committee, the Appointments and Compensation Committee and any other Committees or Commissions which are necessary or deemed appropriate for the best performance of its duties.

The Board may also create Advisory Boards for the purpose of making itself more efficient in the performance of its duties.

The Regulations of the Board of Directors shall establish, in accordance with legal and statutory provisions, the system that will govern the various Commissions or Committees and the Advisory Boards.

##### **Article 18. General Shareholders' Meeting.**

All matters of the competency of the General Shareholders' Meeting shall be decided by majority vote of the shareholders that constitute the duly convened General Shareholders' Meeting.

It will be called and it will proceed in accordance with legal and statutory provisions and with the General Shareholders' Meeting Regulations proposed by the Board of Directors and approved by Shareholders' Meeting.

All shareholders, including dissenters and those not participating at the meeting, will be subject to the resolutions of the General Shareholders' Meeting.

##### **Article 19. Types of Meetings.**

The General Shareholders' Meeting may be annual or special.

##### **Article 20. Annual General Meeting.**

Subsequent to the duly given notice, the Annual General Meeting shall meet within the first six months of each fiscal year, to assess the management of the company, and approve, as the case may be, the financial statements for the previous year and decide on the distribution of profits.

**Article 21. Special General Meeting.**

Any meeting not contemplated in the previous article shall be deemed to be a Special Meeting.

**Article 22. Notice of General Meeting.**

The General Meeting shall be called by the Board of Directors or, as the case may be, by the liquidators of the Company, by legal notice in the Official Mercantile Registry Bulletin (Boletín Oficial del Registro Mercantil) and in the company's website, at least one month prior to the date set for the meeting to be held.

The legal notice shall express the name of the Company, the date and time of the meeting and the agenda including all business to be transacted. Likewise, the notice may state, if necessary, the date on which the meeting is called in second call.

The call notice of the General Shareholders' Meeting and the documentation placed at the disposal of the shareholders together with the notice, shall be accessible on the Company's website, for the purpose of facilitating their distribution to the shareholders and the markets in general.

There must be a difference of at least 24 hours between the first and the second meeting.

If the General Meeting, duly convened, is not held in first call, and the date of the second call is not contemplated in the legal meeting notice, it shall be announced, in following the same publicity requisites as the first call, within 15 days following the date of the General Meeting not held and 8 days in advance of the meeting date.

Shareholders representing at least five percent of the share capital may request that a supplement to the call to general shareholders' meeting, including one or more agenda items, be published. The exercise of this right must be carried out by attestable notice which must be received at the registered offices within five days following publication of the official meeting notice.

The supplement to the official meeting notice shall be published at least 15 days in advance of the date established for the general meeting.

The absence of publication of the supplement to the official meeting notice within the deadline established by law shall be cause for annulment of the general meeting.

**Article 23. Power and obligation to call a Meeting.**

The directors or, as the case may be, the liquidators may call a Special General Shareholders' Meeting whenever they deem it to be in the interest of the company.

Likewise, they may call the meeting when a number of shareholders that represent at least 5% of the share capital so request, stating the business to be transacted at the Meeting. In this case, notice must be given for the General Shareholders' Meeting to be held within thirty days following the date on which the directors have been given duly attested notice to call the meeting. The directors shall prepare the agenda and must include the items for which the meeting is called.

Notwithstanding the above, in the event the Chairman or Acting Chairman of the Board of Directors considers a situation to be of great importance to the company, he may proceed to call a Special Meeting to analyze the situation that has arisen and, if necessary, to adopt the relevant resolutions.

**Article 24. General-Consent Meeting.**

Notwithstanding the provisions of the previous sections, the General Shareholders' Meeting will be deemed to be called and will be validly assembled to transact any business, provided all the share capital is present and the attendees unanimously accept to hold a Shareholders' Meeting. A General Meeting may be held anywhere.

**Article 25. Assembly of the General Shareholders' Meeting.**

A Shareholders' Meeting will be validly assembled in first call, when the shareholders, present or represented, hold at least 25% of the subscribed voting shares.

The assembly of a General Shareholders' Meeting in second call will be valid no matter the share capital represented.

**Article 26. Special Resolutions. Quorum.**

In order for the Annual or Special General Shareholders' Meeting to validly agree on the issuance of bonds, the increase or reduction of capital, the transformation, merger or spin-off of the company, the elimination or restriction of the right to preferred acquisition of new shares, the transfer of the registered offices abroad and, in general, any other amendment to the Corporate Bylaws, at first notice shareholders representing at least 50% of the subscribed capital with voting rights must be present. At second notice 25% of the capital must be represented.

When less than 50% of the subscribed voting share capital is present, the resolutions referred to above may only be validly adopted when two-thirds of the capital present or represented at the Meeting casts a vote in favor thereof.

The provisions of this section shall be construed without prejudice to the reinforced assembly or voting quorums established by Law or these Corporate Bylaws.

**Article 27. Attendance right.**

Shareholders who have their shares recorded in the pertinent book-entry ledger five days in advance of the meeting being held and who hold the relevant attendance card may attend the General Meeting. Attendance cards shall be issued by the company in registered form through the institutions that carry the accounting records and may be used by any shareholder as the document for granting his/her proxy for the General Meeting in question. The foregoing shall be construed notwithstanding the certificates of standing issued in accordance with the entries of the Accounting Record by the relevant responsible or member entity.

Members of the Board of Directors must attend the General Meetings.

The Chairman may authorize any person he deems appropriate to attend a meeting, although the General Shareholders' Meeting has the power to revoke said authorization.

**Article 28. Representation by proxy.**

Every shareholder entitled to attend may have himself or herself represented at the General Meeting by another person. The proxy must be granted in writing and specifically for each Shareholders' Meeting, as well as comply with all other relevant legal provisions.

This power of representation is construed without prejudice to the provisions of the Law for cases of family representation and granting of general powers of attorney.

In any case, both for cases of voluntary as well as legal proxies, there may not be more than one proxyholder at the General Meeting.

Financial intermediaries who have standing as shareholders but who are acting for the account of different clients, may fraction their vote in such a manner that allows them to abide by the instructions received.

**Article 29. Chairman and Officers of the General Shareholders' Meeting.**

The General Shareholders' Meeting will be chaired by the Chairman of the Board of Directors and, in his absence, by the relevant Vice Chairman in accordance with the provisions of Article 46 of the Corporate Bylaws and, in the absence of both, by the Chief Executive Officer chosen by the General Shareholders' Meeting.

The Chairman shall be assisted by a Secretary, who shall be the Secretary of the Board of Directors and, in his absence, by the Assistant Secretary, if any, and, in any other case, by the person appointed by the General Shareholders' Meeting.

The Board of Directors shall form the Officers of the General Shareholders' Meeting.

**Article 30. Attendance List.**

Prior to commencing the agenda, an attendance list shall be prepared, which will include the nature or proxy of each attendee and the number of shares, own or third party, that he/she is representing.

The attendance list may also be prepared by file or computer. In the foregoing cases the medium used will be stated in the minutes and it will be duly identified on the sealed cover of the file or relevant medium and will be signed by the Secretary, with the Chairman's approval.

The number of shareholders, present or represented, will be stated at the end of the list, as well as the amount of capital they own, with specification of the capital belonging to shareholders with voting rights. If he deems necessary, the Chairman will appoint two or more scrutineer shareholders, who will sit on the panel to assist in the preparation of the list and, if necessary, to count the votes.

During the General Shareholders' Meeting, any shareholder having the right to attend may consult the attendance list, without this delaying or slackening the normal progress of the General Meeting once the Chairman has declared it to be legally assembled. The Panel will neither be under the obligation to read the foregoing list nor to provide a copy of it in the course of the Meeting.

**Article 31. Voting and representation by remote means of communication.**

- a) Shareholders entitled to attend and vote may cast their votes on the proposals concerning the agenda items by post or through electronic communication, in accordance with the provisions of the General Shareholders' Meeting Regulations and the rules that supplement and implement the Regulations, as stipulated by the Board of Directors.

Using the technical and legal means that make it possible and duly guarantee the identity of the party exercising his right to vote, the Board of Directors is authorized to implement and supplement the rules provided by the General Shareholders' Meeting Regulations. The Board shall determine the time

from which the shareholders may cast their vote through remote means of communication, depending on the stage of development and security provided by the technical means available.

The regulations and any modifications thereto that the Board of Directors adopts in order to implement and supplement the General Shareholders' Meeting Regulations within the scope of the provisions of this article of the by-laws, and the time determined by the Board of Directors from which the shareholders may cast their vote at the General Shareholders' Meeting by remote means of communication shall be published on the company's website.

The shareholders entitled to attend who cast their votes remotely pursuant to the provisions of this article shall be deemed present for the purpose of holding the General Shareholders' Meeting in question.

- b) That set forth in section a) above shall also apply to a shareholder authorizing a proxy for the General Shareholders' Meeting by means of electronic communication or any other remote means of communication.
- c) Attendance in person by a shareholder at a General Shareholders' Meeting shall have the effect of revoking votes cast by post or electronically. Furthermore, personal attendance by a shareholder otherwise represented by proxy at the General Meeting shall have the effect of revoking the proxy granted by electronic correspondence or any other means of long-distance communication contemplated in the General Meeting Regulations.

#### **Article 32. Deliberation and adoption of resolutions.**

Once the meeting has been called to order, the Secretary will proceed to read the agenda items and deliberations thereon shall ensue. The Chairman and persons he designates for this purpose shall be the first to take the floor.

Once they have spoken, the Chairman will call upon the shareholders who so request, to take the floor, while he directs and maintains the debate within the limit of the agenda, ending it when, in his opinion, the matter has been sufficiently debated.

Lastly, votes will be cast for the various proposed resolutions.

Resolutions shall be adopted with the favorable vote of the majority of the voting share capital present or represented at the Meeting, without prejudice to the reinforced assembly of and voting quorums established by Law and in these Corporate Bylaws.

The system for determination of votes established the General Meeting Regulations shall be followed for the adoption of resolutions.

#### **Article 33. Voting rights.**

The shareholders shall be entitled to one vote for each share they own or represent, except for non-voting shares, which shall be governed by the provisions of article 8 of these Bylaws.

#### **Article 34. Right to information.**

From the same day of publication of the official notice of the General Shareholders' Meeting up to and including the seventh day before the date on which the meeting is to be held in first call, the shareholders may request in writing the information or clarifications they deem necessary or ask the questions they deem appropriate in writing concerning the items on the Agenda. In addition, in the same manner and with the same notice, the shareholders may request information or clarifications, or ask questions in writing about the information accessible to the public that the company has provided the Spanish

Securities Market Commission with since the date on which the last General Shareholders' Meeting was held.

While the General Shareholders' Meeting is being held, the shareholders may verbally request the information or clarifications they deem appropriate concerning the items on the Agenda.

The directors shall be obliged to provide the information requested in accordance with the two preceding paragraphs in the manner and in the terms provided by law, except in cases in which, in the Chairman's opinion, publishing such information would not be in the company's interests. This exception will not apply when the request is supported by shareholders that represent at least one quarter of the capital.

Likewise, as from the notice of the Annual Shareholders' Meeting, any shareholder may obtain, in the terms and cases legally provided, the documents regarding the items included on the agenda for the General Meeting, without prejudice to access thereto through the Company's website in the terms set forth in Article 22 hereunder.

#### **Article 35. Minutes of the General Shareholders' Meeting**

The Directors will require the presence of a Notary Public to draw up the minutes of the General Meeting, such Notary Public minutes being deemed to be the minutes of the General Meeting.

#### **Article 36. Formal protest of corporate resolutions.**

The resolutions adopted by the General Meetings may be contested in the cases and by means of the procedures established by current laws in force.

#### **Article 37. Board of Directors. General Functions.**

1. The Board of Directors is responsible for the governance and management of the company. The Board of Directors has the following general functions:
  - a) To establish the corporate strategy and management guidelines.
  - b) To supervise the action of the senior Management, demand explanations for their decisions and assess the performance of their managerial tasks.
  - c) To procure the transparency of the company's relations with third parties.

These functions will be performed by the Board of Directors acting as a single body or through its Commissions and Committees.

2. In compliance with the provisions of Article 2 of these Bylaws, the Board of Directors will lay down the general strategy of the Group of Companies formed by means of shareholdings in other companies.
3. In compliance with Section 245 of the Capital Corporations Law, and with the legal and statutory provisions, the Board of Directors will regulate its own operation and that of its Committees and Commissions, laying down its Regulations, which will be binding for the members of said Board of Directors, acting as such or through, or its Commissions and Committees.

#### **Article 38. Number and types of Board Members.**

The Board of Directors shall be formed by nine members minimum and fifteen maximum. The General Meeting shall be responsible for both the appointment and the removal of the members of the Board of Directors. The position of Director is eligible for resignation, revocation and re-election.

Directors shall be classified as:

- a) Executive Directors:  
Those directors who perform duties of senior management or are employees of the company or of its group shall be considered to be executive directors.
- b) External Dominical Directors (Shareholder Directors):  
Those directors who own a shareholding stake greater than or equal to that legally considered to be significant or who have been appointed as a consequence of their shareholder status, even if their shareholding stake does not reach the said amount, as well as those who represent said shareholders, shall be deemed to be dominical directors or shareholder directors.
- c) External Independent Directors:  
Those directors who, having been appointed in consideration of their personal and professional qualities, may perform their duties without being conditioned by relations with the company, its significant shareholders or its officers, shall be considered to be independent directors.
- d) Other Outside Directors:  
Those who do not hold dominical (shareholder) director or independent director status shall be considered to be Other Outside Directors.

**Article 39. Term of office of Director.**

The term of office of Directors shall be four years. They may be re-elected for periods of like duration. For the purpose of computing the term of office of the mandate of Directors, the year shall be deemed to begin and end on the date on which the Annual General Meeting is held, or the last day possible on which it should have been held. If during the term to which the directors were appointed vacancies should take place, the Board may appoint, from among the shareholders, those persons to fill them until the first General Meeting meets..

**Article 40. Representation of the company.**

The Board of Directors shall represent the company in or out of court, as well as in any acts included within the corporate purpose established in these Corporate Bylaws.

**Article 41. Compensation.**

The remuneration of the Directors will comprise the following items: fixed monthly allotment and profit-sharing. The overall annual remuneration of the entire Board and for the foregoing items will be one thousandth of the profits of the consolidated group, as approved by the General Shareholders' Meeting, although the Board of Directors may reduce this percentage in the fiscal years it deems appropriate. The foregoing is without prejudice to the provisions of paragraph three of this article in relation to per diem allowances.

It will be for the Board of Directors to set the distribution of the mentioned amount among the previous items and among the Directors when, as and how it freely determines.

The members of the Board of Directors will also receive per diems for attendance at each meeting of the company's management bodies and their committees. The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be the fixed monthly allocation. The Board of Directors may, within this limit, establish the amount of the per diems.

The remuneration contemplated in the preceding sections, deriving from membership on the Board of Directors, shall be compatible with other professional or labor earnings pertaining to the Directors for any other executive or advisory duties which, as the case may be, they perform for the company other than

those of collegiate supervision and decision-making characteristic of their status as Directors, which shall be subject to the appropriate applicable legal scheme.

In accordance with the provisions of Section 218.2 of the Spanish Capital Corporations Law, the Directors may only receive remuneration for profit-sharing may only be received by directors after the legal and statutory reserves and allocations have been covered and after the shareholders have been recognized a minimum dividend of 4%.

**Article 42. Responsibility.**

The members of the Board of Directors will perform their duties with due diligence and as a loyal representative, and in compliance with the duties legally vested in them, they must contribute to the function of fostering and supervising the management of the company and their actions will be guided solely by corporate interest.

The Directors, by virtue of their position, are obliged, in particular, to:

- a) Obtain the necessary information and prepare adequately the meetings of the Board of Directors and the statutory corporate bodies to which they belong to.
- b) Attend meetings of the corporate bodies and their Commissions or Committees to which they belong and become actively involved in their discussions in order to contribute actively to the decision-making process.

Notwithstanding the legal provisions on the matter, the Regulations of the Board of Directors will set out the duties of diligence, fidelity, loyalty and secrecy of the Directors, and in particular, their obligation of non-competition, the use of non-public information and on corporate assets, benefiting of business opportunities, conflicts of interest and related party transactions.

**Article 43. Incompatibilities of Directors.**

Those persons subject to the prohibitions of article 213 of the Spanish Capital Corporations Law (Ley de Sociedades de Capital) and other legal provisions may not be appointed as directors.

**Article 44. Notice and place of meeting.**

The Board shall meet as often as the Chairman or an acting chairman calls a meeting, at his discretion or when, at least, two Board Members so request. The official meeting notice shall contain the agenda, which shall be set by the Chairman.

Meetings will generally take place at the registered offices; however, they may also be held elsewhere as the Chairman determines. Board meetings may be held in one or several rooms simultaneously provided that the interactivity and intercommunication in real time by means of audiovisual or telephone systems and, therefore, the unison of the meeting, is guaranteed. In such case, the system of connection and, as the case may be, the places where the necessary technical means for attending and participating at the Meeting are available will be stated in the meeting notice. Resolutions shall be deemed to have been adopted in the place where the Chairman is located.

Without prejudice to the foregoing, and unless precluded by Law, resolutions may be adopted in writing in lieu of a meeting, subject to the requisites and formalities established by the Mercantile Registry Regulations.

**Article 45. Assembly of the Board of Directors.**

The Board of Directors shall be validly assembled when the majority of its members attends the meeting, in person or by proxy.

Proxies must be granted in writing and specifically for each Board Meeting. No Board Member may hold more than three proxies, except the Chairman, to whom this limit shall not be applicable, although he may not represent the majority of the Board of Directors.

By decision of the Chairman of the Board of Directors, the General Managers and Managers of the company, as well as any other persons he deems appropriate, may attend Board meetings.

**Article 46. Offices of the Board.**

The Board of Directors shall include the following officers: a Chairman, Vice Chairman or Vice Chairmen, a Chief Executive Officer and a Secretary.

- 1) In addition to the duties assigned to him by Law and in the Corporate Bylaws, the Chairman shall be responsible for the general and active management of the company and its investee undertakings, and shall direct the Board of Directors, seeing to it that the Board members are duly informed, in addition to representing the company especially before the Public Authorities, Stock Exchange Institutions, Bodies, Companies and Associations of the Electricity Sector and of other economic sectors in which the company carries on its activities.
- 2) In the absence of the Chairman, he or she shall be substituted by the oldest Vice Chairman and, in the absence of all the Vice Chairmen, by the Board Member appointed to substitute them provisionally.
- 3) The Board of Directors shall appoint a Chief Executive Officer, who will be responsible for managing the Company in accordance with the criteria established by the Board of Directors. As the highest responsible person for the management of the company, he or she will be in command of all the company's services and will head the Senior Management. Likewise, he or she will be responsible for carrying out and overseeing the general strategy of the Corporate Group formed by stakes in other companies, without prejudice to the individual competencies vested in each one of the investee companies.
- 4) Regardless of the rights and obligations of Board Members mentioned in these Corporate Bylaws, the Board Regulations will establish the specific legal system that will govern the actions of the Chairman and the Chief Executive Officer, by virtue of their permanent and professional binding relationship with the Company.

The Board will also be responsible for the election of the Secretary and, as applicable, of the Assistant Secretary, who may or may not be Directors. In the case of vacancy or absence, the youngest Director among those attending the meeting shall substitute them.

**Article 47. Deliberation and adoption of resolutions.**

The meeting having been called to order, the Secretary will read the items comprising the agenda, whereupon deliberations and the relevant voting thereon shall ensue.

The Board will deliberate on the matters contained on the agenda and also on all those matters that the Chairman or majority of the Directors present or represented, propose, although not included on the agenda.

Resolutions shall be adopted by absolute majority of the Board Members present or represented, who attend the meeting. In the event there is an equal number of votes, the Chairman or whosoever substitutes for him at the meeting, will cast the decisive vote. The provisions of this section shall be applicable without prejudice to those resolutions for which a qualified majority of the Board Members is required in accordance with these Corporate Bylaws or current laws in force.

Voting in writing in lieu of a meeting will only be accepted in the event no Board Member opposes the procedure.

The resolutions of the Board of Directors will be set out in the minutes of the meeting, which will be written in the relevant Minute Book, in accordance with the requirements of the laws in force.

The Board of Directors will itself approve the minutes upon conclusion of the meeting or at the following meeting. The minutes will also be deemed to be approved when within the five days following receipt of a draft copy of the minutes, no Board Member makes objections. The Board of Directors may empower the Chairman and a Board Member to jointly approve the minutes of a meeting.

Once approved, the minutes will be signed by the Secretary of the Board or of the meeting, with the approval of whoever acts as Chairman at the meeting.

#### **Article 48. Granting of powers.**

The Board of Directors may provisionally or permanently delegate all or part of its powers to the Executive Committee, to the Chief Executive Officer and to the different Board Committees, except those that legally or by resolution of the General Shareholders' Meeting, are exclusively reserved to its competence.

For the permanent delegation of the Board of Director's powers to the Executive Committee and to the Chief Executive Officer and the appointment of officers that will occupy these posts to be valid, the vote in favor of two thirds of the members of the Board and its registration in the Mercantile Registry will be required.

The Executive Committee and the Chief Executive Officer will inform the Board of Directors of the main resolutions adopted during the exercise of the powers conferred on them.

#### **Article 49. Composition of the Executive Committee.**

The Executive Committee will consist of a minimum of five and a maximum of seven Board Members, including the Chairman.

The Chairman of the Board of Directors will chair Executive Committee and the Secretary of the Board of Directors will act as such on the Executive Committee. The system of substitutions of these posts is that foreseen for the Board of Directors.

#### **Article 50. Duties of the Board of Directors.**

The Board of Directors, acting as a single body or through its Committees is vested with all discretions vested in the Board by law or by the Corporate Bylaws concerning the management and administration of the company, and in particular with regard to the general functions set out in Article 37 of these Articles.

By means of its own Regulations, the Board itself will develop within the framework provided by law and by the Company's Articles, its structure, functions, rules applicable to its proceedings, composition of the Board and of its Commissions and Committees, relations with Directors, General Shareholders' Meeting, Auditors, Senior Officers, the Statute applicable to Directors and other officers.

#### **Article 51. Formal Protest of Board of Directors Resolutions.**

The Directors and Shareholders that represent 5% of the share capital may contest the void and voidable resolutions of the collegiate management bodies, in accordance with the deadlines and procedure established by Law.

#### **Article 52. Auditing and Compliance Committee**

The Auditing and Compliance Committee will comprise a minimum of four and a maximum of six members of the Board of Directors appointed with the favorable vote of the majority of the Board itself. Non-executive directors must form a majority of its members. At least one of the members of the Audit and Compliance Committee shall be independent and shall be appointed in consideration of his or her knowledge and experience in the area of accounting, auditing or both.

The Chairman of the Auditing and Compliance Committee shall be appointed by the Board of Directors from among the non-executive directors or members who do not hold management or executive duties at the entity, nor maintain a contractual relationship other than the condition by which they are appointed, with the favorable vote of the majority of the Board itself. The Chairman must be replaced every four years and may be re-elected after one year after his vacating office has lapsed.

In the Chairman's absence, the Committee member designated provisionally by the Board of Directors will substitute for him and, failing this, the oldest Committee member.

The Auditing and Compliance Committee will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will take place at the Company's registered offices or at such other venue as may be determined by the Chairman and stated in the meeting notice.

Committee meetings will be validly assembled when the majority of the Committee members attend. Resolutions must be adopted with the favorable vote of the majority of directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman, will have the tie-breaking vote.

The Secretary of the Committee shall be that of the Board of Directors who will draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions.

The main task of the Committee is to promote compliance with good corporate governance and ensure the transparency of all actions of the Company in the economic and financial area and external and compliance audits and internal audits. In any event it will be entrusted with the following duties:

- a) Report any matters proposed by Shareholders on matters of its competence to the General Shareholders' Meeting.
- b) Propose the external auditors or audit firms to the Board of Directors who will refer this issue to the General Shareholders' Meeting, pursuant to Article 58 of these Bylaws.
- c) Supervise the efficiency of the company's Internal Control System, internal auditing services and risk management systems, as well as discuss with the auditors or auditing companies the significant weaknesses of the internal control system detected in performing the audit.
- d) Supervise the process for preparation and presentation of regulated financial reporting.
- e) Liaise with external auditors or audit firms in order to receive information on all matters which may place at risk their independence, and any others related to the procedures concerning the audit of the accounts, as well as those communications as provided by account auditing laws and technical auditing standards. In any case, the Audit and Compliance Committee shall receive annually from the auditors or auditing companies written confirmation of their independence vis-à-vis the Company

- f) Issue annually, prior to the issuance of the auditors' report, a report which will express an opinion on the independence of the auditors or auditing companies. This report must in any case pronounce on the provision of the additional services referred to in the above section.

These duties will be deemed to be without limitation and without prejudice to such other duties as may be entrusted to the Committee by the Board of Directors.

The Board Regulations may develop the competencies of the Committee and its scheme of organization and operation.

### **Article 53. Appointments and Compensation Committee**

The Appointments and Compensation Committee shall be formed by a minimum of four and a maximum of six members of the Board of Directors, appointed with the favorable vote of the majority of the Board itself. Non-executive directors must form a majority of its members.

The Chairman of the Appointments and Compensation Committee shall be appointed by the Board of Directors from among the non-executive directors, with the favorable vote of the majority of the Board itself. The Chairman must be replaced every four years and may be re-elected after one year after his vacating office has lapsed.

In the Chairman's absence, the Committee member designated provisionally by the Board of Directors will substitute for him and, failing this, the oldest Committee member.

The Appointments and Compensation Committee will meet as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors. Committee meetings will take place at the Company's registered offices or at such other venue as may be determined by the Chairman and stated in the meeting notice.

Committee meetings will be validly assembled when the majority of the Committee members attend. Resolutions must be adopted with the favorable vote of the majority of directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman, will have the tie-breaking vote.

The Secretary of the Committee shall be that of the Board of Directors who will draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions.

The Appointments and Compensation Committee is vested, inter alia, with the powers and authorities of informing and proposing to the Board of Directors the appointment of directors, either by co-option or by means of a proposal to the General Shareholders' Meeting; it will also report on their compensation and on any appointments to Senior Management and their compensation.

These duties will be deemed to be without limitation and without prejudice to such other duties as may be entrusted to the Committee by the Board of Directors.

The Board Regulations may develop the competencies of the Committee and its scheme of organization and operation.

## **TITLE VI. ANNUAL FINANCIAL STATEMENTS.**

### **Article 54. Annual Financial Statements.**

The fiscal year will begin on January 1 and will end on December 31 of each year.

The annual financial statements, forming one unit, shall consist of the balance sheet, the income statement, the statement of changes in net equity, the cash-flow statement, and the notes thereto. These documents must be drafted in such a manner so as to offer a true and fair view the company's equity, financial position and results, as provided by Law.

### **Article 55. Contents of the Annual financial statements.**

The balance sheet shall include, duly separated, the assets and rights forming the company's assets and the obligations forming its liabilities, specifying its equity. The balance sheet will be structured as provided by the Spanish Capital Corporations Law and other applicable legal provisions.

The income statement will include, also duly separated, the income and expenses of the year and, by difference, the result thereof. It will differentiate between profit from ordinary activities and from other activities, or profits that are the result of extraordinary circumstances. The income statement must be structured as provided by the Spanish Capital Corporations Law and other applicable legal provisions.

The statement of changes in net equity shall include the statement of recognized income and expenses and the total statement of changes in net equity.

The cash-flow statement shall include the origin and utilization of the monetary assets representing cash and other equivalent liquid assets.

The notes to the financial statement shall complete, expand and comment on the information contained on the balance sheet, the income statement, the statement of changes in net equity and the cash-flow statement. The notes shall contain the indications provided by the Spanish Capital Corporations Law and other applicable legal provisions.

### **Article 56. Management Report.**

The Management Report must at least contain a true and fair view on the development of the business and situation of the company. It must also include indications on the most important events for the company that occurred subsequent to the close of the year, the expected development of the company, research and development activities and the acquisition of treasury stock, in accordance with the Law.

### **Article 57. Audit of Financial Statements.**

The annual financial statements and management report must be reviewed by the auditors as provided by law. The auditors shall also check the agreement of the management report with the fiscal year annual financial statements. The auditors shall have at least one month from the time in which the financial statements are submitted to them by the directors, in order to present their report.

### **Article 58. Appointment of Auditors.**

The Audit and Supervisory Committee will propose the external auditors to the Board of Directors who will refer this issue to the General Shareholders' Meeting. The appointment by the General Shareholders' Meeting shall take place before the end of the year to be audited, for a period of not less than three years or more than nine years. The General Shareholders' Meeting may re-elect the Auditors annually once the

initial period has lapsed. The General Shareholders' Meeting may appoint one or several natural persons or legal entities to act jointly. When the appointed auditors are natural persons, the General Shareholders' Meeting must appoint as many substitutes as there are appointed auditors.

**Article 59. Preparation of the Annual Financial Statements.**

Within a maximum period of three months as from the year-end closing date, the Board of Directors shall be obliged to prepare the annual financial statements Management Report and the proposal for the application of earnings, as well as, if applicable, the consolidated accounts and Management Report. The annual financial statements and management report must be signed by all Directors. If the signature of any Board Member is missing, this circumstance must be indicated on each one of the documents from which it is missing, with express indication of the cause.

**Article 60. Approval of the Annual Financial Statements.**

The annual financial statements shall be approved by the General Shareholders' Meeting, which shall resolve on the application of the fiscal year earnings, in accordance with the approved balance sheet.

**Article 61. Legal Reserve.**

In any case, an amount equal to 10% of the profit for the year shall be allocated to the legal reserve, until the latter reaches at least 20% of the share capital. As long as it does not exceed the amount indicated, the legal reserve may only be used to offset losses, in the event there are no other reserves available for this purpose.

**Article 62. Distribution of Dividends.**

Once the requirements established by Law or by the Corporate Bylaws have been met, dividends may only be distributed against the fiscal year earnings, or against the freely-available reserves, if the equity for accounting purposes is not or, as a consequence of the distribution, does not become less than the share capital. In the event of losses from prior fiscal years which cause such equity to fall below the amount of the share capital, the profits shall be used to offset these losses.

The General Shareholders' Meeting will determine the time and form of payment in the resolution declaring the dividend distribution. Unless otherwise resolved by the General Shareholders' Meeting, the dividend shall be payable at the company's registered office as from the day following the date of the resolution.

**Article 63. Interim Dividends.**

Only the General Shareholders' Meeting or the Board of Directors may resolve the distribution to shareholders of interim dividends, under the following conditions.

1. The Board of Directors shall prepare an accounting statement in which it proves that there is sufficient liquidity for the allocation. This accounting statement will subsequently be included in the annual report.
2. The amount to be distributed may not exceed the amount of the results obtained since the end of the last fiscal year, minus losses from prior years and the amount to be allocated to the compulsory reserves established by law and by the Corporate Bylaws, as well as the estimated tax to be paid on these earnings.

**Article 64. Deposit of Annual Financial Statements.**

Within the month following the approval of the annual financial statements, the certification of the resolutions of the General Shareholders' Meeting and of the distribution of profits, to which a copy of each one of the foregoing accounts will be attached, in addition to the Management Report and the Auditors' Report, must be deposited at the Mercantile Registry in the district where the Company's registered office are located.

**TITLE VII. CONFLICT RESOLUTION**

**Article 65. Conflict Resolution.**

For all disputes that may arise between the Company and the shareholders, or between the shareholders themselves, which are related to corporate matters, both the Company and the shareholders submit to the jurisdiction of the Company's registered office and waive their right to the jurisdiction to which they would otherwise submit.