

**ARTICLES OF ASSOCIATION
IBERDROLA FINANZAS, S.A.(Unipersonal)**

TITLE I. THE COMPANY AND ITS SHARE CAPITAL

**CHAPTER I
GENERAL RESOLUTIONS**

Article 1. COMPANY NAME AND APPLICABLE LAW

1. The Company is called "IBERDROLA FINANZAS, S.A." (the “**Company**”) and shall be governed by the legal provisions regarding limited companies and any other applicable regulations.
2. The Company shall record its status as a single-member company in accordance with the terms provided for by law.

Article 2. OBJECT OF THE COMPANY

The Company's sole purpose is to issue preference shares and other negotiable debt instruments in organised secondary markets in Spain and abroad.

Section 3. DURATION OF THE COMPANY

The duration of the Company is indefinite, its operations having commenced on the date of formalisation of its deed of incorporation.

Section 4. REGISTERED ADDRESS AND BRANCHES

1. The company’s registered office is Euskadi, 5, Bilbao.
2. This registered office may be transferred to another location within the same municipal area by resolution of the Board of Directors.

**CHAPTER II
SHARE CAPITAL AND SHAREHOLDERS**

Article 5. SHARE CAPITAL AND REPRESENTATION OF SHARES

1. The share capital is ONE HUNDRED MILLION SIXTY-ONE THOUSAND EUROS (100,061,000 euros), divided into ONE HUNDRED THOUSAND SIXTY-ONE (100,061) SHARES OF ONE THOUSAND EURO (€1,000) par value each, of a single class and series, fully subscribed and paid-up.
2. The shares shall be represented by means of certificates, with the condition of nominative shares and shall be numbered consecutively from one to one hundred thousand and sixty-one, (1/100,061), both inclusive, and will include the signature of the Directors shall appear in compliance with other legal requirements. All shares shall be of the same class and confer identical rights..

3. The shares shall be entered in the register of registered shares, and the Board of Directors of the Company shall be empowered to issue a multiple share certificate comprising all the shares held by the sole shareholder.

Article 6. TRANSFER OF SHARES

1. The transfer of shares in the Company may be made to any person in accordance with the provisions of the applicable rules.
2. To the extent that the transfer of shares entails the loss of the status of a single-member company, these Articles of Association shall be adapted accordingly at the same time.

Section 7. SOLE SHAREHOLDER'S STATUS

1. The share confers the status of shareholder on its legitimate holder and the rights and obligations recognised by the rules applicable to public limited companies ("*sociedades anónimas*") and by these Articles of Association, with the specific features deriving from its status as a single-member company.
2. The ownership of the shares by the sole shareholder implies absolute conformity with these Articles of Association and submission to the decisions of the governing and administrative bodies of the Company taken within their powers and in due form.

CHAPTER III SHARE CAPITAL INCREASE AND DECREASE

Section 8. SHARE CAPITAL EXTENSION

1. The share capital may be increased by a decision of the sole shareholder in exercise of the powers of the Shareholders' General Meeting, subject to the conditions laid down for such cases by the provisions relating to public limited companies and in accordance with the various methods provided for therein.
2. The sole shareholder, by means of the resolution adopted in exercise of the powers of the Shareholders' General Meeting and within the limits and conditions set by the applicable regulations, may delegate to the Board of Directors, where appropriate with powers of substitution, power to resolve one or more occasions increase of share capital, the power to execute a decision already taken to increase share capital, in accordance with the time limits down by law, specifying the date or dates of its implementation and determining the terms and conditions of the increase in all

Section 9. SHARE CAPITAL DECREASE

The capital may be reduced by a decision of the sole shareholder, in exercise of the powers of the General Shareholders' Meeting, by reducing the nominal value of the shares, by redeeming them, or pooling them for exchange, for the purposes permitted by law

CHAPTER IV BONDS AND OTHER NEGOTIABLE SECURITIES

Section 10. ISSUANCE OF BONDS AND OTHER NEGOTIABLE SECURITIES

1. The sole shareholder, through the corresponding decision in exercise of the powers of the General Shareholders' Meeting, within the terms laid down by law, may authorise the Board

of Directors to issue bonds convertible into shares or bonds that attribute to the bondholders a share in the company's profits. The Board of Directors may exercise any such authorisation on one or more occasions and for a maximum term of five (5) years.

Likewise, the sole shareholder may authorise the Board of Directors to determine the time at which the agreed issue is to be carried out, as well as to determine all other conditions not specified by the decision of the sole shareholder in exercise of the powers of the General Shareholders' Meeting.

2. The Board of Directors of the Company may agree to issue simple bonds, promissory notes, preferred shares, or other debt instruments other than those provided in the previous section and request their admission to trading on organised secondary markets in Spain or abroad.

TITLE III. MANAGEMENT OF THE COMPANY

CHAPTER I

SOLE SHAREHOLDER'S DECISIONS IN EXERCISE OF THE POWERS OF THE GENERAL SHAREHOLDERS' MEETING

Article 11. SOLE SHAREHOLDER'S EXERCISE OF THE POWERS OF THE GENERAL SHAREHOLDERS MEETING

1. The sole shareholder will decide, in each case in accordance with the provisions of the law and these Articles of Association, on those matters within the competence of the General Shareholders' Meeting.
2. The sole shareholder shall not give instructions to the Board of Directors or submit for its authorisation the adoption by the Board of Directors of resolutions on management matters.

Article 12. DOCUMENTARY RECORD OF THE DECISIONS BY THE SOLE SHAREHOLDER

1. The powers of the General Shareholders' Meeting shall be exercised by way of decisions taken by the sole shareholder, which shall be minuted, bearing the sole shareholder's signature or that of its representative, and these decisions may be executed and formalised by the sole shareholder itself, by the Board of Directors, or by any person to whom the Board may delegate powers or grant a power of attorney.
2. The documentation of the decisions of the sole shareholder taken in exercise of the powers of the General Meeting, their notarisation, and their filing with the Commercial Register, shall be carried out in accordance with the provisions of the law and the Commercial Register Regulations [*“Reglamento del Registro Mercantil”*].
3. The full or partial certificates needed in order to authenticate the decisions of the sole shareholder in exercise of the powers of the General Meeting shall be issued and signed by the sole shareholder or by the Secretary or Deputy Secretary of the Board of Directors with the counter-signature of the Chairperson or, as the case may be, one of the Vice-Chairperson.

CHAPTER II

COMPANY MANAGEMENT

Section 1 General provisions

Article 13. STRUCTURE OF COMPANY MANAGEMENT

1. Management of the Company is vested in a Board of Directors.
2. Without prejudice to the legal provisions, Board of Directors shall have the powers stated in these Articles of Association.

Section 2^a. The Board of Directors

Article 14. REGULATION OF THE BOARD OF DIRECTORS

The Board of Directors shall be governed by the provisions set forth in the Law and in these Articles of Association.

Article 15. POWERS OF THE BOARD OF DIRECTORS

1. The powers and authority to manage, direct, administer and represent the Company and specifically to prepare the Company's general policy guidelines, prepare programs and set objectives for the execution of all activities included in the Company's Object, correspond to the Board of Directors.
2. The Board of Directors is competent to adopt resolutions on all matters not attributed by law or these Articles of Association to the sole shareholder in the exercise of the powers of the General Meeting

Article 16. COMPANY REPRESENTATION

1. The Board of Directors shall represent the Company in court and outside court.
2. The Board of Directors has the power of representation acting collectively.

Article 17. COMPOSITION AND APPOINTMENT OF BOARD OF DIRECTORS.

1. The Board of Directors shall be composed of a minimum of three (3) and a maximum of seven (7) members, who shall be appointed or ratified by the sole shareholder subject to any applicable rules laid down by law.
2. The sole shareholder shall decide the number of board members, setting the number either by express resolution or indirectly by creating, or not, vacant positions or by the nomination, or not, of new members within the minimum and maximum numbers stated above.
3. The appointment, ratification, re-election, and removal of directors must comply with the provisions of the law.

Article 18 ELECTION OF POSITIONS

1. The Board of Directors shall elect a Chairman from amongst its members, and, should it so decide, one or more vice chairmen proposed by the Chairman.
2. The Board of Directors, at the proposal of the Chairman, shall appoint a secretary, who may or may not be a director. In the absence of a Secretary and Deputy Secretary, the Director designated by the Board of Directors from those attending the meeting shall act as such.
3. The Chairman, the vice-chairmen and, as appropriate, the secretary and deputy secretary of the Board of Directors, if re-elected as members of the Board of Directors by a decision of the sole shareholder in the exercise of the powers of the General Shareholders' Meeting, shall continue to hold the offices they performed previously on the Board of Directors without a

new election being necessary, and notwithstanding the power of revocation of such offices held by the Board of Directors itself.

Article 19. MEETINGS OF THE BOARD OF DIRECTORS

1. The Board of Directors shall meet as often as deemed necessary by the Chairman, but, at least, once a quarter.
2. The meetings shall be held at the registered office or at a location, within Spain or abroad, indicated in the notice of meeting. Notice of a meeting of the Board of Directors shall be given via letter, fax, telegram, e-mail, or any other means that and shall be authorised by the signature of the Chairman, or the Secretary or Vice Secretary, by order of the Chairman. A notice of meeting shall be given as far in advance as is necessary for the Directors to receive it and not later than the third day before the date of the meeting, except in the case of emergency meetings. The notice shall always include the Agenda of the meeting, except for just cause, and shall be accompanied, as appropriate, by the information judged necessary.
3. Notwithstanding the foregoing, the Board of Directors shall be understood to be properly constituted without need for prior notice if all members are present in person or by proxy and agree unanimously to hold a meeting as universal and accept the items on the agenda.
4. The meetings of the Board of Directors may be held as well in different locations connected through multiconference systems that ensure the recognition and identification of the remote attendee, permanent communication between those in attendance regardless of where they are located, as well as intervention and real-time. The attendees, whatever their location, shall be considered to be present at one and the same meeting for all purposes relating to the Board of Directors. The meeting shall be deemed to be held when the majority of the members, in an equal number, are in attendance at the same place where the member chairing the meeting is.
5. If no Director is opposed thereto, voting by the Board may occur in writing without a meeting. In this instance, the Directors may deliver to the Chairman (or to the Secretary or Vice-Secretary acting on the Chairman's behalf) their votes and the considerations they wish to appear in the minutes, using the same methods mentioned in paragraph two above. Resolutions adopted by this procedure shall be recorded in minutes prepared pursuant to the provisions of Law.

Article 20. CONSTITUTION AND MAJORITY FOR ADOPTING RESOLUTIONS

1. For the resolutions within the authority of the Board of Directors to be valid, at least a majority of the Directors must be present in person or by proxy at the meetings at which they are adopted, except in the set forth in the last paragraph of this article.
2. All Directors may cast their vote and confer a proxy to another Director. Any proxies shall be conferred individually for each separate meeting of the Board of Directors. The proxy granted shall be a special proxy for the Board meeting in question and may be noticed by any means set forth in section two of the previous article.
3. The Chairman shall preside over the debate, promoting the participation of all of the Directors in the deliberations of the Board.
4. Resolutions shall be adopted by an absolute majority vote of the directors at the meeting, except when it is a question of permanent delegation of powers and appointment of Directors to exercise such powers, which shall require the favourable vote of two-thirds of the Directors. The foregoing shall not apply in those instances in which the Articles of

Association or the Law require a higher majority. In the event of a tie, the Chairman shall have the casting vote.

Article 21. FORMALISATION OF RESOLUTIONS

1. Resolutions shall be recorded in minutes signed by the Chairman and the Secretary, or by the person acting in their stead.
2. The certificates, in full or in part, required to evidence the resolutions of the Board of Directors, will be issued and signed by the Secretary or Vice secretary of the Board of Directors, and will be seen and approved by the Chairman or, if applicable, by one of the Vice Chairmen.

Article 22. REMUNERATION

The members of the Board of Directors shall not receive any remuneration, unless the sole shareholder resolves otherwise by means of the relevant amendment of the Articles of Association.

Article 23. GENERAL DUTIES OF THE MEMBERS

1. The Directors must discharge their office and fulfil the duties imposed by the law and by these Articles of Association, with the diligence of a prudent businessman in keeping with the nature of the office and the functions attributed to it.
2. The Directors shall act in good faith and with the diligence of a prudent business executive and a faithful representative, acting in furtherance of corporate interests.

Article 24. TERM OF OFFICE

The Directors shall serve in their position for a period of five (5) years, as long as the sole shareholder does not decide to remove or dismiss them. Each member may be re-elected one or more times for subsequent periods of five (5) years.

Article 25. TRANSACTIONS WITH IBERDROLA AND COMPANIES WITHIN THE GROUP

The Board of Directors shall ensure that transactions between the Company and its subsidiaries and other companies belonging to the Iberdrola Group, are carried out under normal market conditions, without prejudice to the singularities that may arise in some cases due to the nature of the provision of services or any other circumstances.

TITLE III. FINANCIAL STATEMENTS DISSOLUTION AND LIQUIDATION

CHAPTER I FINANCIAL STATEMENTS

Article 26. TAX YEAR AND PREPARATION OF FINANCIAL STATEMENTS

1. The Company financial year shall commence on 1st January of each year and shall conclude on 31st December.

2. The annual financial statements and the management report shall be drawn up in accordance with the structure, principles and instructions provided by current law.
3. Within the first three (3) months of the year, the Board of Directors shall prepare the annual accounts, the management report, and the proposed allocation of profit. The annual accounts and the management report must be signed by all Directors. Any documents from which a Director's signature is missing shall state this fact, along with an express indication of the reason.

Article 27. ACCOUNT AUDITORS

1. The Annual Accounts and the Management Report should be reviewed by the account auditors when such review is mandatory in accordance with the provisions in force.
2. The auditors shall be appointed by the sole shareholder in the exercise of the powers of the General Shareholders' Meeting before the end of the year to be audited, for an initial specified period no shorter than three (3) years and no longer than nine (9) years, to be counted from the first day of the first year to be audited, and may be re-elected after the end of the initial period under the terms and for the periods prescribed by law.
3. The auditors shall draw up a detailed report on the results of their activity, in accordance with the legislation on auditing of accounts.

Article 28. APPROVAL OF ANNUAL ACCOUNTS AND DISTRIBUTION OF PROFIT

1. The Company's Annual Accounts shall be submitted for approval to the General Shareholders' Meeting, which shall also decide upon the appropriation of profit/loss for the financial year in accordance with the approved balance sheet.
2. Once the allocations required by law or these Articles of Association have been covered, dividends against the year's earnings or unrestricted reserves may be distributed only if the book value of net equity is not, or would not become as a result of the distribution, less than share capital.
3. Should the sole shareholder in the exercise of the powers of the General Shareholders' Meeting, decide to distribute dividends, the sole shareholder shall determine the timing and the method of payment. The determination of these matters and of any others that may be necessary or appropriate for the decision to be effective may be delegated to the Board of Directors.

CHAPTER II DISSOLUTION AND LIQUIDATION OF THE COMPANY

Article 29. GROUNDS FOR DISSOLUTION

The Company shall be dissolved when any of the grounds on the law concur.

Article 30. LIQUIDATION OF THE COMPANY

1. From the moment in which the Company is declared to be in liquidation, the Board of Directors shall cease in their functions, turning the Directors into liquidators of the Company. They will constitute an associated organ whose number shall necessarily be odd. If necessary, for such purpose, the Director having the least length of service since appointment.

2. During the liquidation period, the sole shareholder shall be informed of the progress of the liquidation procedure so that, in exercise of the powers of the General Shareholders' Meeting, it may adopt such decisions as are deemed fit.
3. All liquidating operations shall be carried out with due observance of the provisions of law.