

REPORT OF THE BOARD OF DIRECTORS OF TELEFÓNICA, S.A. REGARDING THE PROPOSED AMENDMENT OF ARTICLES 3, 7, 8, 9, 10, 11, 13 AND 27 OF THE REGULATIONS FOR THE GENERAL SHAREHOLDERS' MEETING, WHICH SHALL BE SUBMITTED FOR APPROVAL OF THE SHAREHOLDERS AT THE 2012 ORDINARY GENERAL SHAREHOLDERS' MEETING (ITEM V OF THE AGENDA).

1. PURPOSE OF THE REPORT

The Agenda for the Ordinary General Shareholders' Meeting of Telefónica, S.A., called to be held on May 13/14, 2012, on first and second call, respectively, includes in item V a proposal relating to the amendment of Articles 3, 7, 8, 9, 10, 11, 13 and 27 of the Company's Regulations for the General Shareholders' Meeting.

The Board of Directors of Telefónica, S.A. issues this Report in order to set forth the rationale for the proposed amendments to the aforementioned Regulations, also including the full text of such amendments.

2. RATIONALE FOR THE PROPOSAL

The main purpose of the amendments proposed to the shareholders at the Ordinary General Shareholders' Meeting of Telefónica, S.A. is to make technical improvements in the text of the Company's Regulations for the General Shareholders' Meeting and to align the provisions thereof with the amendments to the restated text of the Companies Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of July 2 (the "**Companies Act**"), made by Law 25/2011, of August 1, partially amending the Companies Act and adopting Directive 2007/36/EC, of the European Parliament and of the Council, of July 11, on the exercise of certain rights of shareholders in listed companies ("**Law 25/2011**"), all of the foregoing being consistent with the amendments to the By-Laws proposed under item IV of the Agenda.

Most of these amendments are based on the corresponding amendments to the By-Laws submitted to the shareholders at this General Shareholders' Meeting under item IV of the Agenda and, therefore, are also justified by the need to maintain due internal coherence within the corporate regulations and the corporate governance system of Telefónica, S.A.

For the purpose of voting on the proposed amendments to the Regulations, and without prejudice to the provision of an individual rationale for each of them, it is proposed to submit all of the amendments as a whole for approval of the shareholders at the General Shareholders' Meeting, as they all serve the same purpose, namely, the introduction of technical improvements and the adjustment to current legislation.

Each of the amendments to the Regulations for the General Shareholders' Meeting proposed to the shareholders at the General Shareholders' Meeting is set forth and explained below.

Proposed amendment of Article 3 of the Regulations for the General Shareholders' Meeting:

In line with the text of the new Article 18 *bis* of the By-Laws, it is proposed to amend Article 3 of the Regulations for the General Shareholders' Meeting in order to remove the name of the Company's corporate website, such that a change of corporate website does not require the amendment of the article.

Current text	New text proposed
<p>Article 3. Publication and registration</p> <p><i>1. These Regulations, as well as any subsequent amendments hereto, shall be reported to the National Securities Market Commission [Comisión Nacional del Mercado de Valores] and thereafter registered with the</i></p>	<p>Article 3. Publication and registration</p> <p><i>1. These Regulations, as well as any subsequent amendments hereto, shall be reported to the National Securities Market Commission [Comisión Nacional del Mercado de Valores] and thereafter registered with the Commercial Registry of</i></p>

<i>Commercial Registry of Madrid.</i>	<i>Madrid.</i>
<i>2. The current text of these Regulations will be available to the shareholders at the Company's principal office and on its website (www.telefonica.es).</i>	<i>2. The current text of these Regulations will be available to the shareholders at the Company's principal office and on its <u>corporate website</u> (www.telefonica.es).</i>

Proposed amendment of Article 7 of the Regulations for the General Shareholders' Meeting:

It is proposed to amend Article 7 of the Regulations for the General Shareholders' Meeting in order to (i) grant the Board of Directors the exclusive power to call a General Shareholders' Meeting, as a technical improvement, and (ii) adjust the text thereof to the new text of Section 168 of the Companies Act as amended by Law 25/2011, in line with the proposed amendment of Article 15.3 of the By-Laws, regarding the period within which the General Shareholders' Meeting must be held when so requested by the holders of at least five percent of the share capital.

Current text	New text proposed
<i>Article 7. Power and obligation to call to meeting</i> <i>1. The General Shareholders' Meeting shall be formally called by the Board of Directors of the Company or by the Executive Commission thereof, without prejudice to such express delegation of powers to that end as the aforementioned bodies may make in favor of any of its members.</i>	<i>Article 7. Power and obligation to call to meeting</i> <i>1. The General Shareholders' Meeting shall be formally called by the Board of Directors of the Company or by the Executive Commission thereof, without prejudice to such express delegation of powers to that end as the aforementioned bodies <u>body</u> may make in favor of any of its members.</i>
<i>2. The Board of Directors, or the Executive Commission, may call the General Shareholders' Meeting whenever it deems it advisable or appropriate to further the corporate interests and shall be required, in all</i>	<i>2. The Board of Directors, or the Executive Commission, may call the General Shareholders' Meeting whenever it deems it advisable or appropriate to further the corporate interests and shall be required, in all</i>

<p>cases, to call the Ordinary General Shareholders' Meeting within the first six months of each Fiscal Year and to call an Extraordinary General Shareholders' Meeting whenever it is so requested in writing by the holders of at least five per cent of the share capital, which request shall set forth the matters to be dealt with. In this instance, the Board of Directors shall have a maximum period of fifteen days, to be computed from the date of the notarially-recorded request for such call, within which to call the Meeting with such minimum advance notice as is required by Law, and the agenda shall include at least the matters set forth in the request.</p>	<p>cases, to call the Ordinary General Shareholders' Meeting within the first six months of each Fiscal Year and to call an Extraordinary General Shareholders' Meeting whenever it is so requested in writing by the holders of at least five per cent of the share capital, which request shall set forth the matters to be dealt with. In this instance, the Board of Directors shall have a maximum period of fifteen days, to be computed from the date of the <u>the General Shareholders' Meeting shall be called to be held within two months of the date on which a</u> notarially-recorded request for such call <u>has been submitted to the Board of Directors,</u> within which to call the Meeting with such minimum advance notice as is required by Law, and the agenda shall include at least the matters set forth in the request.</p>
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Proposed amendment of Article 8 of the Regulations for the General Shareholders' Meeting:

In line with the proposed amendment of Article 16 of the By-Laws, it is proposed to amend Article 8 of the Regulations for the General Shareholders' Meeting in order to adjust it to the new text of Sections 516 and 519 of the Companies Act as amended by Law 25/2011, in connection with the publication of the call to the General Shareholders' Meeting and with the right of shareholders representing at least five percent of the share capital to submit proposals for resolutions and to supplement the agenda for Ordinary General Shareholders' Meetings.

Current text	New text proposed
Article 8. Publication and notice of the call to meeting	Article 8. Publication and notice of the call to meeting
1. The General Shareholders' Meeting	1. The General Shareholders' Meeting

shall be called through a notice published in the Official Bulletin of the Commercial Registry and on the Company's website (www.telefonica.com), as much in advance of the date set for the Meeting as is at a minimum required by Law.

The notice published on the Company's website shall be accessible at least until the date of the Meeting. Furthermore, the Board of Directors may publish notices in other media, if it deems it appropriate in order to give broader publicity to the call to meeting.

The call to the General Shareholders' Meeting shall also be reported to the National Securities Market Commission and to such Market Supervisory Authorities as may be appropriate.

2. The notices of the call to meeting shall contain all the statements required by the Law in each case and, in any event, shall set forth the place, date and time of the Meeting upon first call and all the matters to be dealt with thereat (the agenda). The notices may also state the place, date and time for the Meeting to be held, if

shall be called, at least as much in advance of the date set for the Meeting as is at a minimum required by Law, through a notice published:

a) in the Official Bulletin of the Commercial Registry or in one of the more widely circulated newspapers in Spain.

b) On the website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores).

c) ~~On and on~~ the Company's corporate website (www.telefonica.com), ~~as much in advance of the date set for the Meeting as is at a minimum required by Law~~

The notice published on the Company's website shall be continuously accessible at least until the date of the Meeting. Furthermore, the Board of Directors may publish notices in other media, if it deems it appropriate to ensure the public and effective dissemination of ~~in order to give broader publicity to~~ the call to meeting.

The call to the General Shareholders' Meeting shall also be reported to ~~the~~ National Securities Market Commission ~~and to~~ such Market Supervisory Authorities as may be appropriate.

2. The notices of the call to meeting shall contain all the statements required by the Law in each case and, in any event, shall set forth the place, date and time of the Meeting upon first call and all the matters to be dealt with thereat (the agenda). The notices may also state the place, date and time for the Meeting to be

<p>applicable, upon second call.</p>	<p>held, if applicable, upon second call.</p>
<p>3. Shareholders representing at least five percent of the share capital may request the publication of a supplement to the call to the General Shareholders' Meeting including one or more items in the agenda. This right must be exercised by means of duly authenticated notice that must be received at the Company's registered office within five days of the publication of the call to meeting.</p> <p>The supplement to the call to meeting must be published in compliance with the legal requirements and as much in advance as is provided by the Law.</p>	<p>3. <u>At Ordinary General Shareholders' Meetings,</u> Shareholders representing at least five percent of the share capital may request the publication of a supplement to the call to the <u>Ordinary</u> General Shareholders' Meeting including one or more items in the agenda, <u>so long as such new items are accompanied by a rationale or, if applicable, by a well-founded proposal for a resolution.</u></p> <p><u>4. In addition, shareholders representing at least five percent of the share capital may submit well-founded proposals for resolutions regarding items already included or that must be included in the agenda for the Meeting called. The Company shall ensure that such proposals for resolutions and any attached documentation are disseminated among the other shareholders, as provided in the following article.</u></p> <p><u>5. The rights provided for in the two preceding paragraphs</u> This right must be exercised by means of duly authenticated notice that must be received at the Company's registered office within five days of the publication of the call to meeting.</p> <p>The supplement to the call to meeting <u>and the proposals for resolutions</u> must be published <u>or disseminated</u> in compliance with the legal requirements and as much in advance as is provided by the Law.</p>

Proposed amendment of Article 9 of the Regulations for the General Shareholders' Meeting:

It is proposed to amend Article 9 of the Regulations for the General Shareholders' Meeting in order to include the changes made by Law 25/2011 to Section 518 of the Companies Act, in connection with the general information that the Company must maintain continuously published on its website prior to the General Shareholders' Meeting.

Current text	New text proposed
<p>Article 9. Information available to the shareholders from publication of the notice of the call to meeting</p> <p>1. From the date of publication of the notice of the call to the General Shareholders' Meeting, the Company shall make available to the shareholders the documents and information that the Law or the By-Laws require that be provided to them in connection with the items on the agenda, which documents and information shall be posted on the Company's website starting on the aforementioned date. Without prejudice to the foregoing, the shareholders may obtain such documents and information immediately and without charge at the Company's registered office, as well as request that they be sent or delivered to them without charge, in such cases and under such terms as are provided in the Law.</p>	<p>Article 9. Information available to the shareholders from publication of the notice of the call to meeting</p> <p>From the date of publication of the notice of the call to the General Shareholders' Meeting, the Company shall make available to the shareholders the documents and information that the Law or the By-Laws require that be provided to them in connection with the items on the agenda, which documents and information shall be posted on the Company's website starting on the aforementioned date. Without prejudice to the foregoing, the shareholders may obtain such documents and information immediately and without charge at the Company's registered office, as well as request that they be sent or delivered to them without charge, in such cases and under such terms as are provided in the Law.</p> <p><u>1. Beginning on the date of publication of the notice of the call to meeting and until the General Shareholders' Meeting is held, the Company shall maintain the following information continuously published on its website:</u></p>

	<p><u>a) The notice of the call to meeting.</u></p> <p><u>b) The total number of shares and voting rights on the date the meeting is called, with a breakdown by class of shares, if any such classes exist.</u></p> <p><u>c) The documents to be submitted to the shareholders at the General Shareholders' Meeting and, specifically, the reports prepared by directors, auditors and independent experts.</u></p> <p><u>d) The full text of the proposed resolutions or, if none, a report prepared by the competent bodies, containing a discussion of each of the items on the agenda. The proposed resolutions submitted by the shareholders shall also be included in the order that they are received.</u></p> <p><u>e) The existing communication channels between the Company and the shareholders and, specifically, any appropriate explanations regarding the exercise of the shareholders' right to receive information, setting forth the mailing and e-mail addresses to which the shareholders may write.</u></p> <p><u>f) The means to grant a proxy for the General Shareholders' Meeting and to cast a distance vote, including the procedure to obtain attendance cards or a certificate issued by the entities legally authorized for such purpose.⁴.</u></p>
<p>2. Furthermore, from the date of publication of the notice of the call to the General Shareholders' Meeting, and in order to facilitate shareholders' attendance and participation therein, the Company shall include in its website, to the extent available and in addition to the documents and information required by the Law, all</p>	<p>2. Furthermore, from the date of publication of the notice of the call to the General Shareholders' Meeting, and in order to facilitate shareholders' attendance and participation therein, the Company shall include in its website, to the extent available and in addition to the documents and information required by the Law, all</p>

materials that the Company deems advisable for such purposes and in particular, but merely for illustrative purposes, the following:

a) The text of all the proposed resolutions that are to be submitted to the shareholders at the General Shareholders' Meeting and that have by then been approved by the Board of Directors, provided, however, that the Board of Directors may amend such proposals up to the date of the Meeting when so permitted by the Law.

b) Information regarding the place where the General Shareholders' Meeting is to be held, describing, when appropriate, the means of access to the meeting room.

c) The procedure to obtain attendance cards or certificates issued by the entities legally authorized to do so.

d) The means and procedures to grant a proxy for the General Shareholders' Meeting.

e) If established, the means and procedures to cast votes from a distance.

f) Any other matters of interest for purposes of following the proceedings at the Meeting, such as whether or not simultaneous interpretation services will be provided, the possibility that the General Shareholders' Meeting be followed by audio-visual means, or information in other languages.

In addition, when there is a supplement to the call to meeting, the Company shall, from the date of

materials that the Company deems advisable for such purposes and in particular, but merely for illustrative purposes, the following:

~~a) The text of all the proposed resolutions that are to be submitted to the shareholders at the General Shareholders' Meeting and that have by then been approved by the Board of Directors, provided, however, that the Board of Directors may amend such proposals up to the date of the Meeting when so permitted by the Law.~~

~~b) Information regarding the place where the General Shareholders' Meeting is to be held, describing, when appropriate, the means of access to the meeting room.~~

~~c) The procedure to obtain attendance cards or certificates issued by the entities legally authorized to do so.~~

~~d) The means and procedures to grant a proxy for the General Shareholders' Meeting.~~

~~e) If established, the means and procedures to cast votes from a distance.~~

~~f) Any other matters of interest for purposes of following the proceedings at the Meeting, such as whether or not simultaneous interpretation services will be provided, the possibility that the General Shareholders' Meeting be followed by audio-visual means, or information in other languages.~~

In addition, when there is a supplement to the call to meeting, the Company shall, from the date of

<p><i>publication thereof, also publish, in the same manner and on its website, the text of the proposals to which such supplement refers and which has been provided to the Company.</i></p> <p><i>This information may be subject to changes at any time, in which case any appropriate amendments or clarifications shall be published on the Company's website.</i></p>	<p><i>publication thereof, also publish, in the same manner and on its website, the text of the proposals to which such supplement refers and which has been provided to the Company.</i></p> <p><i>This information may be subject to changes at any time, in which case any appropriate amendments or clarifications shall be published on the Company's website.</i></p>
<p><i>3. The Company shall deliver the information and documentation referred to in sub-section 1 and in paragraph a) of sub-section 2 of this article to the National Securities Market Commission and other Market Supervisory Authorities as may be appropriate; it shall also provide such information and documentation to the depositary or depositaries of the programs through which the Company is listed on certain foreign Markets.</i></p>	<p><i>3. The Company shall deliver the information and documentation referred to in sub-section 1 and in paragraph a) of sub-section 2 of this article to the National Securities Market Commission and other Market Supervisory Authorities as may be appropriate; it shall also provide such information and documentation to the depositary or depositaries of the programs through which the Company is listed on certain foreign Markets.</i></p>

Proposed amendment of Article 10 of the Regulations for the General Shareholders' Meeting:

In line with the proposed amendment of Article 18 of the By-Laws, it is proposed to amend Article 10 of the Regulations for the General Shareholders' Meeting in order to align it with the text of Section 520 of the Companies Act, as amended by Law 25/2011, which broadens the scope of exercise of the shareholders' right to receive information, by extending such right to the content of the auditor's report and by allowing the shareholders to ask questions regarding information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the last General Shareholders' Meeting, and also allows for a more dynamic conduct of the proceedings at the General Shareholders' Meeting through the use of lists of questions and answers.

Current text	New text proposed
<p>Article 10. Right to receive information</p> <p>1. From the time of publication of the notice of the call to a General Shareholders' Meeting through the seventh day prior to the date set for the holding thereof upon first call, any shareholder may submit a written request to the Board of Directors of the Company for such information or clarifications as it deems are required, or ask written questions it deems are pertinent, regarding the matters included in the Agenda for the Meeting that has been published in the notice of call thereto, or regarding information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the immediately prior General Shareholders' Meeting.</p> <p>The Board of Directors shall be required to provide in writing, until the day when the General Shareholders' Meeting is held, the requested information or clarifications, as well as to respond in writing to the questions asked. The answers to the questions and to the requests for information shall be channeled through the Secretary of the Board of Directors and provided by any member thereof or by any person expressly authorized by the Board of Directors to that end.</p>	<p>Article 10. Right to receive information</p> <p>1. From the time of publication of the notice of the call to a General Shareholders' Meeting through the seventh day prior to the date set for the holding thereof upon first call, any shareholder may submit a written request to the Board of Directors of the Company for such information or clarifications as it deems are required, or ask written questions it deems are pertinent, regarding the matters included in the Agenda for the Meeting that has been published in the notice of call thereto, or regarding information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the immediately prior General Shareholders' Meeting, <u>or regarding the auditor's report.</u></p> <p>The Board of Directors shall be required to provide in writing, until the day when the General Shareholders' Meeting is held, the requested information or clarifications, as well as to respond in writing to the questions asked. The answers to the questions and to the requests for information shall be channeled through the Secretary of the Board of Directors and provided by any member thereof or by any person expressly authorized by the Board of Directors to that end.</p>
<p>2. During the course of the General Shareholders' Meeting, the shareholders of the Company may verbally request such information or clarifications as they deem appropriate regarding the matters</p>	<p>2. During the course of the General Shareholders' Meeting, the shareholders of the Company may verbally request such information or clarifications as they deem appropriate regarding the matters</p>

<p>contained in the agenda. In the event that it is not possible to satisfy the shareholder's right at that time, the Directors shall provide such information in writing within seven days of the close of the Meeting.</p>	<p>contained in the agenda, <u>or regarding the information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the last General Shareholders' Meeting, or regarding the auditor's report.</u> In the event that it is not possible to satisfy the shareholder's right at that time, the Directors shall provide such information in writing within seven days of the close of the Meeting.</p>
<p>3. The Directors shall have the duty to provide the information requested in reliance upon the two preceding paragraphs, except in those cases in which (i) it has been requested by holders of less than one-fourth of the share capital and the dissemination thereof may, in the opinion of the Chairman, prejudice the corporate interests; (ii) the request for information or clarifications does not refer to matters included in the agenda or, in the case of sub-section 1 above, to information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the immediately prior General Shareholders' Meeting; (iii) the request for information is deemed abusive for any other reason; or (iv) it is so established in legal or regulatory provisions.</p> <p>Answers to shareholders who attend the General Shareholders' Meeting from a distance by means of data transmission and simultaneously and who exercise their right to receive information through this procedure</p>	<p>3. The Directors shall have the duty to provide the information requested in reliance upon the two preceding paragraphs, except in those cases in which (i) it has been requested by holders of less than one-fourth of the share capital and the dissemination thereof may, in the opinion of the Chairman, prejudice the corporate interests; (ii) the request for information or clarifications does not refer to matters included in the agenda or, in the case of sub-section 1 above, to information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the immediately prior General Shareholders' Meeting; <u>(iii) prior to the request for information, such information has been clearly and directly made available to all shareholders in question-and-answer format on the Company's website;</u>(iii) (iv) the request for information is deemed abusive for any other reason; or (iv) it is so established in legal or regulatory provisions.</p> <p>Answers to shareholders who attend the General Shareholders' Meeting from a distance by means of data transmission and simultaneously and who exercise their right to receive</p>

<i>shall be provided, if applicable, in writing, within seven days following the Meeting.</i>	<i>information through this procedure shall be provided, if applicable, in writing, within seven days following the Meeting.</i>
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Proposed amendment of Article 11 of the Regulations for the General Shareholders' Meeting:

In line with the text of the new Article 18 *bis* of the By-Laws, and as stated above in connection with the amendment of Article 3 of the Regulations for the General Shareholders' Meeting, it is proposed to amend Article 11 of the Regulations for the General Shareholders' Meeting in order to remove the name of the Company's corporate website, such that a change of corporate website does not require the amendment of the article.

Current text	New text proposed
<p>Article 11. Electronic Shareholders' Forum and suggestions made by the shareholders</p> <p>1. <i>Without prejudice to the shareholders' right, in such cases and under such terms as are provided in the Law, to have certain matters included in the Agenda for the Meeting that they request be called, the shareholders may at all times and after providing evidence of their status as such, make suggestions through the Shareholder Service [Servicio de Atención al Accionista] regarding the organization and operation of the General Shareholders' Meeting and the powers of the shareholders thereat.</i></p>	<p>Article 11. Electronic Shareholders' Forum and suggestions made by the shareholders</p> <p>1. <i>Without prejudice to the shareholders' right, in such cases and under such terms as are provided in the Law, to have certain matters included in the Agenda for the Meeting that they request be called, the shareholders may at all times and after providing evidence of their status as such, make suggestions through the Shareholder Service [Servicio de Atención al Accionista] regarding the organization and operation of the General Shareholders' Meeting and the powers of the shareholders thereat.</i></p>
<p>2. <i>On occasion of the call to meeting and until each General Shareholders' Meeting is held, the Company shall place into operation on its website (www.telefonica.com) an Electronic</i></p>	<p>2. <i>On occasion of the call to meeting and until each General Shareholders' Meeting is held, the Company shall place into operation on its website (www.telefonica.com)—an Electronic</i></p>

<p><i>Shareholders' Forum, which shall be accessible, with appropriate safeguards, by both individual shareholders and by any voluntary associations they may create as provided by law, in order to facilitate their communication prior to a General Shareholders' Meeting being held. Proposed resolutions sought to be presented as a supplement to the agenda notified in the call to meeting may be published in the Forum, together with requests for adherence to such proposals, initiatives to reach the percentage sufficient to exercise a minority right provided by Law as well as proxy offers or solicitations. The Board of Directors may further develop the above-mentioned rules and establish the procedures, terms and other conditions for the operation of the Electronic Shareholders' Forum.</i></p>	<p><i>Shareholders' Forum, which shall be accessible, with appropriate safeguards, by both individual shareholders and by any voluntary associations they may create as provided by law, in order to facilitate their communication prior to a General Shareholders' Meeting being held. Proposed resolutions sought to be presented as a supplement to the agenda notified in the call to meeting may be published in the Forum, together with requests for adherence to such proposals, initiatives to reach the percentage sufficient to exercise a minority right provided by Law as well as proxy offers or solicitations. The Board of Directors may further develop the above-mentioned rules and establish the procedures, terms and other conditions for the operation of the Electronic Shareholders' Forum.</i></p>
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Proposed amendment of Article 13 of the Regulations for the General Shareholders' Meeting:

It is proposed to amend Article 13 of the Regulations for the General Shareholders' Meeting in order to update the reference to the former Section 514 of the Companies Act, which is now Section 526, and to further develop and clarify the provisions governing representation at the Meeting, especially in those cases in which the proxy-holder may be affected by any of the conflicts of interest contemplated in the Companies Act.

Current text	New text proposed
<p>Article 13. Proxy-granting and representation</p> <p><i>1. Every shareholder having the right to attend the General Shareholders' Meeting may be represented thereat</i></p>	<p>Article 13. Proxy-granting and representation</p> <p><i>1. Every shareholder having the right to attend the General Shareholders' Meeting may be represented thereat</i></p>

by another person, even if not a shareholder. The proxy must be granted specifically for each Meeting, either by using the proxy-granting form printed on the attendance card or in any other manner permitted by the Law, without prejudice to the provisions of the Companies Act (Ley de Sociedades de Capital) regarding cases of proxies granted to family relatives and general proxies.

The documents setting forth the proxies or powers of attorney for the General Shareholders' Meeting shall contain instructions regarding the direction of the vote. If no express instructions are given, it shall be understood that the proxy-holder must vote in favor of the proposed resolutions put forward by the Board of Directors regarding the matters on the agenda.

If there are no voting instructions because the shareholders acting at the General Shareholders' Meeting are to decide matters that are not included in the agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the Meeting, the proxy-holder shall vote in such direction as he deems most appropriate, taking into account the interest of the Company and that of the shareholder granting the proxy. The same rule shall apply when the relevant proposal or proposals submitted to the shareholders at the Meeting have not been made by the Board of Directors.

If the document setting forth the proxy

by another person, even if not a shareholder. The proxy must be granted specifically for each Meeting, either by using the proxy-granting form printed on the attendance card or in any other manner permitted by the Law, without prejudice to the provisions of the Companies Act (Ley de Sociedades de Capital) regarding cases of proxies granted to family relatives and general proxies.

The documents setting forth the proxies or powers of attorney for the General Shareholders' Meeting shall contain instructions regarding the direction of the vote. Unless otherwise expressly indicated by the shareholder granting the proxy, it shall be understood that the shareholder gives specific instructions to vote ~~If no express instructions are given, it shall be understood that the proxy-holder must vote~~ in favor of the proposed resolutions put forward by the Board of Directors regarding the matters on the agenda.

If there are no voting instructions because the shareholders acting at the General Shareholders' Meeting are to decide matters that are not included in the agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the Meeting, the proxy-holder shall vote in such direction as he deems most appropriate, taking into account the interest of the Company and that of the shareholder granting the proxy. The same rule shall apply when the relevant proposal or proposals submitted to the shareholders at the Meeting have not been made by the Board of Directors.

If the document setting forth the proxy

<p>or power of attorney does not state the specific person or persons to whom the shareholder grants the proxy, such proxy shall be deemed granted in favor of any of the following: the Chairman of the Board of Directors of the Company, or the person that stands in for him as Chairman of the General Shareholders' Meeting, or such person as is appointed by the Board of Directors, with notice of such appointment being given in advance in the official notice of the call to meeting.</p> <p>In cases in which a public proxy solicitation has been carried out, the Director who obtains such proxy shall be subject to the voting restriction established in Section 514 of the Companies Law for conflict of interest situations.</p> <p>A proxy is always revocable. Attendance at the Meeting by the shareholder granting the proxy, whether in person or through distance voting, entails the revocation of any proxy, whatever the date thereof. A proxy shall likewise be rendered void as a result of the disposition of shares of which the Company has notice.</p>	<p>or power of attorney does not state the specific person or persons to whom the shareholder grants the proxy, such proxy shall be deemed granted in favor of any of the following: the Chairman of the Board of Directors of the Company, or the person that stands in for him as Chairman of the General Shareholders' Meeting, or such person as is appointed by the Board of Directors, with notice of such appointment being given in advance in the official notice of the call to meeting. <u>If the Chairman of the Board of Directors of the Company, or the person acting in his stead, or the person appointed by the Board of Directors, as applicable, is affected by any of the conflicts of interest contemplated in the Companies Act and the document setting forth the proxy does not contain any specific instructions, the proxy shall be deemed granted to the Secretary for the General Shareholders' Meeting.</u></p> <p>In cases in which a public proxy solicitation has been carried out, the Director who obtains such proxy shall be subject to the voting restriction established in Section 514 of the Companies Law for conflict of interest situations.</p> <p>A proxy is always revocable. Attendance at the Meeting by the shareholder granting the proxy, whether in person or through distance voting, entails the revocation of any proxy, whatever the date thereof. A proxy shall likewise be rendered void as a result of the disposition of shares of which the Company has notice.</p>
<p>2. Individual shareholders who do not have full legal capacity and corporate shareholders shall be represented by</p>	<p>2. Individual shareholders who do not have full legal capacity and corporate shareholders shall be represented by</p>

<i>those persons who act as representatives thereof pursuant to Law, with evidence of such representative capacity being duly provided.</i>	<i>those persons who act as representatives thereof pursuant to Law, with evidence of such representative capacity being duly provided.</i>
<i>3. In any event, in cases of voluntary representation as well as those of legal representation, no person may have more than one representative at the Meeting.</i>	<i>3. In any event, in cases of voluntary representation as well as those of legal representation, no person may have more than one representative at the Meeting.</i>
<i>4. The Chairman of the General Shareholders' Meeting, or the Secretary for the Meeting acting under a delegation of powers, shall resolve all questions arising in connection with the validity and effectiveness of the documents setting forth the right of any shareholder to attend the General Shareholders' Meeting, whether individually or by grouping shares with other shareholders, as well as the granting of a proxy or of powers of representation to another person, and shall ensure that only such documents as fail to meet the minimum essential requirements are considered invalid or ineffective and provided that the defects therein have not been cured.</i>	<i>4. The Chairman of the General Shareholders' Meeting, or the Secretary for the Meeting acting under a delegation of powers, shall resolve all questions arising in connection with the validity and effectiveness of the documents setting forth the right of any shareholder to attend the General Shareholders' Meeting, whether individually or by grouping shares with other shareholders, as well as the granting of a proxy or of powers of representation to another person, and shall ensure that only such documents as fail to meet the minimum essential requirements are considered invalid or ineffective and provided that the defects therein have not been cured.</i>
<i>5. When a proxy is granted by means of long-distance communication, it shall only be deemed valid if it is carried out by sending to the Company the duly signed attendance and proxy-granting card or other written instrument that, in the opinion of the Board of Directors expressed in a resolution adopted for such purpose, allows for due verification of the identity of the shareholder granting the proxy and that of the proxy-holder designated therein.</i> <i>A proxy granted or notified by electronic mail or communication with the Company shall only be admitted</i>	<i>5. When a proxy is granted by means of long-distance communication, it shall only be deemed valid if it is carried out by sending to the Company the duly signed attendance and proxy-granting card or other written instrument that, in the opinion of the Board of Directors expressed in a resolution adopted for such purpose, allows for due verification of the identity of the shareholder granting the proxy and that of the proxy-holder designated therein.</i> <i>A proxy granted or notified by electronic mail or communication with the Company shall only be admitted</i>

when, once such conditions of security and unambiguousness as are appropriate have been verified, it is so decided by the Board of Directors by means of a resolution and subsequent communication included in the notice of the call to the Meeting in question and further development thereof on the Company's website. In the above-mentioned resolution, the Board of Directors shall specify the conditions governing proxy-granting by electronic mail or communication, which shall necessarily include the obligation of the shareholder that exercises such right to submit a copy of the attendance and proxy-granting card in electronic form, describe in detail the representation granted and the identity of the shareholder granting the proxy, and include in the communication the recognized electronic signature or other type of identification of the shareholder granting the proxy, under such terms as are established by the Board of Directors by resolution adopted for such purpose, such that this system of representation may adequately guarantee the authenticity and identity of the shareholder granting the proxy.

Once that the Board of Directors resolves, if it deems it appropriate, to admit the proxy-granting system by electronic mail or communication as provided herein, it shall also endeavor to adopt the measures required for such admission of the aforementioned proxy-granting system to be included and set forth in these Regulations.

In order to be valid, a proxy granted by either of the aforementioned means of long-distance communication must be received by the Company before midnight on the

when, once such conditions of security and unambiguousness as are appropriate have been verified, it is so decided by the Board of Directors by means of a resolution and subsequent communication included in the notice of the call to the Meeting in question and further development thereof on the Company's website. In the above-mentioned resolution, the Board of Directors shall specify the conditions governing proxy-granting by electronic mail or communication, which shall necessarily include the obligation of the shareholder that exercises such right to submit a copy of the attendance and proxy-granting card in electronic form, describe in detail the representation granted and the identity of the shareholder granting the proxy, and include in the communication the recognized electronic signature or other type of identification of the shareholder granting the proxy, under such terms as are established by the Board of Directors by resolution adopted for such purpose, such that this system of representation may adequately guarantee the authenticity and identity of the shareholder granting the proxy.

Once that the Board of Directors resolves, if it deems it appropriate, to admit the proxy-granting system by electronic mail or communication as provided herein, it shall also endeavor to adopt the measures required for such admission of the aforementioned proxy-granting system to be included and set forth in these Regulations.

In order to be valid, a proxy granted by either of the aforementioned means of long-distance communication must be received by the Company before midnight on the

<p><i>third day prior to the date set for the holding of the Meeting upon first call. In the resolution providing for the call to the Meeting in question, the Board of Directors may reduce such advance period and publish any such reduction in the same manner as the notice of the call to meeting. Furthermore, the Board of Directors may elaborate upon the foregoing provisions governing proxy-granting by means of long-distance communication, in accordance with the provisions of sub-section 5 of Article 20 bis of the By-Laws and sub-section 7 of Article 20 bis of these Regulations.</i></p>	<p><i>third day prior to the date set for the holding of the Meeting upon first call. In the resolution providing for the call to the Meeting in question, the Board of Directors may reduce such advance period and publish any such reduction in the same manner as the notice of the call to meeting. Furthermore, the Board of Directors may elaborate upon the foregoing provisions governing proxy-granting by means of long-distance communication, in accordance with the provisions of sub-section 5 of Article 20 bis of the By-Laws and sub-section 7 of Article 20 bis of these Regulations.</i></p>
<p><i>6. A proxy may include items that, even if not contained in the agenda, may be dealt with by the shareholders at the General Shareholders' Meeting because it is so permitted by Law.</i></p>	<p><i>6. A proxy may include items that, even if not contained in the agenda, may be dealt with by the shareholders at the General Shareholders' Meeting because it is so permitted by Law.</i></p>
<p><i>7. The Board may elaborate upon the foregoing provisions governing proxy-granting by means of long-distance communication, pursuant to the provisions of paragraph 7 of Article 20 bis below.</i></p>	<p><i>7. The Board may elaborate upon the foregoing provisions governing proxy-granting by means of long-distance communication, pursuant to the provisions of paragraph 7 of Article 20 bis below.</i></p>

Proposed amendment of Article 27 of the Regulations for the General Shareholders' Meeting:

It is proposed to amend Article 27 of the Regulations for the General Shareholders' Meeting in order to adjust it to the text of Section 525 of the Companies Act, which, following the amendments made by Law 25/2011, requires publication on the website of the resolutions approved at the General Shareholders' Meeting and of the result of the votes, within five days of the close of the Meeting.

Current text	New text proposed
<p>Article 27. Publication of resolutions</p> <p>1. Regardless of such publication measures as may be legally required in each case, the shareholders may view the resolutions adopted at the General Shareholders' Meeting on the Company's website, on which the full text thereof shall be published as soon as possible after the close of the Meeting.</p>	<p>Article 27. Publication of resolutions</p> <p>1. Regardless of such publication measures as may be legally required in each case, the shareholders may view the resolutions adopted at the General Shareholders' Meeting on the Company's website, on which the full text thereof shall be published as soon as possible <u>the resolutions approved at the General Shareholders' Meeting and the result of the votes shall be published in full on the Company's website within five days following</u>after the close of the Meeting.</p>
<p>2. Recordable resolutions shall be filed for registration with the Commercial Registry and shall be published in accordance with applicable provisions.</p>	<p>2. Recordable resolutions shall be filed for registration with the Commercial Registry and shall be published in accordance with applicable provisions.</p>
<p>3. The Company shall report the resolutions adopted at the General Shareholders' Meeting to the National Securities Market Commission and to all appropriate Market Supervisory Authorities, either in full-text form or by means of a summary of the contents of such resolutions, as soon as possible after the close of the Meeting.</p>	<p>3. The Company shall report the resolutions adopted at the General Shareholders' Meeting to the National Securities Market Commission and to all appropriate Market Supervisory Authorities, either in full-text form or by means of a summary of the contents of such resolutions, as soon as possible after the close of the Meeting.</p>

3. **PROPOSED RESOLUTION SUBMITTED FOR APPROVAL OF THE SHAREHOLDERS AT THE ORDINARY GENERAL SHAREHOLDERS' MEETING UNDER ITEM V OF THE AGENDA**

The resolutions that the Board of Directors submits for approval of the shareholders at the General Shareholders' Meeting in connection with this item on the Agenda are set forth below:

Amendment of Articles 3, 7, 8, 9, 10, 11, 13 and 27 of the Regulations for the General Shareholders' Meeting for adjustment thereof to the latest legislative developments.

It is resolved to amend the aforementioned provisions of the Regulations for the General Shareholders' Meeting, which shall henceforth read as follows:

New text of Article 3 of the Regulations for the General Shareholders' Meeting:

"Article 3. Publication and registration

1. *These Regulations, as well as any subsequent amendments hereto, shall be reported to the National Securities Market Commission [Comisión Nacional del Mercado de Valores] and thereafter registered with the Commercial Registry of Madrid.*

2. *The current text of these Regulations will be available to the shareholders at the Company's principal office and on its corporate website."*

New text of Article 7 of the Regulations for the General Shareholders' Meeting:

Article 7. Power and obligation to call to meeting

1. *The General Shareholders' Meeting shall be formally called by the Board of Directors of the Company, without prejudice to such*

express delegation of powers to that end as the aforementioned body may make in favor of any of its members.

2. The Board of Directors may call the General Shareholders' Meeting whenever it deems it advisable or appropriate to further the corporate interests and shall be required, in all cases, to call the Ordinary General Shareholders' Meeting within the first six months of each Fiscal Year and to call an Extraordinary General Shareholders' Meeting whenever it is so requested in writing by the holders of at least five per cent of the share capital, which request shall set forth the matters to be dealt with. In this instance, the General Shareholders' Meeting shall be called to be held within two months of the date on which a notarially-recorded request for such call has been submitted to the Board of Directors, and the agenda shall include at least the matters set forth in the request."

New text of Article 8 of the Regulations for the General Shareholders' Meeting:

"Article 8. Publication and notice of the call to meeting

1. The General Shareholders' Meeting shall be called, at least as much in advance of the date set for the Meeting as is at a minimum required by Law, through a notice published:

a) In the Official Bulletin of the Commercial Registry or in one of the more widely circulated newspapers in Spain.

b) On the website of the National Securities Market Commission [Comisión Nacional del Mercado de Valores].

c) On the Company's corporate website.

The notice published on the Company's website shall be continuously accessible at least until the date of the Meeting. Furthermore,

the Board of Directors may publish notices in other media, if it deems it appropriate to ensure the public and effective dissemination of the call to meeting.

The call to the General Shareholders' Meeting shall also be reported to such Market Supervisory Authorities as may be appropriate.

2. The notices of the call to meeting shall contain all the statements required by the Law in each case and, in any event, shall set forth the place, date and time of the Meeting upon first call and all the matters to be dealt with thereat (the agenda). The notices may also state the place, date and time for the Meeting to be held, if applicable, upon second call.

3. At Ordinary General Shareholders' Meetings, shareholders representing at least five percent of the share capital may request the publication of a supplement to the call to the Ordinary General Shareholders' Meeting including one or more items in the agenda, so long as such new items are accompanied by a rationale or, if applicable, by a well-founded proposal for a resolution.

4. In addition, shareholders representing at least five percent of the share capital may submit well-founded proposals for resolutions regarding items already included or that must be included in the agenda for the Meeting called. The Company shall ensure that such proposals for resolutions and any attached documentation are disseminated among the other shareholders, as provided in the following article.

5. The rights provided for in the two preceding paragraphs must be exercised by means of duly authenticated notice that must be received at the Company's registered office within five days of the publication of the call to meeting.

The supplement to the call to meeting and the proposals for resolutions must be published or disseminated in compliance with the legal requirements and as much in advance as is provided by Law.”

New text of Article 9 of the Regulations for the General Shareholders' Meeting:

“Article 9. Information available to the shareholders from publication of the notice of the call to meeting

1. Beginning on the date of publication of the notice of the call to meeting and until the General Shareholders' Meeting is held, the Company shall maintain the following information continuously published on its website:

a) The notice of the call to meeting.

b) The total number of shares and voting rights on the date the meeting is called, with a breakdown by class of shares, if any such classes exist.

c) The documents to be submitted to the shareholders at the General Shareholders' Meeting and, specifically, the reports prepared by directors, auditors and independent experts.

d) The full text of the proposed resolutions or, if none, a report prepared by the competent bodies, containing a discussion of each of the items on the agenda. The proposed resolutions submitted by the shareholders shall also be included in the order that they are received.

e) The existing communication channels between the Company and the shareholders and, specifically, any appropriate explanations regarding the exercise of the shareholders' right to receive information, setting forth the mailing and e-mail addresses to which the shareholders may write.

f) *The means to grant a proxy for the General Shareholders' Meeting and to cast a distance vote, including the procedure to obtain attendance cards or a certificate issued by the entities legally authorized for such purpose.*

2. *Furthermore, from the date of publication of the notice of the call to the General Shareholders' Meeting, and in order to facilitate shareholders' attendance and participation therein, the Company shall include in its website, to the extent available and in addition to the documents and information required by the Law, all materials that the Company deems advisable for such purposes and in particular, but merely for illustrative purposes, the following:*

a) *Information regarding the place where the General Shareholders' Meeting is to be held, describing, when appropriate, the means of access to the meeting room.*

b) *Any other matters of interest for purposes of following the proceedings at the Meeting, such as whether or not simultaneous interpretation services will be provided, the possibility that the General Shareholders' Meeting be followed by audio-visual means, or information in other languages.*

In addition, when there is a supplement to the call to meeting, the Company shall, from the date of publication thereof, also publish, in the same manner and on its website, the text of the proposals to which such supplement refers and which has been provided to the Company.

This information may be subject to changes at any time, in which case any appropriate amendments or clarifications shall be published on the Company's website.

3. *The Company shall deliver the information and documentation referred to in sub-section 1 and in paragraph a) of sub-section 2 of this*

article to the National Securities Market Commission and other Market Supervisory Authorities as may be appropriate; it shall also provide such information and documentation to the depositary or depositaries of the programs through which the Company is listed on certain foreign Markets.”

New text of Article 10 of the Regulations for the General Shareholders’ Meeting:

“Article 10. Right to receive information

1. From the time of publication of the notice of the call to a General Shareholders’ Meeting through the seventh day prior to the date set for the holding thereof upon first call, any shareholder may submit a written request to the Board of Directors of the Company for such information or clarifications as it deems are required, or ask written questions it deems are pertinent, regarding the matters included in the Agenda for the Meeting that has been published in the notice of call thereto, or regarding information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the immediately prior General Shareholders’ Meeting, or regarding the auditor’s report.

The Board of Directors shall be required to provide in writing, until the day when the General Shareholders’ Meeting is held, the requested information or clarifications, as well as to respond in writing to the questions asked. The answers to the questions and to the requests for information shall be channeled through the Secretary of the Board of Directors and provided by any member thereof or by any person expressly authorized by the Board of Directors to that end.

2. During the course of the General Shareholders’ Meeting, the shareholders of the Company may verbally request such information or clarifications as they deem appropriate regarding the matters contained

in the agenda, or regarding the information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the last General Shareholders' Meeting, or regarding the auditor's report. In the event that it is not possible to satisfy the shareholder's right at that time, the Directors shall provide such information in writing within seven days of the close of the Meeting.

3. *The Directors shall have the duty to provide the information requested in reliance upon the two preceding paragraphs, except in those cases in which (i) it has been requested by holders of less than one-fourth of the share capital and the dissemination thereof may, in the opinion of the Chairman, prejudice the corporate interests; (ii) the request for information or clarifications does not refer to matters included in the agenda or, in the case of sub-section 1 above, to information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the immediately prior General Shareholders' Meeting; (iii) prior to the request for information, such information has been clearly and directly made available to all shareholders in question-and-answer format on the Company's website; (iv) the request for information is deemed abusive for any other reason; or (v) it is so established in legal or regulatory provisions.*

Answers to shareholders who attend the General Shareholders' Meeting from a distance by means of data transmission and simultaneously and who exercise their right to receive information through this procedure shall be provided, if applicable, in writing, within seven days following the Meeting."

New text of Article 11 of the Regulations for the General Shareholders' Meeting:

“Article 11. Electronic Shareholders' Forum and suggestions made by the shareholders

1. *Without prejudice to the shareholders' right, in such cases and under such terms as are provided in the Law, to have certain matters included in the Agenda for the Meeting that they request be called, the shareholders may at all times and after providing evidence of their status as such, make suggestions through the Shareholder Service [Servicio de Atención al Accionista] regarding the organization and operation of the General Shareholders' Meeting and the powers of the shareholders thereat.*

2. *On occasion of the call to meeting and until each General Shareholders' Meeting is held, the Company shall place into operation on its website an Electronic Shareholders' Forum, which shall be accessible, with appropriate safeguards, by both individual shareholders and by any voluntary associations they may create as provided by law, in order to facilitate their communication prior to a General Shareholders' Meeting being held. Proposed resolutions sought to be presented as a supplement to the agenda notified in the call to meeting may be published in the Forum, together with requests for adherence to such proposals, initiatives to reach the percentage sufficient to exercise a minority right provided by Law as well as proxy offers or solicitations. The Board of Directors may further develop the above-mentioned rules and establish the procedures, terms and other conditions for the operation of the Electronic Shareholders' Forum.”*

New text of Article 13 of the Regulations for the General Shareholders' Meeting:

“Article 13. Proxy-granting and representation

1. Every shareholder having the right to attend the General Shareholders' Meeting may be represented thereat by another person, even if not a shareholder. The proxy must be granted specifically for each Meeting, either by using the proxy-granting form printed on the attendance card or in any other manner permitted by the Law, without prejudice to the provisions of the Companies Act (Ley de Sociedades de Capital) regarding cases of proxies granted to family relatives and general proxies.

The documents setting forth the proxies or powers of attorney for the General Shareholders' Meeting shall contain instructions regarding the direction of the vote. Unless otherwise expressly indicated by the shareholder granting the proxy, it shall be understood that the shareholder gives specific instructions to vote in favor of the proposed resolutions put forward by the Board of Directors regarding the matters on the agenda.

If there are no voting instructions because the shareholders acting at the General Shareholders' Meeting are to decide matters that are not included in the agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the Meeting, the proxy-holder shall vote in such direction as he deems most appropriate, taking into account the interest of the Company and that of the shareholder granting the proxy. The same rule shall apply when the relevant proposal or proposals submitted to the shareholders at the Meeting have not been made by the Board of Directors.

If the document setting forth the proxy or power of attorney does not state the specific person or persons to whom the shareholder grants

the proxy, such proxy shall be deemed granted in favor of any of the following: the Chairman of the Board of Directors of the Company, or the person that stands in for him as Chairman of the General Shareholders' Meeting, or such person as is appointed by the Board of Directors, with notice of such appointment being given in advance in the official notice of the call to meeting. If the Chairman of the Board of Directors of the Company, or the person acting in his stead, or the person appointed by the Board of Directors, as applicable, is affected by any of the conflicts of interest contemplated in the Companies Act and the document setting forth the proxy does not contain any specific instructions, the proxy shall be deemed granted to the Secretary for the General Shareholders' Meeting.

A proxy is always revocable. Attendance at the Meeting by the shareholder granting the proxy, whether in person or through distance voting, entails the revocation of any proxy, whatever the date thereof. A proxy shall likewise be rendered void as a result of the disposition of shares of which the Company has notice.

2. Individual shareholders who do not have full legal capacity and corporate shareholders shall be represented by those persons who act as representatives thereof pursuant to Law, with evidence of such representative capacity being duly provided.

3. In any event, in cases of voluntary representation as well as those of legal representation, no person may have more than one representative at the Meeting.

4. The Chairman of the General Shareholders' Meeting, or the Secretary for the Meeting acting under a delegation of powers, shall resolve all questions arising in connection with the validity and effectiveness of the documents setting forth the right of any shareholder to attend the General Shareholders' Meeting, whether individually or by grouping shares with other shareholders, as well as the granting of a

proxy or of powers of representation to another person, and shall ensure that only such documents as fail to meet the minimum essential requirements are considered invalid or ineffective and provided that the defects therein have not been cured.

5. When a proxy is granted by means of long-distance communication, it shall only be deemed valid if it is carried out by sending to the Company the duly signed attendance and proxy-granting card or other written instrument that, in the opinion of the Board of Directors expressed in a resolution adopted for such purpose, allows for due verification of the identity of the shareholder granting the proxy and that of the proxy-holder designated therein.

A proxy granted or notified by electronic mail or communication with the Company shall only be admitted when, once such conditions of security and unambiguousness as are appropriate have been verified, it is so decided by the Board of Directors by means of a resolution and subsequent communication included in the notice of the call to the Meeting in question and further development thereof on the Company's website. In the above-mentioned resolution, the Board of Directors shall specify the conditions governing proxy-granting by electronic mail or communication, which shall necessarily include the obligation of the shareholder that exercises such right to submit a copy of the attendance and proxy-granting card in electronic form, describe in detail the representation granted and the identity of the shareholder granting the proxy, and include in the communication the recognized electronic signature or other type of identification of the shareholder granting the proxy, under such terms as are established by the Board of Directors by resolution adopted for such purpose, such that this system of representation may adequately guarantee the authenticity and identity of the shareholder granting the proxy.

Once that the Board of Directors resolves, if it deems it appropriate, to admit the proxy-granting system by electronic mail or communication as provided herein, it shall also endeavor to adopt the measures required for such admission of the aforementioned proxy-granting system to be included and set forth in these Regulations.

In order to be valid, a proxy granted by either of the aforementioned means of long-distance communication must be received by the Company before midnight on the third day prior to the date set for the holding of the Meeting upon first call. In the resolution providing for the call to the Meeting in question, the Board of Directors may reduce such advance period and publish any such reduction in the same manner as the notice of the call to meeting. Furthermore, the Board of Directors may elaborate upon the foregoing provisions governing proxy-granting by means of long-distance communication, in accordance with the provisions of sub-section 5 of Article 20 bis of the By-Laws and sub-section 7 of Article 20 bis of these Regulations.

6. *A proxy may include items that, even if not contained in the agenda, may be dealt with by the shareholders at the General Shareholders' Meeting because it is so permitted by Law.*

7. *The Board may elaborate upon the foregoing provisions governing proxy-granting by means of long-distance communication, pursuant to the provisions of paragraph 7 of Article 20 bis below."*

New text of Article 27 of the Regulations for the General Shareholders' Meeting:

"Article 27. Publication of resolutions

1. *Regardless of such publication measures as may be legally required in each case, the resolutions approved at the General Shareholders' Meeting and the result of the votes shall be published in*

full on the Company's website within five days following the close of the Meeting.

2. Recordable resolutions shall be filed for registration with the Commercial Registry and shall be published in accordance with applicable provisions.

3. The Company shall report the resolutions adopted at the General Shareholders' Meeting to the National Securities Market Commission and to all appropriate Market Supervisory Authorities, either in full-text form or by means of a summary of the contents of such resolutions, as soon as possible after the close of the Meeting."

* * *

Madrid, April 10, 2012