ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Translation of Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IFRS, as adopted by the European Union (See Note 45). In the event of a discrepancy, the Spanish-language version prevails

IBERDROLA RENOVABLES, S.A. AND SUBSIDIARIES

Consolidated Balance Sheet at December 31, 2008 and 2007

		Thousand of euros	
	Note	2008	2007
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	**4,492,873**	**4,672,769**
Goodwill		1,589,761	1,646,475
Other intangible assets		2,903,112	3,026,294
Property, plant and equipment	9	**12,874,821**	**9,695,495**
Property, plant and equipment in use		8,956,171	7,215,721
Property, plant and equipment in progress		3,918,650	2,479,774
Non current trade		**20,269**	**-**
Non current Financial assets		**320,909**	**300,653**
Investments accounted for using the equity method	10	285	144
Non-current equity investments		1,051	9,670
Other non-current financial investments	10	249,570	208,688
Derivative financial instruments	19	70,003	82,151
Deferred tax assets	21	**363,769**	**264,690**
		18,072,641	**14,933,607**
CURRENT ASSETS			
Inventories		**221,044**	**200,210**
Current trade and other receivables	11	**614,307**	**1,617,870**
Current financial assets		**774,886**	**351,765**
Current equity investments		63	4,367
Other financial investments	10	253,055	212,516
Derivative financial instruments	19	521,768	134,882
Tax receivables	22	**246,389**	**337,771**
Cash and cash equivalents	12	**286,885**	**213,976**
		2,143,511	**2,721,592**
TOTAL ASSETS		**20,216,152**	**17,655,199**
EQUITY AND LIABILITIES			
EQUITY			
Of shareholders of the parent	14		
Share capital		2,112,032	2,112,032
Share premium		8,419,444	8,419,444
Unrealized assets and liabilities revaluation reserve		5,348	10,449
Other reserves		348,067	340,463
Translation differences		(160,276)	(216,071)
Net profit for the year		390,160	117,538
Of minority interests		**73,504**	**134,599**
		11,188,279	**10,918,454**
Equity instruments having the substance of a financial liability	15	**797,626**	**680,545**
NON-CURRENT LIABILITIES			
Deferred income	16	**146,157**	**143,436**
Provisions	17	**109,226**	**63,372**
Provisions for pensions and similar obligations		28,106	16,780
Other provisions		81,120	46,592
Bank borrowings and other financial liabilities		**911,754**	**746,328**
Bank borrowings-loans	18	784,741	627,747
Derivative financial instruments	19	127,013	118,581
Other non-current liabilities	20	**2,325,567**	**330,172**
Deferred tax liabilities	21	**1,955,934**	**1,866,706**
		5,448,638	**3,150,014**
CURRENT LIABILITIES			
Provisions		**-**	**3,396**
Other provisions		-	3,396
Bank borrowings and other financial liabilities		**300,262**	**296,440**
Bank borrowings-loans	18	119,430	217,388
Derivative financial instruments	19	180,832	79,052
Trade and other payables		**2,481,347**	**2,606,350**
Trade payables		420,176	317,483
Current tax liabilities and other tax payables	22	337,700	233,229
Other current liabilities	23	1,723,471	2,055,638
		2,781,609	**2,906,186**
TOTAL EQUITY AND LIABILITIES		**20,216,152**	**17,655,199**

Notes 1 to 45 to the accompanying Consolidated Financial Statements and the appendix are an integral part of the Consolidated Balance Sheet.

IBERDROLA RENOVABLES, S.A. AND SUBSIDIARIES

Consolidated Income Statement for the year ended at December 31, 2008 and 2007

		Thousand of euros	
	Note	2008	2007
Revenue	24	2,030,317	953,015
Procurements	25	(409,160)	(130,176)
		1,621,157	**822,839**
Staff costs	26	(188,921)	(99,000)
Capitalised staff costs	26	38,920	16,089
Outside services	27	(298,356)	(181,084)
Other operating income		34,095	15,447
		(414,262)	**(248,548)**
Taxes other than income tax		(21,363)	(10,344)
		1,185,532	**563,947**
Depreciation and amortization, charge and provisions	28	(475,883)	(217,034)
PROFIT FROM OPERATIONS		**709,649**	**346,913**
Result of companies accounted for using the equity method	10	77	(581)
Finance income	29	113,374	40,373
Finance costs	30	(235,197)	(192,227)
Gains on disposal of non-current assets		74	1,505
Losses on disposals of non-current assets		(5,650)	-
PROFIT BEFORE TAX		**582,327**	**195,983**
Income Tax	21	(184,937)	(67,231)
NET PROFIT FOR THE YEAR		**397,390**	**128,752**
Minority interests	14	(7,230)	(11,214)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**390,160**	**117,538**
EARNINGS PER SHARE (BASIC AND DILUTED)	43	**0.09**	**0.11**

Notes 1 to 45 to the accompanying Consolidated Financial Statements and the appendix are an integral part of the Consolidated Income Statement.

Translation of Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IFRS, as adopted by the European Union (See Note 45). In the event of a discrepancy, the Spanish-language version prevails

IBERDROLA RENOVABLES, S.A. AND SUBSIDIARIES

Consolidated Statement of Recognized Income and Expense for the years ended December 31, 2008 and 2007

	Thousand of euros					
	Year ended December 31, 2008			Year ended December 31, 2007		
	Parent company (Note 14)	Minority interests (Note 14)	Total	Parent company (Note 14)	Minority interests (Note 14)	Total
Net income recognized directly in equity						
Other reserves						
Actuarial gains and losses	(8,386)	-	(8,386)	(1,883)	-	(1,883)
Tax effect	3,186	-	3,186	720	-	720
	(5,200)	**-**	**(5,200)**	**(1,163)**	**-**	**(1,163)**
Unrealized assets and liabilities revaluation reserves						
Change in the value of cash flow hedges	(7,337)	-	(7,337)	15,167	-	15,167
Tax effect	2,236	-	2,236	(5,488)	-	(5,488)
	(5,101)	**-**	**(5,101)**	**9,679**	**-**	**9,679**
Translation differences						
Change in translation differences	**55,795**	**1,448**	**57,243**	**(216,156)**	**214**	**(215,942)**
Net profit for the year	**390,160**	**7,230**	**397,390**	**117,538**	**11,214**	**128,752**
	435,654	**8,678**	**444,332**	**(90,102)**	**11,428**	**(78.674)**

Notes 1 to 45 to the accompanying Consolidated Financial Statements and the appendix are an integral part of the Consolidated Statement of Recognized Income and Expense.

IBERDROLA RENOVABLES, S.A. AND SUBSIDIARIES

Consolidated Cash Flow Statements for the years ended December 31, 2008 and 2007

		Thousand of euros	
	Note	2008	2007
Cash flows from operating activities			
Profit for the year		**397,390**	**128,752**
Adjustments for:			
Depreciation and amortization expense and provisions of non current assets	28	481,434	261,019
Net result of associates		(77)	581
Grants credited to income	16	(7,952)	(7,610)
Finance income and expense	29-30	121,823	151,854
Provisions for pensions		2,260	3,805
Provision for contingencies and expenses		5,509	7,719
Gains on disposal of non-current assets		5,576	(1,505)
Change in working capital			
Change in inventories		(20,834)	(21,485)
Change in trade and other receivables		925,542	(301,751)
Change in trade and other payables		1,600,270	(639,629)
Effect of translation differences on working capital		323,183	66,428
Change in non-current trade and other payables		(76,697)	(156,168)
Provisions paid		(4,871)	(2,394)
Income tax paid		(36,792)	(26,723)
Interest received		113,233	27,640
		3,828,997	**(509,467)**
Cash flows from investing activities			
Investment in intangible assets	8	(197,336)	(115,144)
Investment in property, plant and equipment	9	(3,647,702)	(1,970,680)
Changes in consolidation method and/or scope		(730)	5,620
Equity investments		8,210	(8,540)
Other investments		-	37,068
Change for current financial assets		(401,869)	(182,067)
Proceeds on disposal of non-financial assets		89,875	-
		(4,149,552)	**(2,233,743)**
Cash flows from financing activities			
Monetary contribution		-	5,304,441
Deferred income	16	10,673	25,637
Change for current interest bearing loans and borrowings		342,188	(2,203,324)
Cash proceeds from borrowings		426,353	83,659
Repayments of borrowings		(152,278)	(91,833)
Interest paid incluiding capitalized interests		(233,472)	(187,034)
Dividends paid		-	(97,148)
		393,464	**2,834,398**
Net increase in cash and cash equivalents		**72,909**	**91,188**
Cash and cash equivalents at January 1		213,976	122,788
Cash and cash equivalents at December 31		**286,885**	**213,976**

Notes 1 to 45 to the accompanying Consolidated Financial Statements and the appendix are an integral part of the Consolidated Cash Flow Statements.

IBERDROLA RENOVABLES, S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements December 31, 2008

1. GROUP ACTIVITY

Iberdrola Renovables, S.A. (formerly Iberdrola Energías Renovables S.A.U., hereinafter IBERDROLA RENOVABLES) was incorporated on July 9, 2001. Its corporate purpose is to engage in all types of activities, projects and services related to:

- The production and marketing of electricity generated using a range of renewable energies, including, but not restricted to, mini-hydroelectric, wind, solar (thermal and photovoltaic), and biomass, as well as the development, construction, operation and maintenance of these kinds of energy plants.

- The start-up of all kinds of services related to the engineering of renewable energy power plants in general, and specifically research, engineering or energy consultancy studies, and environmental, technical and economic studies relating to such power plants. Also, the operation and maintenance of plants owned by third parties and participation in projects concerning such plants both as owner or as contractor for their operation, conservation and maintenance.

The IBERDROLA RENOVABLES' General Shareholders' Meeting, held on June 26, 2008, decided to change its registered office to Valencia, at Calle Menorca, 19.

The subsidiaries mainly engage in the generation of electricity from renewable energy sources, both in Spain and abroad. Details of these companies are presented in an appendix to the Consolidated Financial Statements.

As explained in Note 14, the majority shareholder of IBERDROLA RENOVABLES is Iberdrola, S.A. (hereinafter, IBERDROLA). As a result of IBERDROLA's acquisition of Scottish Power, Plc. (hereinafter SCOTTISH POWER) on April 23, 2007 and prior to the initial public offering of shares described in Note 14, IBERDROLA RENOVABLES acquired, via a capital increase with a non-monetary contribution dated on October 3 2007, SCOTTISH POWER's renewable energy branch, mainly located in the UK and the US as well as gas storage, electricity and gas supply businesses and thermal energy generation of electricity carried out in the US (see Note 33).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Accounting standards applied

The IBERDROLA RENOVABLES Group's 2008 Consolidated Financial Statements were prepared by the Company Directors on February 24, 2009 in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, in conformity with Regulation (EC) 1606/2002 of the European Parliament and of the Council. The Directors of IBERDROLA RENOVABLES expect these Consolidated Annual Accounts to be approved at the General Shareholders' Meeting without modification.

These Consolidated Financial Statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivative financial instruments, which have been measured at fair value. The carrying amounts of assets and liabilities hedged by fair value hedges are restated to reflect variations in their fair value as a result of the risk hedged.

IBERDROLA RENOVABLES, the same as year 2007, has elected to implement the early application IFRS 8 "Operating segments" (see Note 7), which requires the IBERDROLA RENOVABLES to report financial and descriptive information about its reportable segments and the economics environments where the Group operates.

The remaining standards issued by the corresponding bodies whose application is not mandatory in 2008 would not have a material impact on these Consolidated Annual Accounts.

IFRS allow a number of alternative treatments in their regular application, including the following:

- IFRS allow an option whereby finance costs generated by external finance allocated to assets in progress can be recognized as an increase in the cost of acquisition of the assets. The Group has opted to capitalize these finance costs. In April 2007, the IASB amended IAS 23, "Borrowing costs", establishing as sole possible treatment of these finance costs the treatment that the IBERDROLA Group has been applying.

- Investments in joint ventures can be consolidated either using the proportionate consolidation method or using the equity method provided the same criteria are applied to all the stakes in joint ventures owned by the Group. The Group consolidates all companies in which it shares control with other partners using the proportionate consolidation method.

- "Intangible assets" and "Property, plant and equipment" can be measured either at fair value or at acquisition cost, adjusted for accumulated depreciation and amortization and any impairment. The Group has opted to recognize these assets at adjusted acquisition cost.

- Under IFRSs, actuarial differences exceeding the higher of 10% of the actuarial present value of guaranteed benefit or 10% of the market value of the plan assets may be allocated to income deferred over the average remaining life of the employees covered by the pension plan. Alternatively, the actuarial differences that arise in relation to its defined benefit obligations may be allocated to reserves.

  The IBERDROLA Group decided to recognise the full amount of the actuarial variances when they are charged or credited, as appropriate, to reserves.

- IFRS allow two possible treatments of government grants: to deduct from the carrying amount of the asset the grant received for its acquisition or present the grants as deferred income under liabilities in the balance sheet. The Group has opted for the latter option.

The IBERDROLA RENOVABLES's Consolidated Annual Accounts corresponding to the year 2007 were approved at the General Shareholders' Meeting on 26 June 2008.

b) Consolidation principles

The IBERDROLA RENOVABLES Group fully consolidates subsidiaries over which it exercises control.

The IBERDROLA RENOVABLES Group considers that it exercises control over a company when it has the power to govern its financial and operating policies so as to obtain benefits from its activities.

Jointly controlled entities that the IBERDROLA RENOVABLES Group manages together with other companies have been consolidated using proportionate consolidation. There are companies in which the Group has an ownership interest of over or under 50% but in which it exercises joint control based on agreements with the remaining shareholders.

The associates over which IBERDROLA RENOVABLES Group does not exercise control but does have a significant influence were accounted for in the Consolidated Balance Sheet by the equity method. For the purposes of the preparation of the Consolidated Financial Statements, the Group has been deemed to exercise significant influence over the companies in which it holds an interest of more or less than 20% in the share capital, with the exception of specific cases in which it holds a smaller percentage interest but can clearly demonstrate significant influence.

The appendix to the Consolidated Financial Statements lists all IBERDROLA RENOVABLES' subsidiaries, jointly controlled entities and associates, together with the consolidation or measurement basis used in preparing the accompanying Consolidated Financial Statements and other related disclosures.

The closing date used for the financial statements of subsidiaries, jointly controlled entities and associates is December 31. The accounting policies applied by these companies are the same or have been conformed to those used by the IBERDROLA RENOVABLES Group to prepare these Consolidated Financial Statements.

The financial statements of each of the foreign companies have been prepared in their respective functional currencies, defined as the currency of the economy in which each company operates and in which it generates and uses cash.

The operations of IBERDROLA RENOVABLES and of its consolidated subsidiaries and jointly controlled entities are consolidated in accordance with the following basic principles:

- On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are recognized at fair value. Any excess of the cost of acquisition of the subsidiary over the company's interest in the fair value of the assets and liabilities is recognized as goodwill.

  If the company's interest in the net fair value of the acquired assets and liabilities exceeds the cost of the business combination (negative goodwill), that excess is recognized immediately in the Consolidated Income Statement as a gain.

  Results of subsidiaries acquired or sold in the year are included in the Consolidated Income Statement as from the effective date of acquisition or up to the effective date of sale.

- Goodwill acquired in business combinations ceases to be amortized after January 1, 2004, the IFRS transition date, but is tested for impairment each period.

- The result of measuring investments in associates using the equity method (after eliminating transactions between Group companies) is recognized under "Other reserves" and "Result of companies accounted for using the equity method" on the accompanying Consolidated Balance Sheet and Income Statement, respectively.

- The interests of minority shareholders in the equity and results of the fully consolidated subsidiaries and proportionately consolidated joint ventures are presented under "Equity – Minority interests" on the liability side of the Consolidated Balance Sheet and "Minority Interests" in the Consolidated Income Statement, respectively.

- Acquisitions from minority shareholders of interests in companies over which the Group has previously exercised control as well as sales transactions without loss of control are considered transactions among shareholders then premiums paid and the gains or losses obtained on such transactions are recognised against reserves.

- The financial statements of foreign companies have been translated into euros using the period-end exchange rate method. This method consists of translating all assets, rights and obligations into euros at the exchange rates prevailing at the annual closing date of the Consolidated Financial Statements, translating Consolidated Income Statement items at the average exchange rates for the year, and translating equity items at the exchange rates applying at their date of acquisition (or in the case of retained earnings at the average exchange rates for the year they were generated, provided there were no material transactions that would make this misleading).

- All accounts and transactions between fully and proportionately consolidated companies have been eliminated in consolidation.

c) Comparative information

As explained in Notes 1, 14 and 33, a capital increase with a non-monetary contribution was carried out on October 3, 2007, and was fully subscribed by IBERDROLA, which was the sole shareholder of IBERDROLA RENOVABLES at the time. As a result of this operation, SCOTTISH POWER's renewable energy business became part of the IBERDROLA RENOVABLES Group.

Consequently:

- The Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense and the Consolidated Cash Flow Statement for the year ended 31 December 2008 include the contributions of these branches of SCOTTISH POWER's activities for the full year.

- The Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense and the Consolidated Cash Flow Statement for the year ended 31 December 2007 include the aforesaid contributions as of 3 October 2007 only.

These two considerations should be taken into account when comparing figures included in these 2008 Consolidated Financial Statements with those relating to 2007.

3. REGULATIONS GOVERNING ELECTRICITY GENERATION USING RENEWABLE ENERGY RESOURCES

Described below are the main aspects of the regulations governing the business engaged in by the IBERDROLA RENOVABLES Group in the main markets where it operates:

Spain

Power generation under the special regime in Spain by the IBERDROLA RENOVABLES Group is regulated by Spanish Electricity Industry Law 54/1997 of November 27 and subsequent implementing regulations.

The regulatory framework to support renewable energies under special regime established by Royal Decree 436/2004 was rescinded by Royal Decree 661/2007 in May 2007. This new Royal Decree modified the levels of remuneration.

The main implications of this Royal Decree for the economic framework for electricity generation by the IBERDROLA RENOVABLES Group are the following:

a) Owners of generating facilities coming on stream after December 31, 2007 must choose, for a period of at least one year, between the following two options:

   - Feed the power to the grid through the transmission or distribution network at a regulated feed-in tariff expressed in euro cents per kilowatt-hour.

   - Sell energy to the power generation market at the price set in the organized market or a freely negotiated by the owner of the plant at a premium in euro cents per kilowatt-hour. In this case, upper and lower limits ("cap" and "floors") are set for the aggregate price (the market price plus a premium), so that the premium decreases to a minimum of zero as the market price increases. At the same time, the lower limit guarantees minimum remuneration, regardless of the market price.

   Regulated tariff levels, caps and floors are updated in accordance with the annual CPI.

b) Installations which would have begun operating before December 31, 2007 (but the photovoltaic installations) had until January 1, 2009 to decide whether to continue to act in accordance with the regime set by Royal Decree 436/2004 or adopt the new remuneration framework. This Royal Decree established two remuneration schemes. Under the first scheme, the generator feeds electricity to the distributor at the pre-existing price set for this modality, without scope for future resetting. The second option consists of selling electricity onto the wholesale generation market at the prevailing price plus the incentive and premium provided for in said Royal Decree when the new legislation was published.

c) On 26 September 2008 the government published Royal Decree 1578/2008, on remuneration for electricity generation via solar photovoltaic technology for installations brought into service after the date for continued application of the remuneration system set out in Royal Decree 661/2007, of 25 May, for this technology. This Royal Decree establishes premiums of between 32 and 34 euros per KWh generated and sets a target installed capacity of 3,000 MW for 2010.

United States

Both the Federal Government and the majority of States have implemented support measures to promote the development of electricity generation using renewable sources. In this regard, the main measures taken to support the development of wind energy in the United States are: (i) the Renewable Portfolio Standards (RPS) at state level, (ii) tax credits at federal level, such as the Production Tax Credits (PTCs) and (iii) the ability to depreciate assets related to wind energy facilities over an accelerated period (MACRs).

The "RPS" is a market policy set up by some states on their own initiative, which requires that a minimum proportion of the electricity supply is derived from renewable energies, such as wind, biomass, mini-hydroelectric, geothermal and solar power. The renewable supply percentage varies from state to state. In most states, it is set at between 10% and 20% for 2010 to 2015. Currently, 26 states and the District of Columbia have implemented the "RPS" mechanism.

It is usually put into practice by using Renewable Energy Credits (RECs), a system of tradable certificates which verify that a kWh of electricity has been generated by a renewable source. At year-end, electric power producers must have sufficient certificates to cover their annual quota of renewable energy. If they do not reach their annual quota, they are fined.

In 1992, the US implemented a PTC system which granted wind-power generated electricity an inflation-adjusted tax break of $15/MWh, as part of the Energy Policy Act. The PTC was worth $21/MWh in 2008 for the first ten years of operation of the wind turbine generators. The PTCs are designed to help wind power to be more competitive than fossil fuels and nuclear energy, which receive substantial government grants. The scope of the policy has been increased to include other renewable generation sources and will remain in force for wind farms running before the end of 2009, although it is currently being debated whether it should be extended to cover projects that go beyond that year. Once a project has been granted a PTC, it is kept for 10 years.

There is another tax break linked to the wind farm owner's ability to depreciate the bulk of capital assets over an accelerated period (MACRS - Modified Accelerated Cost Recovery). These assets may be transferred to a five-year period depreciation for tax purposes.

United Kingdom

In April 2002, the Renewables Obligation went into effect in the United Kingdom. This requires suppliers to ensure that a percentage of their sales, which increases annually, is derived from renewable energies. A tradable Renewables Obligation Certificate (ROC) is issued for each MWh of power generated using renewable energies.

To meet the Renewables Obligation, suppliers may choose to acquire ROCs, paying a buy-out price, worth £34.30/MWh in 2007/2008 (the price is adjusted by the CPI each year), or a combination of ROCs and the buy-out price. If a supplier decides to pay the buy-out price, a buy-out fund is set up with the money collected. Once a year has passed, the fund is paid out among the suppliers who have presented ROCs.

From April 2009, 'handing' will be introduced to the RO such that the different technologies will obtain different levels of support.

Also, the consumption of electricity derived from certain renewable sources, such as onshore and offshore wind energy, biomass, solar, hydroelectric and tidal power is exempt from the Climate Change Levy (CCL), an environment tax which end consumers pay for using power. The CCL therefore encourages suppliers to buy electricity generated using renewable energy sources. Suppliers may increase their competitiveness in the market and pass the saving on to end consumers, or continue to pass the tax on to consumers (although it is exempt from the tax) and profit from higher gains.

Current legislation requires that by 2015, 15.4% of energy sold in the United Kingdom must be derived from renewable sources, although an extension of 20% to 2020 is expected. The framework defined by the Renewables Obligation will end in 2027. From then on, current legislation provides for renewable energy generators to operate in the wholesale electricity market.

Rest of Europe

Throughout 2008, officials in Brussels worked to develop and agree the Energy and Climate Change package referred to as the "Green Package" - a set of legislation designed to promote renewable energy and combat climate change. A definitive agreement was reached between the European Commission, the Parliament and the Council in December, and the legislation is thus now pending only formalisation and publication in the Official Journal of the EU. The Renewables Directive introduces a binding target to have 20% of the EU's end energy consumption coming from renewable sources by 2020. The target varies by country (the requirement for Spain being the European average of 20%) and the foundations have been laid for ensuring that each country meets its target by permitting exchanges between countries with a view to minimising the associated costs.

Other countries

The IBERDROLA RENOVABLES Group operates in other countries where it has wind power generation facilities. These countries have a stable regulatory framework that promotes generation from renewable energy sources.

4. ACCOUNTING POLICIES

The principal accounting policies used in preparing the Consolidated Annual Accounts were as follows:

a) Revenue recognition

Revenue from sales is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the ordinary operating activities of Group companies, net of discounts and applicable taxes, and is recognized at the time that ownership of the goods and services have passed to the buyer.

Sales of goods are recognised when the goods and title thereto have been transferred.

Interest income is accrued on a time proportional basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the assets to that asset's carrying amount.

Dividend income is recognized when the Group companies' right to receive the payment is established.

b) Associates

Associates are companies over which the Group exercises significant influence but which are neither subsidiaries nor jointly controlled entities. Therefore, the Group has the power to participate in their financial and operating decisions, but not to fully or jointly control them.

Investments in associates are accounted for using the equity method of accounting. Under this method, investments are measured initially at acquisition cost, subsequently adjusted for changes to each company's equity, taking into consideration the percentage of ownership and any impairment.

Gains or losses on transactions with associates are eliminated in proportion to the percentage ownership of the companies concerned.

c) Joint ventures

A joint venture is a company formed by several partners to carry out an activity under their joint control. Joint control means that the financial strategy and operating decisions of the company require the consent of the venturers.

The Group companies that directly undertake jointly controlled activities include in their financial statements the proportion of the assets and liabilities managed and their share of income and expenses, using proportionate consolidation.

Goodwill arising on the acquisition of interests in joint ventures is recognized in accordance with the Group's accounting policies described below.

d) Goodwill

Goodwill arising on consolidation represents the difference between the price paid to acquire subsidiaries or jointly controlled entities (consolidated using either the full or the proportionate consolidation method) and the Group's percentage ownership of the fair value of the components making up the net assets of these companies at the time of acquisition. Goodwill arising from acquisitions of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the Consolidated Balance Sheet date.

Goodwill acquired after January 1, 2004 is measured at acquisition cost. Goodwill acquired before this date is recognized at its net carrying amount at December 31, 2003, under Spanish GAAP and in accordance with IFRS 1: "First-time Adoption of International Financial Reporting Standards." In neither instance is goodwill amortized, although at the end of each reporting period, goodwill is reviewed for impairment to its recoverable value and any impairment is written down (see Note 4.i).

e) Other intangible assets

Concessions, patents, licenses and similar

This heading basically comprises the rights for the use of electric lines and substations and also surface and transit rights on the Group's land holdings measured at acquisition cost. Concession periods range from 50 to 75 years, but the IBERDROLA RENOVABLES Group amortizes surface rights and easements on a straight-line basis in accordance with the life of the assets located on the concession, from the moment the particular plant comes on stream.

Computer software

This account comprises the acquisition and development costs for basic IT systems used in managing the Group.

Computer system maintenance costs are expensed currently in the Consolidated Income Statement.

Computer software is amortized on a straight-line basis over a period of between three and five years from the time each application is put to use.

Other intangible assets
This heading mainly recognizes the acquisition cost for projects to develop new wind farms which meet the 'identifiability' requirement under IAS 38, as they are separable and susceptible to individual sale and are carried at acquisition cost. The amount assigned to each farm is transferred to "Property, plant and equipment" when construction of the wind farm commences.

Research and development expenditure
The IBERDROLA RENOVABLES Group recognises as expenses research and development expenditure, due to its lack of relevancy and the difficulty showed in the separation of Research and Development.

f) Property, plant and equipment

Property, plant and equipment is stated at acquisition cost, including, where appropriate, the following items:

- External finance costs accrued in the construction period.

  The Group determines the amount of capitalizable finance costs according to the following procedure:

  a) The interest on specific-purpose sources of financing used to build certain of the companies' assets are capitalized in full.

  b) Interest on general sources of finance is capitalized by applying the average effective interest rate to the average accumulated amount of capitalizable investment less investment financed with specific sources, provided this does not exceed the total finance costs accrued in the year.

  The average capitalization rates used to determine the interest expense capitalized in 2008 and 2007 were 3.83% and 4.69%, respectively.

  In 2008 and 2007, the Group used the process explained above to capitalize finance costs of thousand euros 62,925 and 17,704 thousand euros, respectively, under "Property, plant and equipment," recognized as "Finance income" in the accompanying Consolidated Income Statements (Note 29)

- Staff costs relating directly or indirectly to construction in progress.

  In 2008 and 2007, thousand euros 38,920 and 16,089 thousand euros, respectively, were capitalized under this concept (Note 26).

- Under legislation applicable to subsidiaries in some countries the asset values include all futures costs for dismantling their production plants. The amount of these costs is recognized at fair value at the time the plants come on stream under "Provisions – Other provisions" in the accompanying Consolidated Balance Sheet.

  These companies review the estimates of these future costs annually and increase or reduce the carrying amounts of the assets accordingly.

The Group transfers work in progress to property, plant and equipment in use once the plant start-up is authorized.

The costs of expansion of or improvements to property, plant and equipment leading to increased productivity or capacity or to a lengthening of the useful lives of the assets are capitalized.

When the IBERDROLA RENOVABLES Group acquires a group of assets or of net assets that do not constitute a business, the cost is allocated across the group's individually identifiable assets and liabilities, using the fair values at the acquisition date. In this regard, the investment made by the IBERDROLA RENOVABLES Group in companies consisting solely of a wind farm and which did not therefore constitute a business in 2008 and 2007 amounted to 418,497 and 146,052 thousand euros, respectively.

Replacement or renewal of complete units is recognized as an addition to property, plant and equipment, and the units replaced or renewed are derecognized.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the asset's carrying amount.

At December 31, 2008 and 2007, the Group had no asset classified as investment property.

g) Depreciation of property, plant and equipment in use

Property, plant and equipment in use are depreciated by the straight-line method at annual rates based on the following years of estimated useful life:

	Average years of estimated useful life
Buildings	50
Wind farms	20
Combined cycle power plants	35
Gas storage facilities	40
Distribution facilities	40
Meters and measuring devices	15 – 27
Dispatching centers and other facilities	4 – 12

In the case of hydro-electric plants, as these facilities are operated under concessions (Note 4.r), the depreciation of civil engineering assets is performed over the concession period, while electromechanical equipment is depreciated over 35 years, provided that this does not imply ongoing depreciation after the concession period has ended.

h) Leases

The Group classifies as finance leases all arrangements under which the lessor transfers to the lessee substantially all the risks and rewards incidental to ownership of the asset. All other leases are classified as operating leases.

Assets acquired under finance leases are recognized as non-current assets in accordance with their nature and function. Each asset is depreciated over its useful life as the Group considers that ownership of the assets will be transferred at the end of the lease term. Assets are measured at the lower of the fair value of the leased asset and the present value of the future lease payments.

The expenses arising on operating leases are charged to the Consolidated Income Statement over the term of the lease on an accrual basis.

i) Impairment of non financial assets

The Group assesses at each balance sheet date whether there is an indication that a non-current asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In the case of identifiable assets that do not themselves generate any independent cash flows, the Group estimates the recoverable value of the cash flow generating unit to which the asset belongs.

In the case of goodwill and other intangible assets with an indefinite useful life or which have not yet come into use, the Group systematically assesses their recoverable value systematically each year.

For purposes of this recoverability analysis, goodwill is allocated to the cash generating units in which it is controlled for internal management purposes. In no instance are these cash generating units bigger than the operating segments defined by the IBERDROLA RENOVABLES Group.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, measured as the present value of its estimated future cash flows. In calculating value in use, the assumptions used in the estimate include discount rates, growth rates and expected changes in selling prices and direct costs. Discount rates include the time value of money and the risks specific to the cash-generating unit. Growth rates and changes in prices and direct costs are based on sector estimates and the Group's experience and forecasts, respectively. Given the predictability of the activities carried out by the IBERDROLA RENOVABLES Group, the estimates used generally cover the useful life of its installations.

The discount rates before taxes and in Euros used by the IBERDROLA RENOVABLES Group for these purposes are the following:

	2008 rates	2007 rates
National	5.64%	5.00%
United States of America	6.69%-7.92%	5.50%-7.60%
United Kingdom	5.64%	5.00%
Rest of the world	5.89%-7.90%	5.20%-7.16%

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognized for the difference with a charge to "Depreciation and amortization charge and provisions" in the Consolidated Income Statement. Impairment losses recognised for an asset are reversed with a credit to the aforementioned heading when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset. The increased carrying amount may not, however, exceed the carrying amount that would have been recognized had no impairment loss been recognised. Impairment losses recognized in relation to goodwill cannot be reversed.

The 2008 Consolidated Income Statement includes EUR 8,634 thousand for the impairment of non-financial assets, while in 2007 no significant amount was booked for this concept.

j) Financial instruments

Financial assets
The IBERDROLA RENOVABLES Group classifies all financial assets, current and non-current, as follows:

- Financial assets at fair value through profit or loss (assets that meet the following criteria):

    1. The asset has been classified as a held-for-trading financial asset and the Group expects to derive profits from fluctuations in its price.

    2. The asset has been included in this classification upon initial recognition.

    Assets in this class are carried on the Consolidated Balance Sheet at fair value, and changes in fair value are recognized in "Finance costs" and "Finance income" on the Consolidated Income Statement, as appropriate.

    The IBERDROLA RENOVABLES Group includes in this category derivative financial instruments that do not meet the criteria for hedge accounting under IAS 39: "Financial Instrument" (see Note 19).

- Loans and receivables: these are initially recognized in the balance sheet at fair value and are subsequently measured at amortized cost using the effective interest rate method.

    The Group records the related provisions for the difference between the amount of the receivables considered recoverable and their carrying amount.

- Held-to-maturity investments: those that the Group has the intention and ability to hold to maturity, and which are carried at amortized cost.

- Available-for-sale financial assets: all assets that are not classified in any of the preceding categories.

The Group determines the most appropriate classification of its financial assets upon acquisition and reevaluates this designation at the end of each reporting period for those assets that may be reclassified.

The Group recognizes conventional financial asset purchases and sales on the trading date.

Cash and cash equivalents
This heading in the Consolidated Balance Sheet includes cash, sight accounts and other highly liquid short-term investments that can be realized in cash quickly and are not subject to a risk of significant change in value.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the IBERDROLA RENOVABLES Group are classified according to issue type.

The IBERDROLA RENOVABLES Group classifies as an equity instrument any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity Instruments having the substance of a financial liability
The IBERDROLA RENOVABLES Group has undertaken several transactions in the US incorporating third parties as minority shareholders in certain wind farms in exchange for consideration, primarily cash and other financial assets.

The following are the main characteristics of these transactions:

- Regardless of the percentage of share capital acquired by the minority shareholders, the IBERDROLA RENOVABLES Group maintains control and management of the wind farms. Therefore, they are fully consolidated in these Consolidated Annual Accounts.

- The minority shareholders obtain the right to a substantial share in the profits and tax credits which these farms generate until they obtain the returns established at the start of the contract.

- The minority shareholders retain an ownership stake in the wind farms until they obtain the agreed return.

- Once this level of return has been obtained, the minority shareholders must relinquish their holdings in the wind farms, thereby losing their claim on the profits and tax credits generated by the wind farms.

- Whether or not these minority investors obtain the agreed level of return depends on the financial performance of the wind farms. Although the IBERDROLA RENOVABLES Group is obliged to operate and maintain the facilities efficiently and to insure them adequately, it is not bound to deliver any money to the minority shareholders other than the profits and tax credits mentioned above.

After analyzing the substance and financial reality of these agreements, the IBERDROLA RENOVABLES Group recognizes the balancing entry for the consideration received at the start of the transaction under the "Equity instruments having the substance of a financial liability" (Note 15) heading of the Consolidated Balance Sheet. Subsequently, this liability is measured at amortized cost. Furthermore, the IBERDROLA RENOVABLES Group recognises the tax benefits disposed of with third parties with which it has agreements according to their nature, so that Production Tax Credits are presented under "Revenue" in the Consolidated Income Statement.

Debentures, bonds and borrowings from credit entities
Loans and similar items are recorded initially at the amount received less transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method, except for hedged transactions, which are measured using the method described in the paragraph on "Derivative financial instruments and hedges". Also, obligations under finance leases (see Note 4.h) are recognized at the present value of the lease payments under "Bank Borrowings-loans" (Note 18) in the Consolidated Balance Sheet.

In 2008 and 2007, the IBERDROLA RENOVABLES Group did not carry any financial liability at fair value through profit or loss.

Trade and other payables
Trade payables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

Other non-current payables and other current liabilities
These headings in the Consolidated Balance Sheet mainly reflect balances in favor of the majority shareholder of IBERDROLA RENOVABLES (IBERDROLA), and its subsidiaries and related parties.

Financial transactions carried out with these institutions are recognized in the same way as bank borrowings, while business transactions are recognized the same as any other trade payable.

Contracts to buy or sell non-financial items
The IBERDROLA RENOVABLES Group performs detailed analysis of all its contracts to buy or sell non-financial items to ensure they are classified correctly for accounting purposes.

As a general rule, contracts that are settled net in cash or in another financial asset are classified as derivatives and are recognised and measured as described in this note, except for contracts entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the IBERDROLA RENOVABLES Group's purchase, sale, or usage requirements.

Contracts to buy or sell non-financial items to which the treatment described in the preceding paragraph does not apply are designated as "own-use contracts" and are recognised as the IBERDROLA RENOVABLES Group receives or delivers the rights or obligations originating thereunder.

Derivative financial instruments and hedges
Derivative financial instruments are initially recognized in the Consolidated Balance Sheet at acquisition cost and subsequently remeasured at fair value. Any gains or losses arising from such changes in value are recognized in the Consolidated Income Statement unless the derivative has been designated as a cash flow hedge or a hedge of a net investment in a foreign operation.

For accounting purposes, hedges are classified as follows:

- Fair value hedges: when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (with the exception of exchange rate hedges in the latter instances).

- Cash flow hedges: when the risk hedged is the variation in cash flows attributable to a specific risk associated with a recorded asset or liability or a forecast transaction, or to exchange rate risk in a firm commitment.

- Hedge of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to the Group wishes to apply hedge accounting. This documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. In addition, hedges are reviewed periodically to ensure they are highly effective (between 80% and 125%).

The accounting treatment for hedging transactions is as follows:

- In the case of fair value hedges, both changes in the fair value of financial derivatives classified as hedges and changes in the fair value of the hedged item attributable to the risk hedged are recognized as a debit or credit as appropriate, in the same heading of the Consolidated Income Statement.

- In cash flow hedges and hedges of a net investment in a foreign operation, changes in the fair value of the hedging derivative are recognized, in respect of the ineffective portion of the hedges, in the Consolidated Income Statement, while the effective portion is recognized under "Unrealized assets and liability revaluation reserve" and "Translation differences", respectively, in the accompanying Consolidated Balance Sheet. The cumulative gain or loss recognized in these headings is transferred to the relevant heading of the Consolidated Income Statement as the hedged item affects net profit of loss or in the year in which the item is disposed of.

- If a hedge of a forecasted transaction results in the recognition of a non-financial asset or liability, this balance is used to determine the initial carrying amount of the asset or liability. If the hedged transaction did not give rise to an asset or liability, the amounts debited or credited to “Unrealized assets and liability revaluation reserve” are recognized in the Consolidated Income Statement in the same year as the hedged item.

- If a hedge of a forecasted transaction results in the recognition of a financial asset or liability, this balance is recognized in “Unrealized assets and liability revaluation reserve” until the hedged item affects the Consolidated Income Statement.

- Upon derecognition of the hedge, the cumulative gain or loss recognized in “Unrealized assets and liability revaluation reserve” remains under this heading until the hedge is carried out, at which time the gain or loss is adjusted. If the forecast transaction is no longer expected to occur, the amounts previously recognized in this heading are transferred to the Consolidated Income Statement.

Derivatives embedded in other financial instruments are recognized separately when the IBERDROLA RENOVBLES Group considers that their economic characteristics and risks are not closely related to the financial instruments in which they are embedded and when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and so long as the hybrid instrument is not already measured at fair value with changes in fair value recognized in profit or loss in the Consolidated Income Statement.

Fair value of the various financial instruments is calculated as follows:

- For derivatives quoted in organized financial markets, the price at the close of business on the balance sheet date.

- To measure derivatives no traded on an organized market, the IBERDROLA RENOVABLES Group uses assumptions based on market conditions at year-end. Specifically, the fair value of interest rate swaps is calculated as the value discounted at market interst rates of the interest rate swap contract spread; currency futures are measured by discounting the future cash flows calculated using the forward exchange rates at year-end; finally, the fair value of contracts to buy or sell non-financial items under the scope of IAS 39 “Financial instruments” is calculated on the basis of the best estimate of future price curves for the underlying non-financial items at the reporting date.

Derecognition of financial assets and liabilities
A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired.

- The Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full to a third party, or has transferred substantially all the risks and rewards of the asset or has not retained them substantially.

- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or expires.

k) Inventories

This heading of the Consolidated Balance Sheet mainly includes energy material, which are valued at the lower of acquisition cost and net realizable value. The inventories value determined by applying either the FIFO or the weighted average price method, depending on which is regarded more appropriate for each raw material in each operating segment.

l) Deferred income

“Deferred income” basically comprises any non-repayable grant to finance property, plant and equipment. The grant is taken to the Consolidated Income Statement as the assets financed with the grant are depreciated.

This heading also includes amounts received from third-parties but not taken to profit at the balance sheet date, for rights to use connection facilities to the electricity grid and other assets owned by the Group for a fixed period. These amounts are recognized on a straight-line basis under “Other operating income” in the Consolidated Income Statement over the period for which the rights are granted.

m) Post-employment and other employee benefits

The contributions to be made to the defined contribution post-employment benefit plans are expensed under "Staff costs" on an accrual basis.

In the case of the defined benefit plans, the IBERDROLA RENOVABLES Group recognises the expenditure relating to these obligations on an accrual basis over the working life of the employees by commissioning the appropriate independent actuarial studies (Note 6.a) using the projected unit credit method to measure the obligation accrued at year-end, and the positive or negative actuarial differences are recognised as "Other reserves" when they arise (Note 2.a). The provision recognised in this connection represents the present value of the defined benefit obligation reduced by the market value of the related plans.

If the market value of the assets exceeds the present value of the obligation, the net asset is not recognised in the Consolidated Balance Sheet unless it is practically certain that it will be recovered.

n) Other provisions

IBERDROLA RENOVABLES also recognizes provisions to cover present obligations (legal or constructive) when, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is recognized when the liability or obligation arises, with a charge to the relevant heading in the Consolidated Income Statement depending upon the nature of the obligation, for the present value of the provision when the effect of discounting the value of the obligation to present value is material. The change in the provision due to its discounting each year is recognized under "Finance costs" in the Consolidated Income Statement.

o) Transactions in currencies other than the euro

Transactions in currencies other than the functional currencies of Group companies are recognized in the corresponding functional currency at the exchange rate prevailing at the time of the transaction. During the year, the differences arising between the exchange rates at which the transactions were recorded and those in force at the date on which the related collections or payments are made are debited or credited, as appropriate, to profit or loss.

Also, fixed-income securities and receivables and payables outstanding at December 31 denominated in currencies other than the functional currencies of Group companies are translated at the year-end exchange rate each year. The resulting differences are charged to "Finance costs" or credited to "Finance income" in the Consolidated Income Statement, as appropriate.

Transactions carried out in foreign currencies where the Group has opted to use financial derivatives or other hedging instruments to mitigate the exchange risk are described in Note 4.j.

p) Current/non-current classification

Payables are classified according to the outstanding time to maturity at the balance sheet date. Debts falling due in less than twelve months are classified as current and those with longer maturities as non-current.

q) Income Tax

Most of the Spanish companies in the IBERDROLA RENOVABLES Group file tax returns as part of the consolidated tax group headed by its sole shareholder Iberdrola, S.A. In consequence, taxable income and tax relief and credits are calculated jointly.

Income Tax expense is accounted for using the liability method based on the general balance. This determines deferred tax assets and liabilities on the basis of the carrying amounts of assets and liabilities and their tax base, using the tax rates that can objectively be expected to be in force when the assets or liabilities are realized or settled. Deferred tax assets and liabilities arising from a charge or credit directly to equity are also recognized through a charge or credit to equity.

The Group recognizes deferred tax assets whenever future taxable profits are expected against which these assets can be recovered.

Tax relief for double taxation and tax incentives, as well as tax credits earned as a result of financial events in the year, are deducted from accrued income tax expense, unless there are doubts as to whether they can be claimed.

r) Service concession arrangements for hydro-electric power plants

In accordance with Law 29/1985, of August 2, partially amended by Law 46/1999, of December 13, all Spanish hydro-electric power plants are subject to temporary service concession arrangements. According to the terms of these arrangements, upon expiration of the arrangement, ownership of the plants, in full working condition, is transferred back to the government. (Note 4.g)

The IBERDROLA RENOVABLES Group considers that there is no need to set up a reversion fund as the plants' maintenance programs ensure that they will continue to operate correctly.

s) Discontinued operations

A discontinued operation is a line of business that it has been decided to abandon and/or sell whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

Income and expenses of discontinued operations are presented separately in the Consolidated Income Statement.

No business or segment was discontinued in either 2008 or 2007.

t) Environmental issues

Costs arising from corporate activities aimed at protecting and improving the environment are recognized in the year incurred.

Expenses incurred on items of property, plant and equipment aimed at minimizing their environmental impact or protecting or improving the environment are recorded as an increase in the value of the assets.

u) Consolidated Cash Flow Statements

The following terms are used in the Consolidated Cash Flow Statements, which were prepared using the indirect method, with the meanings indicated below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of Group companies and other activities that are neither investing nor financing activities.

- Investing activities: the acquisition, sale or disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

v) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential ordinary shares into ordinary shares of IBERDROLA RENOVABLES. For these purposes, it is considered that shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

In the Consolidated Annual Accounts at December 31, 2008 and 2007, basic earnings per share coincide with diluted earnings per share, since there were no instruments outstanding during these years convertible into ordinary shares.

w) Share-based employee compensation

The delivery of IBERDROLA RENOVABLES shares to employees as compensation for their services is recognised under "Staff costs" in the Consolidated Income Statement as the workers perform the remunerated services, with a credit to equity under "Other reserves" in the Consolidated Balance Sheet at the fair value of the equity instruments on the grant date, i.e., the date the IBERDROLA RENOVABLES Group and its employees reach an agreement establishing the terms of the share grant.

In the event of cash settled share-based payments, i.e., linked to IBERDROLA RENOVABLES' share price, the payment is charged to "Staff costs" in the Consolidated Income Statement and credited to "Other non-current payables" or "Other current liabilities" in the Consolidated Balance Sheet, as appropriate. The fair value of the cash settled compensation is resestimated at each accounting close.

Either way, if the share delivery or cash payment become irrevocable, the IBERDROLA RENOVABLES Group will immediately recognise the entire amount in full.

5. FINANCIAL RISK MANAGEMENT POLICY

Interest rate risk

Several items in the balance sheet and the associated financial derivatives bear interest at fixed rates and, therefore, are exposed to fair value interest rate risk as a result of changes in market interest rates. Also, the Group is exposed to fluctuation in interest rates affecting cash flows in respect of items in the balance sheet and derivatives that bear interest at floating rates.

The Group mitigates this risk by managing the proportion of its debt that bears fixed interest to that which bears floating interest on the basis of the situation of the markets, through new sources of financing and the use of interest rate derivatives, all within the approved risk limits.

The structure of external debt and equity financing at 31 December 2008 and 2007, after taking into account hedges via derivatives, was the following:

External financing:

	Thousands of euros	
	Balance at 12/31/08	Balance at 12/31/07
Floating rate	342,864	427,638
Fixed rate	467,916	391,658
Capped rate (*)	93,391	25,839
	904,171	**845,135**

(*) Exposure to fluctuations in interest rates is limited to minimum and/or maximum levels.

On the other hand, the structure of financial debt at 31 December 2008 and 2007 with IBERDROLA Group, which does not contain any hedges, was the following:

Group financing:

	Thousands of euros	
	Balance at 12/31/08	Balance at 12/31/07
Floating rate	1,832,066	1,228,487
Fixed rate	715,751	-
	2,547,817	**1,228,487**

The reference interest rates for the floating rate borrowings are basically Euribor and US dollar Libor, and the most liquid local reference rates in the case of the borrowings of other countries.

The sensitivity of earnings and equity to changes in interest rates is the following:

		Thousands of euros	
	Increase/ decrease in interest rate (basis points)	Impact on profit before taxes	Impact on equity before taxes
2008	+10	(1,844)	592
	-10	1,844	(770)
2007	+10	(401)	1,061
	-10	401	(1,061)

Foreign exchange risk

Fluctuations in the value of the currencies in which borrowings are instrumented and sales are made with respect to the presentation currency may have an adverse effect on the finance costs and profit for the year.

The following items could be affected by foreign currency risk:

- Debt denominated in currencies other than the local or functional currency of the Group companies.
- Collections and payments for supplies, services or investments in currencies other than the functional currency.
- Income and expenses of certain foreign subsidiaries indexed to currencies other than the functional currency.
- Taxes derived from the accounting for tax purposes in local currencies other than the functional currency.
- Profit or loss on consolidation of the foreign subsidiaries.
- Consolidated carrying amount of net investments in foreign subsidiaries.

The Group IBERDROLA RENOVABLES reduces this risk by ensuring that all its economic flows are denominated in the presentation currency of each Group company, provided that this is possible and economically practicable. The resulting open positions are integrated and managed through the use of derivatives, within the approved limits.

Currencies most used by IBERDROLA RENOVABLES Group other than the euro are the US dollar and sterling. The sensitivity of earnings and consolidated equity of IBERDROLA RENOVABLES Group to changes in the exchange rate for these currencies against the euro is as follows:

		Thousands of euros	
	Change in the USD/EUR exchange rate	Impact on profit before taxes	Impact on equity before taxes
2008	+5%	(21,790)	(63,549)
	-5%	24,064	70,583
2007	+5%	(7,411)	(168,520)
	-5%	8,191	184,668

		Thousands of euros	
	Change in the GBP/EUR exchange rate	Impact on profit before taxes	Impact on equity before taxes
2008	+5%	(122)	(12,112)
	-5%	135	13,387
2007	+5%	(1,104)	(80,207)
	-5%	1,220	88,650

The sensitivity of the market value of the IBERDROLA RENOVABLES Group's financial borrowings to changes in the USD/EUR exchange rate, after taking hedges into account, is as follows (thousand of euros):

	2008		2007	
Changes in the USD/EUR exchange rate	+10%	-10%	+10%	-10%
Changes in the value of borrowings	(133,521)	163,193	(43,719)	51,527

	2008		2007	
Changes in the GBP/EUR exchange rate	+10%	-10%	+10%	-10%
Changes in the value of borrowings	(67,079)	81,985	(38,840)	47,471

Commodity price risk

While IBERDROLA RENOVABLES mainly uses non-pollutant technologies to generate electricity, its income could be affected by prices of certain commodities. Therefore, for example, as described in Note 3 the IBERDROLA RENOVABLES Group's facilities located in Spain can opt to sell power in the electricity generation market, thereby obtaining a premium in euro cents per kilowatt-hour. As different generation technologies exist side by side in these markets, some using fossil fuels as a source of primary energy, the final price may vary depending on the price of these fuels. Furthermore, the sale price for energy produced by the IBERDROLA RENOVABLES Group located in other countries can also be affected by fluctuations in commodity prices, that also would impact gas storage and gas and electricity trading activities in US.

The IBERDROLA RENOVABLES Group limits its exposure to this risk in several ways, the main ones being the following:

a) By subscribing long-term energy sales contracts.

b) By carrying out, where appropriate, hedging transactions to keep the risk within set limits.

The sensitivity of the IBERDROLA RENOVABLES Group's earnings and equity to changes in gas market prices is as follows:

		Thousand of euros	
	Change in gas price	Impact on pre-tax earnings	Impact on equity before taxes
2008	+5%	8,315	(9,730)
	-5%	(8,315)	9,730
2007	+5%	8,200	-
	-5%	(8,200)	-

Liquidity risk

Exposure to adverse situations in the debt or capital markets can hinder or prevent the IBERDROLA RENOVABLES Group from obtaining the financing required to properly carry on its business activities.

The liquidity policy followed by IBERDROLA RENOVABLES ensures that it can meet its payment obligations without having to obtain financing under unfavorable terms. For this purpose, it uses various management measures such as the arrangement of committed credit facilities of sufficient amount and flexibility, diversification of the coverage of financing needs through access to different markets and geographical areas, and subscription to financing with its majority shareholder, IBERDROLA.

Credit risk

The credit risk arising from the default of a counter party (customer, shareholder or financial institution) is duly controlled at the IBERDROLA RENOVABLES Group through various policies and risk limits which include requirements for the following:

- Contracts tailored to the transaction performed.
- Sufficient internal or external creditworthiness of the counterparty.
- Additional guarantees whenever necessary.
- Time limits on open positions.
- Limits on the costs of doubtful debts and on the finance costs arising from debtor defaults.

In particular, in the case of financial creditor positions, the IBERDROLA RENOVABLES Group follows a prudent policy of arranging derivatives and placing cash surpluses with highly solvent counterparties based on the credit ratings of Moody's and S&P.

In addition, there is an action protocol detailing corrective measures when a counterparty's credit rating drops to below its "investment rating", and the market value of derivatives and credit risk are measured regularly in order to ensure that the risk limits established are being observed at all times.

At December 31, 2008 and 2007, there was no significant concentration of credit risk at the IBERDROLA RENOVABLES Group.

The age at December 31, 2008 and 2007 of financial assets that are past due but not considered impaired is the following:

	Thousands of euros	
	2008	**2007**
Less than 90 days	5,809	8,435
90-180 days	787	807
Over 180 days	1,384	193
	7,980	**9,435**

6. USE OF ESTIMATES AND SOURCES OF UNCERTAINTY

a) Accounting estimates

Certain assumptions and estimates were made by the Group in the preparation of these Consolidated Financial Statements. The most significant estimates used to prepare these Consolidated Financial Statements relate to:

Costs of closure and dismantling of electricity generation and distribution facilities

Each year, the Group revises its estimates for any costs that it may incur for the dismantling and final closure of its power plants. As a result, at December 31, 2008, the Group companies in some countries had made a provision for such costs (see Note 17.c), either because under local legislation the operating concessions have a limited term or because of other non-renewable commitments with third parties (basically for leased premises).

Provisions for pension plans and similar commitments

The IBERDROLA RENOVABLES Group makes an estimate at each year-end of the required actuarial provision to meet commitments related to pensions and similar commitments with personnel. Independent actuaries provide advice to the IBERDROLA RENOVABLES Group for preparing these estimates (Note 4.m).

Own use contracts

As mentioned in Note 4.j, the IBERDROLA RENOVABLES Group analyses its contracts to buy and sell energy supplies to ensure they are properly classified for accounting purposes. This analysis involves estimating final customer demand and other variables. These estimates are revised at regular intervals.

Value in use

As indicated in Note 4.i, the IBERDROLA RENOVABLES Group calculates the value in use of its cash generating units which requires a series of estimates of future revenues and costs, and for the purposes of which the semi-regulated nature of most of its activities must be taken into account.

Although these estimates are made based on the best information available at the balance sheet date, events may occur in the future that require adjustments to be made prospectively in subsequent years. The effects of changes in estimates are recognized in the financial statements of the years in which they are made.

b) Sources of uncertainty

Regulation of renewable energies in the US

As detailed in Note 3, a series of incentives for wind facilities are in place in the United States. One of the most important of these is the PTC system whereby facilities receive tax deductions calculated in US dollars per MWh during their first ten years service. Prior of the close of the year this system was extended to facilities brought into service before 31 December 2009.

As described in Note 44, on 17 February 2009 new legislation was approved extending the PTC system to 2012 and establishing another series of incentives.

Given the commitment to supporting renewable energies shown by the new US administration, the IBERDROLA RENOVABLES Group believes the PTC system will either be extended to facilities brought into service after 31 December 2012 or be replaced by other benefits equivalent to or improving on the current system.

Contingent liabilities

As indicated in Note 34, there are certain contingent tax and legal liabilities that have not been provisioned in these financial statements. While the outcome of each of these items in the future could require payment of certain amounts by the IBERDROLA RENOVABLES Group, none of them can be deemed to be significant in the context of these consolidated financial statements.

7. SEGMENT REPORTING

The IBERDROLA RENOVABLES Group opted to apply IFRS 8 “Operating segments” early (see Note 2 a). This standard provides that an operating segment is a component of an entity:

i) that engages in business activities from which it may earn revenue and incur expense (including revenues and expenses with other components of the entity).

ii) whose operating results are monitored regularly by the chief operating decision maker in the entity, to decide on resources that need to be assigned to the segment and to assess its performance.

iii) for which, discrete financial information is available.

Due to the characteristics of the activies developped by the IBERDROLA RENOVABLES Group, the reported segments agree with strategic business units rather than with the delivered products and servicies. The segments are independently managed.

The operating segments identified by the IBERDROLA RENOVABLES Group are as follows:

- Spain: this segment includes the activities undertaken in Spain, being mainly the generation of hydraulic energy and wind power.

- US: where it engages in wind powered generation, fossil fuel generation and the supply of gas and electricity.

- United Kingdom: where it fundamentally produces energy from wind.

- Rest of the world: wind generation in all countries for which it was not deemed necessary to define a specific operating segment.

The IBERDROLA Group manages jointly financing activities and the effects on income tax.

Consequently, financial income and expense and income tax have not been allocated to operating segments.

SEGMENT REPORTING FOR 2008

	Thousand of euros				
	National	United States of America	United Kingdom	Rest of the world	Total
REVENUE					
Total external revenue					
External revenue	889,818	896,208	138,475	105,816	2,030,317
Inter-segment revenue	-	-	-	-	-
INCOME STATEMENT					
Amortisations, depreciations and provisions	(228,977)	(147,468)	(57,312)	(42,126)	(475,883)
Segment operating profit/(loss)	**469,351**	**182,878**	**38,977**	**18,443**	**709,649**
Share in net profit of companies accounted for using the equity method	77	-	-	-	77
Financial income	-	-	-	-	113,374
Financial costs	-	-	-	-	(235,197)
Gains on disposals of non-current assets	-	-	-	-	74
Loss on disposals of non-current assets	-	-	-	-	(5,650)
Profit before tax	**-**	**-**	**-**	**-**	**582,327**
Income tax	-	-	-	-	(184,937)
Net profit for the year	**-**	**-**	**-**	**-**	**397,390**
Minority interests	-	-	-	-	(7,230)
Net profit for the year attributable to the equity holders of the parent	**-**	**-**	**-**	**-**	**390,160**
ASSETS					
Segment assets	5,073,153	8,978,607	2,296,297	1,589,292	17,937,349
Investments accounted for using the equity method	285	-	-	-	285
Other non-current financial assets	-	-	-	-	319,573
Current financial investments and cash	-	-	-	-	1,061,771
Deferred tax assets	-	-	-	-	363,769
Other unallocated assets	-	-	-	-	533,405
Total assets	**5,073,438**	**8,978,607**	**2,296,297**	**1,589,292**	**20,216,152**
LIABILITIES					
Segment liabilities	395,727	1,076,715	61,204	163,725	1,697,371
Capital instruments with debt-like characteristics	-	797,626	-	-	797,626
Bank borrowings – Loans	-	-	-	-	904,171
Derivative financial instruments	-	-	-	-	307,845
Deferred tax liabilities	-	-	-	-	1,955,934
Other unallocated liabilities	-	-	-	-	3,364,926
Total liabilities	**395,727**	**1,874,341**	**61,204**	**163,725**	**9,027,873**
OTHER INFORMATION					
Total cost incurred during the year in the acquisition of property, plant, equipment and intangibles assets.	**1,070,759**	**1,970,344**	**306,771**	**546,420**	**3,894,294**
Expenses for the year other than amortisation, depreciation and provisions that did not result in cash outflows	-	-	-	-	-

SEGMENT REPORTING FOR 2007

	Thousand of euros				
	National	United States of America	United Kingdom	Rest of the world	Total
REVENUE					
Total external revenue					
External revenue	598,890	245,533	27,237	81,355	953,015
Inter-segment revenue	-	-	-	-	-
INCOME STATEMENT					
Amortisations, depreciations and provisions	(181,274)	20,512	(27,945)	(28,327)	(217,034)
Segment operating profit/(loss)	**258,004**	**88,151**	**(12,371)**	**13,129**	**346,913**
Share in net profit of companies accounted for using the equity method	-	-	-	(581)	(581)
Financial income					40,373
Financial costs	-	-	-	-	(192,227)
Gains on disposals of non-current assets	-	-	-	-	1,505
Loss on disposals of non-current assets	-	-	-	-	-
Profit before tax	**-**	**-**	**-**	**-**	**195,983**
Income tax	-	-	-	-	(67,231)
Net profit for the year	**-**	**-**	**-**	**-**	**128,752**
Minority interests	-	-	-	-	(11,214)
Net profit for the year attributable to the equity holders of the parent	**-**	**-**	**-**	**-**	**117,538**
ASSETS					
Segment assets	4,297,159	6,960,950	2,597,370	1,085,139	14,940,618
Investments accounted for using the equity method	144	-	-	-	144
Other non-current financial assets	-	-	-	-	290,839
Current financial investments and cash	-	-	-	-	565,741
Deferred tax assets	-	-	-	-	264,690
Other unallocated assets	-	-	-	-	1,593,167
Total assets	**4,297,303**	**6,960,950**	**2,597,370**	**1,085,139**	**17,655,199**
LIABILITIES					
Segment liabilities	240,419	621,509	42,545	207,242	1,111,715
Capital instruments with debt-like characteristics	-	680,545	-	-	680,545
Bank borrowings – Loans	-	-	-	-	845,135
Derivative financial instruments	-	-	-	-	197,633
Deferred tax liabilities	-	-	-	-	1,866,706
Other unallocated liabilities	-	-	-	-	2,035,011
Total liabilities	**240,419**	**1,302,054**	**42,545**	**207,242**	**6,736,745**
OTHER INFORMATION					
Total cost incurred during the year in the acquisition of property, plant, equipment and intangibles assets.	**883,033**	**604,718**	**152,235**	**481,280**	**2,121,266**
Expenses for the year other than amortisation, depreciation and provisions that did not result in cash outflows	-	-	-	-	-

8. INTANGIBLE ASSETS

The detail of the movement in the cost and accumulated amortization in 2008 and 2007 in the various items under this heading is as follows:

	Thousands of euros				
	Goodwill	Concessions, patents, licenses, trademarks and other	Computer software	Other intangible assets	Total
Cost at January 1, 2008	**1,646,475**	**12,408**	**30,715**	**3,013,294**	**4,702,892**
Translation differences	(55,136)	(1)	1,198	(107,226)	**(161,165)**
Additions	-	806	3,871	195,424	**200,101**
Disposals	(1,578)	(7)	(1,175)	(19,792)	**(22,552)**
Transfers	-	(3,526)	3,558	(195,264)	**(195,232)**
At December 31, 2008	**1,589,761**	**9,680**	**38,167**	**2,886,436**	**4,524,044**
Accumulated amortization at January 1, 2008	**-**	**(6,259)**	**(9,379)**	**(14,484)**	**(30,122)**
Translation differences	-	-	(507)	(529)	**(1,036)**
Additions	-	-	(1,675)	(24)	**(1,699)**
Transfers	-	3,526	-	19,180	**22,706**
Charge for the period	-	-	(5,212)	(15,808)	**(21,020)**
At December 31, 2008	**-**	**(2,733)**	**(16,773)**	**(11,665)**	**(31,171)**
Net carrying amount	**1,589,761**	**6,947**	**21,394**	**2,874,771**	**4,492,873**

	Thousands of euros				
	Goodwill	Concessions, patents, licenses, trademarks and other	Computer software	Other intangible assets	Total
Cost at January 1, 2007	**30,963**	**11,672**	**8,334**	**-**	**50,969**
Non-monetary contribution (Note 33)	1,686,807	-	18,685	2,955,123	**4,660,615**
Translation differences	(71,295)	1	(688)	(111,545)	**(183,527)**
Additions	-	735	4,384	110,025	**115,144**
Transfers	-	-	-	59,691	**59,691**
At December 31, 2007	**1,646,475**	**12,408**	**30,715**	**3,013,294**	**4,702,892**
Accumulated amortization at January 1, 2007	**-**	**(4,293)**	**(2,360)**	**-**	**(6,653)**
Non-monetary contribution (Note 33)	-	-	(5,027)	(5,526)	**(10,553)**
Translation differences	-	-	186	990	**1,176**
Charge for the period	-	(1,966)	(2,178)	(9,949)	**(14,093)**
At December 31, 2007	**-**	**(6,259)**	**(9,379)**	**(14,485)**	**(30,123)**
Net carrying amount	**1,646,475**	**6,149**	**21,336**	**2,998,809**	**4,672,769**

The amount of fully amortized intangible assets in use at December 31, 2008 and 2007 is not significant with regard to these Consolidated Financial Statements.

Intangible assets in progress were assigned to the following cash-generating units at 31 December 2008:

	Thousands of euros	
	2008	2007
Renewable energies in Spain	111,478	19,673
Renewable energies in the United States	1,640,675	1,523,674
Renewable energies in the United Kingdom	751,351	973,342
Renewable energies in the rest of the world	40,865	40,019
Rest of activities in the United States	349,802	417,091
	2,894,171	**2,973,799**

The allocation of goodwill to the various cash generating units at 31 December, 2008 is as follows:

	Thousands of euros	
	2008	2007
Renewable energies in Spain	3,160	3,296
United States	1,185,518	1,179,220
Renewable energies in the United Kingdom	375,189	439,808
Renewable energies in the rest of the world	25,894	24,151
	1,589,761	**1,646,475**

Apart from goodwill, the IBERDROLA RENOVABLES Group does not own any intangible assets with indefinite useful lives.

At December 31, 2008 and 2007, there were no significant restrictions on the ownership of intangible assets.

Research and development costs recognized with a charge to the Consolidated Income Statement by the Group in 2008 and 2007 were not significant.

9. PROPERTY, PLANT AND EQUIPMENT

The detail of movements in 2008 and 2007 in the various items under this heading, both in terms of costs and accumulated depreciation and provisions, is as follows:

December 31, 2008	Thousands of euros					
	Balance at 01/01/08	Translation differences	Additions and charges to provisions	Disposals, write-offs and write-downs	Transfers	Balance at 12/31/08
Property, plant and equipment in use						
Cost						
Land and buildings	**90,180**	**374**	**7,013**	**(141)**	**(15,256)**	**82,170**
Electricity technical plant in use	**8,351,733**	**(109,549)**	**438,174**	**(124,447)**	**1,982,415**	**10,538,326**
Hydro-electric plants	322,000	-	474	-	6,473	328,947
Thermal plant	503	1,099	-	(4,127)	18,558	16,033
Wind farms	6,588,076	(153,951)	292,385	(3,294)	1,778,325	8,501,541
Combined cycle power plants and other alternative plants	308,765	7,729	3,305	(101,222)	418,432	637,009
Gas storage facilities	621,986	37,311	120,753	(15,804)	(342,518)	421,728
Distribution facilities	497,299	(1,737)	16,009	-	60,897	572,468
Meters and measuring devices	1,626	-	-	-	-	1,626
Dispatching centers and other facilities	11,478	-	5,248	-	42,248	58,974
Other items of property, plant and equipment in use	**65,252**	**1,845**	**3,439**	**(778)**	**(2,792)**	**66,966**
	8,507,165	**(107,330)**	**448,626**	**(125,366)**	**1,964,367**	**10,687,462**
Accumulated depreciation						
Buildings	**(18,539)**	**(8)**	**(3,075)**	**-**	**5,523**	**(16,099)**
Electricity technical plant in use	**(1,254,119)**	**(4,610)**	**(436,126)**	**40,926**	**(44,312)**	**(1,698,241)**
Hydro-electric plants	(134,832)	-	(6,870)	-	(379)	(142,081)
Thermal plant	-	-	(713)	-	(610)	(1,323)
Wind farms	(975,113)	(2,988)	(382,159)	-	(67,995)	(1,428,255)
Combined cycle power plants and other alternative plants	(65,725)	(810)	(8,546)	40,656	1,740	(32,685)
Gas storage facilities	(20,621)	(812)	(16,478)	270	22,754	(14,887)
Distribution facilities	(55,273)	-	(16,226)	-	44	(71,455)
Meters and measuring devices	(261)	-	(115)	-	-	(376)
Dispatching centers and other facilities	(2,294)	-	(5,019)	-	134	(7,179)
Other items of property, plant and equipment in use	**(18,786)**	**(427)**	**(5,591)**	**404**	**7,802**	**(16,598)**
Valuation corrections	**-**	**-**	**(8,634)**	**-**	**8,281**	**(353)**
	(1,291,444)	**(5,045)**	**(453,426)**	**41,330**	**(22,706)**	**(1,731,291)**
Net carrying amount	**7,215,721**	**(112,375)**	**(4,800)**	**(84,036)**	**1,941,661**	**8,956,171**
Property, plant and equipment in progress						
Cost						
Electricity technical plant in progress	**2,357,047**	**(31,875)**	**3,159,058**	**(5,840)**	**(1,565,497)**	**3,912,893**
Prepayments and other property, plant and equipment in progress	**122,727**	**159**	**86,509**	**-**	**(203,638)**	**5,757**
	2,479,774	**(31,716)**	**3,245,567**	**(5,840)**	**(1,769,135)**	**3,918,650**
	9,695,495	**(144,091)**	**3,240,767**	**(89,876)**	**172,526**	**12,874,821**

December 31, 2007	Thousands of euros						
	Balance at 01/01/07	Non-monetary contribution (Note 33)	Translation differences	Additions and charges to provisions	Disposals, write-offs and write-downs	Transfers	Balance at 12/31/07
Property, plant and equipment in use							
Cost							
Land and buildings	**76,842**	**7,296**	**(532)**	**6,574**	**-**	**-**	**90,180**
Electricity technical plant in use	**4,295,336**	**2,982,340**	**(10,525)**	**271,470**	**(138)**	**813,250**	**8,351,733**
Hydro-electric plants	311,348	-	-	988	-	9,664	322,000
Thermal plant	503	-	-	-	-	-	503
Wind farms	3,529,833	2,228,592	(94,581)	176,767	-	747,465	6,588,076
Combined cycle power plants	-	273,098	(10,055)	45,722	-	-	308,765
Gas storage facilities and other alternative plants	492	480,650	94,111	46,733	-	-	621,986
Distribution facilities	353,729	-	-	1,260	-	142,310	497,299
Meters and measuring devices	95,349	-	-	-	-	(93,723)	1,626
Dispatching centers and other facilities	4,082	-	-	-	(138)	7,534	11,478
Other items of property, plant and equipment in use	**17,546**	**14,652**	**(1,844)**	**34,889**	**(8)**	**17**	**65,252**
	4,389,724	**3,004,288**	**(12,901)**	**312,933**	**(146)**	**813,267**	**8,507,165**
Accumulated depreciation							
Buildings	**(14,958)**	**(1,042)**	**20**	**(2,559)**	**-**	**-**	**(18,539)**
Electricity technical plant in use	**(790,090)**	**(237,102)**	**13,525**	**(240,452)**	**-**	**-**	**(1,254,119)**
Hydro-electric plants	(126,081)	-	-	(8,751)	-	-	(134,832)
Wind farms	(619,429)	(149,223)	9,156	(215,617)	-	-	(975,113)
Combined cycle power plants and other alternative plants	-	(66,119)	2,505	(2,111)	-	-	(65,725)
Gas storage facilities	(35)	(21,760)	1,864	(690)	-	-	(20,621)
Distribution facilities	(42,637)	-	-	(12,636)	-	-	(55,273)
Meters and measuring devices	(136)	-	-	(125)	-	-	(261)
Dispatching centers and other facilities	(1,772)	-	-	(522)	-	-	(2,294)
Other items of property, plant and equipment in use	**(10,094)**	**(6,234)**	**1,457**	**(3,915)**	**-**	**-**	**(18,786)**
	(815,142)	**(244,378)**	**15,002**	**(246,926)**	**-**	**-**	**(1,291,444)**
Net carrying amount	**3,574,582**	**2,759,910**	**2,101**	**66,007**	**(146)**	**813,267**	**7,215,721**
Property, plant and equipment in progress							
Cost							
Electricity technical plant in progress	**481,185**	**1,263,449**	**(161,455)**	**1,646,826**	**-**	**(872,958)**	**2,357,047**
Prepayments and other property, plant and equipment in progress	**79,575**	**-**	**(3,211)**	**46,363**	**-**	**-**	**122,727**
	560,760	**1,263,449**	**(164,666)**	**1,693,189**	**-**	**(872,958)**	**2,479,774**
	4,135,342	**4,023,359**	**(162,565)**	**1,759,196**	**(146)**	**(59,691)**	**9,695,495**

The value of fully depreciated property, plant and equipment in use at December 31, 2008 and 2007 was 59,030 thousand euros and 53,000 thousand euros, respectively.

At 31 December 2008 and 2007, “Property, Plant and Equipment in Use” included EUR 93,090 thousand and EUR 54,297 thousand in the accompanying Consolidated Balance Sheets, relating to the items value under a finance lease net from amortization.

The information on the minimum payments under the lease at 31 December 2008, is as follows:

	Thousands of euros
2009	10,189
2010 – 2013	45,416
2014 onwards	62,623
Total lease payments payable	**118,228**
Finance cost	27,811
Present value of the lease payments	90,417
	118,228

Investment commitments at year-end 2008 amounted to EUR 1,698,056 thousand, of which EUR 1,104,074 thousand relate to investment commitments in the US and EUR 438,459 thousand to commitments in Spain, whereas at December, 2007, these amounted to EUR 2,542,212 thousands of euros (1,370,855 in United States and 803,262 in Spain).

At 31 December, 2008 and 2007, the amount of property, plant and equipment pledged to secure bank loans other than those owned by the companies set out in Note 36 was not significant.

10. FINANCIAL ASSETS

a) Investments accounted for using the equity method

The change in 2008 and 2007 in the carrying amounts of investments of the Group companies accounted for using the equity method (see appendix) is as follows:

	Thousands of euros							
	Balance at 01/01/07	Changes in the consolidation method and/or scope	Profit/ (loss) for the year	Disposals	Balance at 12/31/07	Profit/ (loss) for the year	Otros	Balance at 12/31/08
Sotavento Galicia, S.A.	143	-	1	-	144	77	64	285
Hellenic Fish, S.A.	-	900	(582)	(318)	-	-	-	-
	143	**900**	**(581)**	**(318)**	**144**	**77**	**64**	**285**

b) Other non-current financial investments

The detail of this heading in the accompanying IBERDROLA RENOVABLES Group Consolidated Balance Sheet at December 31, 2008 and 2007 is as follows:

	Thousands of euros	
	Balance at 12/31/08	Balance at 12/31/07
Fixed-income securities	181,223	114,670
Prepayments	18,660	10,004
Long-term deposits	4,405	16,784
Other loans and receivables	7,458	40,874
Other	37,824	26,356
	249,570	**208,688**

The fixed-income securities relate to US securities whose interest rate is between 5.5% and 6.5% and which maturity will be between 2010 and 2017. For accounting purposes, all these securities are classified as held-to-maturity investments.

Long-term deposits correspond mainly to deposits made by the IBERDROLA RENOVABLES Group to guarantee future payments. These deposits bear interest at market rates and its maturity will be long term.

The returns obtained on the remaining items under this heading in the Consolidated Balance Sheet are similar to market rates and their maturity will be from 2010.

c) Other current financial investments

This heading mainly includes a deposit to cover liabilities relating to the fiscal risk mentioned in Note 22 and other current investments accruing interest at a market rate.

11. CURRENT TRADE AND OTHER RECEIVABLES

The detail of this heading in the accompanying Consolidated Balance Sheet at December 31, 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Trade receivables	327,516	366,661
Other receivables	145,628	137,486
Group and related companies (Note 38)	141,163	1,113,723
	614,307	**1,617,870**

IBERDROLA RENOVABLES Group did not deem necessary to provide for a bad debt provision at December 31, 2008 and 2007.

12. CASH AND CASH EQUIVALENTS

The detail of this heading in the accompanying Consolidated Balance Sheet at December 31, 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Cash	91,996	167,293
Short-term deposits	194,889	46,683
	286,885	**213,976**

As a general rule, cash deposited with banks earns interest at rates similar to market rates on daily deposits. Short-term deposits mature within a period of less than three months and earn market rates. There are no restrictions on cash withdrawals for significant amounts and there are no substantial differences between the market value and the carrying value of cash and equivalents.

13. MEASUREMENT OF FINANCIAL INSTRUMENTS

The comparison between the carrying value and the fair value of the IBERDROLA RENOVABLES Group's financial instruments at December 31, 2008 and 2007 is as follows:

	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Equity investments	1,114	1,114	14,037	14,037
Other financial investments	502,625	502,625	421,204	421,204
Derivative financial instruments	591,771	591,771	217,033	217,033
Trade and other receivables	634,576	634,576	1,617,870	1,617,870
Cash and cash equivlents	286,885	286,885	213,976	213,976
Financial liabilities				
Bank borrowings-loans	904,171	877,283	845,135	838,570
Derivative financial instruments	307,845	307,845	197,633	197,633
Other non-current liabilities	2,325,567	2,280,163	330,172	330,172
Trade payables	420,176	420,176	317,483	317,483

Wherever the financial instruments listed in the table above are not publicly traded, their market value was determined for the most part through discounted cash flow analysis using a credit risk-adjusted rate, with the exception of that indicated in Note 4.j.

14. EQUITY

The detail of this heading at December 31, 2008 and 2007 is as follows:

	Thousands of euros										
				Other reserves							
	Share capital	Share premium	Unrealized assets and liabilities revaluation reserve	Reserves of companies consolidated using full or proportionate consolidation	Reserves in companies accounted for using the equity method	Legal reserve	Voluntary reserves	Translation differences	Profit for the period	Minority interests	Total
Balance at January 01, 2007	**164,600**	**101,979**	**770**	**61,724**	**91**	**14,039**	**185,915**	**85**	**189,688**	**75,766**	**794,657**
Capital increase	1,947,432	8,317,465	-	-	-	-	-	-	-	28,922	10,293,819
Distibution of 2006 Profit-Dividend (5.90 euros per share)	-	-	-	48,470	1	10,794	33,275	-	(189,688)	-	(97,148)
Income and expense recognized directly in reserves net of tax	-	-	9,679	-	-	-	(1,163)	-	-	-	8,516
Translation differences	-	-	-	-	-	-	-	(216,156)	-	214	(215,942)
Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	117,538	-	117,538
Profit for the year attributable to minority interests	-	-	-	-	-	-	-	-	-	11,214	11,214
Changes in consolidation method/scope and other	-	-	-	(30,436)	-	-	17,753	-	-	18,483	5,800
Balance at December 31, 2007	**2,112,032**	**8,419,444**	**10,449**	**79,758**	**92**	**24,833**	**235,780**	**(216,071)**	**117,538**	**134,599**	**10,918,454**
Distibution of Profit-Dividend	-	-	-	13,331	-	8,250	95,957	-	(117,538)	-	-
Income and expense recognized directly in reserves net of tax	-	-	11,783	-	-	-	(5,200)	-	-	-	6,583
Recognition of cash flow hedging reserve in income	-	-	(16,884)	-	-	-	-	-	-	-	(16,884)
Translation differences	-	-	-	-	-	-	-	55,795	-	1,448	57,243
Profit for the year attributable to equity holders of the parent	-	-	-	-	-	-	-	-	390,160	-	390,160
Profit for the year attributable to minority interests	-	-	-	-	-	-	-	-	-	7,230	7,230
Gain/loss on transactions with own shares	-	-	-	-	-	-	2,706	-	-	-	2,706
Changes in consolidation method/scope and other	-	-	-	(4,950)	65	-	(102,555)	-	-	(69,773)	(177,213)
Balance at December 31, 2008	**2,112,032**	**8,419,444**	**5,348**	**88,139**	**157**	**33,083**	**226,688**	**(160,276)**	**390,160**	**73,504**	**11,188,279**

Share capital

From January 1, 2007 and until October 3, 2007, the IBERDROLA RENOVABLES Group's share capital consisted of 16,460,044 shares with a nominal value of 10 euros each, fully subscribed and paid by IBERDROLA.

On May 22, 2007, the Board of Directors of IBERDROLA agreed to initiate proceedings to place 20% of the share capital of IBERDROLA RENOVABLES on the market via an initial public offering.

Within the context of this offering, on October 3, 2007 IBERDROLA fully subscribed an increase in the share capital of IBERDROLA RENOVABLES, through the issue of 133,539,956 new shares, each with a nominal value of 10 euros. The total amount of the capital increase registered is 5,208,833 thousand euros (see Note 33). To pay for this increase, IBERDROLA contributed to IBERDROLA RENOVABLES the entire share capital of Scottish Power Renewable Energy Holding Ltd, which in turn owned the following SCOTTISH POWER business lines:

- Renewable energies in the UK
- Renewable energies in the US
- Gas storage in the US
- Electricity and gas supply and trading in the US
- Thermal electricity generation in the US

Subsequently, and also for the purposes of enabling the initial public offering to take place, on November 5, 2007 IBERDROLA subscribed another capital increase in IBERDROLA RENOVABLES, in which 18,962,596 new shares were issued, each with a nominal value of 10 euros and share premium of 25.79 euros. This capital increase, with a total value of 678,671 thousand euros, was paid by IBERDROLA via the contribution of a loan collection right that IBERDROLA held with respect to Scottish Power Renewable Energy Holdings Ltd.

On the same date, a resolution was passed to split the number of IBERDROLA RENOVABLES shares to give a new total of 3,379,251,920, via a reduction in their nominal value from 10 to 0.50 euros.

On December 12, 2007 the capital increase relating to the initial public offering mentioned above was carried out. In this capital increase, 844,812,980 shares were issued, with a nominal value of 0.50 euro and a share premium of 4.80 euros each. The total consideration in this transaction amounted to 4,477,508 thousand euros, of which 422,406 thousand euros relate to the nominal value of issued shares and 4,055,102 thousand euros to share premium.

Therefore, on December 31, 2007 and 2008, the share capital of IBERDROLA RENOVABLES amounted to 2,112,032 thousand euros and consisted of 4,224,064,900 shares, each with a nominal value of 0.50 euro. These shares are listed on the Spanish Continuous Market and were included in the Ibex-35 since February 4, 2008.

As the IBERDROLA RENOVABLES Group considers that all the costs involved in the initial public offering were incurred for the purpose of carrying out a capital increase, as a result of which the new shares were placed on the market, and that the ultimate aim of the operation is under no circumstances to float the remaining 80% of the shares, which remain under the stable ownership of IBERDROLA, these costs, which total 143,022 thousand euros, have been recorded, net of tax, against "Share premium" in the Consolidated Balance Sheet.

On December 31, 2008 and 2007, IBERDROLA owned 80% of IBERDROLA RENOVABLES shares. According to the public information available to IBERDROLA RENOVABLES, on this date no other shareholder was in possession of more than 3% of the shares.

The IBERDROLA RENOVABLES Group's main capital management objectives are to ensure short-term and long-term financial stability, appreciation of its shares, suitable investment financing or a reduction of its leverage.

The general policy of IBERDROLA RENOVABLES has been to finance its expansion and the ordinary development of its businesses mainly via financing received from its shareholder IBERDROLA which has a good credit ratings (A3 Moody's, A-S&P), and which helps it maximize the value of its businesses and guarantee the financial strength of the IBERDROLA RENOVABLES Group.

The purpose of the capital increase carried out in December 2007 was to reduce IBERDROLA's level of indebtness, in order to finance its expansion plan.

The leverage ratios for the IBERDROLA RENOVABLES Group at December 31, 2008 and 2007 are as follows:

	Thousands of euros	
	2008	2007
Bank borrowings-loans	904,171	845,135
Financial debt with IBERDROLA Group	2,547,817	1,228,487
Derivative financial liabilities	63,357	703
Non-banking Borrowings	41,248	-
Gross debt	3,556,593	2,074,325
Derivative financial assets	36,397	5,919
Group loans	-	1,051,238
Cash and cash equivalents	286,885	213,976
Total cash assets	323,282	1,271,133
Net debt	**3,233,311**	**803,192**
Equity		
of the parent	11,114,775	10,783,855
of minority interest	73,504	134,599
	11,188,279	**10,918,454**
Leverage	**22.4%**	**6.9%**

Derivatives shown in the table only include derivatives used to hedge risks on financial operations and not those used to hedge risks arising on the sale and purchase of commodities.

Legal reserve

Under the revised Spanish Corporation Law, 10% of income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, and only on condition that sufficient other reserves are not available for this purpose.

Share premium

The revised text of the Spanish Corporation Law expressly permits the use of the share premium account balance to increase capital and does not establish any restrictions as to its use.

Treasury shares

Movements in Treasury shares held by the Company during 2008 and 2007 were as follows:

	No. of shares	Amount (thousands of euros)
Balance at 1 January 2007	**-**	**-**
Acquisitions	-	-
Disposals	-	-
Balance at 31 December 2007	**-**	**-**
Acquisitions	22,880,000	64,467
Disposals	(22,880,000)	(64,467)
Balance at 31 December 2008	**-**	**-**

The IBERDROLA RENOVABLES Group obtained a gain of EUR 2,706 thousand on transactions carried out with treasury shares in 2008, which was taken to “Other Reserves” on the Consolidated Balance Sheet at 31 December 2008. In 2007 no transactions with treasury shares were carried out.

Unrealized assets and liabilities revaluation reserve

Movements in this reserve due to changes in the value of derivatives designated as cash-flow hedges and hedges of a net investment in a foreign operation were as follows:

	Thousands of euros					
	01.01.07	Change in market value	12.31.07	Valuation corrections	Amounts allocated to income	12.31.08
Cash flow hedges						
Interest rate collars and swaps	(77)	5,034	4,957	(15,032)	(2,283)	(12,358)
Foreign exchange rate	1,262	9,737	10,999	9,848	477	21,324
Commodities	-	396	396	23,861	(24,208)	49
Deferred tax on unrealized assets and liabilities	(415)	(5,488)	(5,903)	(6,894)	9,130	(3,667)
	770	**9,679**	**10,449**	**11,783**	**(16,884)**	**5,348**

Other reserves

In the course of 2008 and 2007, the IBERDROLA RENOVABLES Group made various acquisitions of additional percentage interests in its Greek subsidiary C. Rokas, S.A. The IBERDROLA RENOVABLES Group opted to treat the difference between the amount paid in each acquisition and the value of the minority interest as a transaction between shareholders and therefore recognised this difference, which totalled EUR 64,672 thousand and EUR 28,727 thousand in 2008 and 2007 respectively, via a charge to "Retained earnings" in the Consolidated Balance Sheet.

Meanwhile, restricted reserves included under "Reserves in companies consolidated using the full or proportionate consolidation methods" amounted to EUR 46,935 thousand and EUR 37,537 thousand euros at 31 December, 2008 and 2007, respectively.

Share-based payment plans

In 2008, the IBERDROLA RENOVABLES Board of Directors approved an incentives plan for certain employees called the 2008-2010 Strategic Bonus, which is designed to incentivise the achievement of the targets set out in the IBERDROLA RENOVABLES Group's strategic plan for 2008 to 2010. The main features of this plan are as follows:

i) It is linked to the achievement of a series of targets defined in the 2008-2010 Strategic Plan.

ii) In principle, it will be paid entirely in shares. In certain circumstances, and subject to the prior approval of the Appointments and Remuneration Committee, it may be paid in cash.

iii) Shares will be delivered on three dates, prior to 30 March 2011, 2012 and 2013. Plan beneficiaries must still be working in the IBERDROLA RENOVABLES Group on these dates in order to qualify for the incentive payment.

At 31 December 2008, the amounts comprising "Staff costs" in the 2008 Consolidated Income Statement included EUR 3,895 thousand corresponding to the amount accrued in connection with this incentives plan. This amount was credited to "Other Reserves" on the Consolidated Balance Sheet at 31 December 2008.

In addition, in October 2007, the Board of Directors of IBERDROLA RENOVABLES approved a share-based payment plan involving the award of IBERDROLA RENOVABLES shares within the framework of the Company's IPO. The aim of this plan was to reward those employees of the IBERDROLA RENOVABLES Group that had in the past made a notable contribution to the creation of value, the management and the governance of IBERDROLA RENOVABLES and involves the grant of a specific number of IBERDROLA RENOVABLES shares in equal parts every year for three years starting in March 2008. The maximum aggregate number of shares that each beneficiary of the plan will be entitled to receive is 1,700,000 shares.

15. EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY

The movement in this caption of the Consolidated Balance Sheet in 2008 and 2007 is as follows:

	Thousands of euros
Balance at 1 January 2007	**-**
Non-monetary contribution (Note 33)	550,585
Currency translation differences	(20,273)
Additions	187,708
Finance costs accrued during the year (Note 30)	12,098
Payments	(49,573)
Balance at 31 December 2007	**680,545**
Currency translation differences	(17,801)
Additions	239,666
Finance costs accrued during the year (Note 30)	56,182
Payments	(160,966)
Balance at 31 December 2008	**797,626**

The amounts under this heading of the Consolidated Balance Sheet at December 31, 2008 and 2007 accrued interest at an average rate of 7.45% and 7.23% respectively.

16. DEFERRED INCOME

The movement in this heading in 2008 and 2007 was as follows:

	Thousands of euros		
	Capital grants	Other deferred income	Total
Balance at January 1, 2007	**46,065**	**71,441**	**117,506**
Non-monetary contribution (Note 33)	-	8,600	8,600
Translation differences	-	(310)	(310)
Additions	4,459	20,791	25,250
Transfers to profit and loss (Note 28)	(5,047)	(2,563)	(7,610)
Balance at December 31, 2007	**45,477**	**97,959**	**143,436**
Additions	377	10,296	10,673
Transfers to profit and loss (Note 28)	(5,551)	(2,401)	(7,952)
Balance at December 31, 2008	**40,303**	**105,854**	**146,157**

Increases to “Other deferred income” in 2008 and 2007 relate to the agreements between several group companies and various wind farm developers regarding the licensing of certain facilities for connection to the grid, allowing for joint dispatch of the power generated.

17. PROVISIONS

The detail of movements in this heading in 2008 and 2007 is as follows:

	Thousands of euros			
		Other provisions		
	Provision for pensions (Note 4.m)	Provision for plant closure	Other provisions for contingencies and expenses	Total
Balance at January 1, 2007	**564**	**2,815**	**11,964**	**15,343**
Non-monetary contribution (Note 33)	14,897	20,365	5,145	40,407
Translation differences	(291)	(1,002)	(187)	(1,480)
Additions	3,805	9,395	1,948	15,148
Unused amounts reversed	(28)	(1,343)	(2,281)	(3,652)
Payments and other	(2,167)	-	(227)	(2,394)
Balance at December 31, 2007	**16,780**	**30,230**	**16,362**	**63,372**
Translation differences	2,376	(1,785)	120	711
Additions	11,906	32,608	14,915	59,429
Unused amounts reversed	(9)	-	(9,406)	(9,415)
Payments and other	(2,947)	-	(1,924)	(4,871)
Balance at December 31, 2008	**28,106**	**61,053**	**20,067**	**109,226**

The detail of provisions for pensions in 2008 and 2007 is as follows:

	Thousands of euros	
	2008	2007
Defined benefit plans, US	26,676	16,288
Post-employment benefits, other countries	290	215
Electricity for employees in Spain	485	149
Long-service bonuses in Spain	655	128
	28,106	**16,780**

a) Pension plans and other similar obligations

Spain

The IBERDROLA RENOVABLES Group's main commitments to its employees in Spain in terms of defined benefits, other than social security benefits, are the following:

i) Serving employees and employees who have retired and are subject to the IBERDROLA Group's collective labour agreement and members/beneficiaries of the IBERDROLA pension plan, risk benefits (e.g. for death of spouse, permanent disability or death of present employee's parent) which guarantee a defined benefit at the time the event giving rise to such benefits occurs, are instrumented through an annually renewable insurance policy. The guaranteed benefit consists of the difference between the present actuarial value of the above-mentioned defined benefit at the time of the event and the member's vested rights at the time of the event, if the latter are lower. The premiums on the insurance policy for 2008 and 2007 are recognised as "Staff costs" in the accompanying Income Statement and came to EUR 583 thousand and EUR 4 thousand, respectively.

ii) The IBERDROLA RENOVABLES Group also maintains a provision against certain commitments to its employees other than those indicated above, which are covered by internal funds linked to social security benefits, consisting mainly of free electricity for retired employees and other non-current benefits basically consisting of long-service bonuses for serving employees.

The movement in provisions for the commitments detailed in the previous section in 2008 and 2007 is as follows:

	Thousands of euros	
	Free electricity	Long-service bonuses
Balance at 1 January 2007	**64**	**-**
Normal cost	81	128
Finance cost	4	-
Balance at 31 December 2007	**149**	**128**
Normal cost	54	46
Finance cost	8	7
Actuarial differences		
in the income statement	13	479
in reserves	261	-
Payments and other	-	(5)
Balance at 31 December 2008	**485**	**655**

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the abovementioned commitments at 31 December 2008 and 2007 are as follows:

	2008			2007		
	Discount rate	Wage increase rate	Mortality tables	Discount rate	Wage increase rate	Mortality tables
Long-service bonus and Free electricity	4.75%/4.85%	According to age	PERM/F 2000P	4.50%	According to age	PERM/F 2000P

United Kingdom

Former employees of SCOTTISH POWER residing in the UK who joined the company prior to 1 April 2006 are covered by a defined benefit retirement plan.

The cost for IBERDROLA RENOVABLES in 2008 and 2007 totalled EUR 973 thousand and EUR 277 thousand respectively, and is recognised under "Staff Costs" on the Consolidated Income Statement in these years.

United States

Former employees of SCOTTISH POWER currently on the staff of Iberdrola Renewables Holding Inc. (hereinafter, IRHI), are covered by various post-employment plans (Supplemental Executive Retirement Plan, Iberdrola Renewables Retiree Benefits Plan, Iberdrola Renewables Retirement Plan).

The key data pertaining to the IRHI plans at 31 December 2008 and 2007 were the following:

	United States (IRHI) Thousands of euros	
	12/31/08	12/31/07
Obligation present value	(49,629)	(43,401)
Fair value of plan assets	22,953	27,113
Net asset / (net provision)	**(26,676)**	**(16,288)**
Amount recognised in the Consolidated Balance Sheet:		
- Provision for pensions and Similar obligations	(26,676)	(16,288)
Net asset / (net provision)	**(26,676)**	**(16,288)**

The movement in the present value of the obligation in this connection is as follows:

	Thousands of euros (IRHI)
Present value of obligation at 3 October 2007	**42,191**
Normal cost	1,726
Finance cost	620
Actuarial differences taken to reserves	955
Employee contributions	-
Payments	-
Translation differences	(2,091)
Present value of obligation at 31 December 2007	**43,401**
Normal cost	2,510
Finance cost	2,663
Actuarial differences taken to reserves	505
Employee contributions	160
Payments	(2,508)
Translation differences	2,898
Fair value at 31 December 2008	**49,629**

The movement in the fair value of the plan assets is as follows:

	Thousands of euros (IRHI)
Fair value at 3 October 2007	**27,294**
Estimated revaluation	509
Actuarial differences taken to reserves	(928)
Company contributions	1,438
Employee contributions	-
Payments	-
Translation differences	(1,200)
Fair value at 31 December 2007	**27,113**
Estimated revaluation	2,349
Actuarial differences taken to reserves	(7,620)
Company contributions	2,937
Employee contributions	160
Payments	(2,508)
Translation differences	522
Fair value at 31 December 2008	**22,953**

The allocation of plan assets, as a percentage of total plan assets, at the close of each year is shown in the table below:

	2008		
	Equity securities	Fixed-income securities	Other
United States (IRHI) Retirement plan	43%	26%	31%
Retiree Benefits Plan	46%	53%	1%

	2007		
	Equity securities	Fixed-income securities	Other
United States (IRHI) Retirement plan	44%	18%	38%
Retiree Benefits Plan	41%	52%	7%

The expected return on plan assets was calculated on the basis of market expectations for returns over the entire life of the related obligations.

The assets associated with these plans include neither financial instruments issued by the IBERDROLA RENOVABLES Group nor property, plant and equipment nor intangible assets.

The main assumptions used in the actuarial studies undertaken to determine the provision required in connection with these plans were as follows:

	2008			
	Discount rate	**CPI/ Wage inflation**	**Health insurance cost**	**Mortality tables**
United States (IRHI)	6.29%-6.32%	2.50% / 4.00%	9%	RP-2000 Combined fully generational

	2007			
	Discount rate	**CPI/ Wage inflation**	**Health insurance cost**	**Mortality tables**
United States (IRHI)	5.90%-6.05%	2.50% / 4.00%	9%	RP-2000 Combined fully generational

Greece

The Group's Greek subsidiary, C. Rokas, S.A. has a commitment under Greek legislation to pay a bonus to employees upon retirement. This bonus varies in accordance with the employee's professional category and term of service. Its externalisation is not mandatory. It is estimated each year based on an actuarial calculation.

b) Defined contribution plan

i) The active employees of IBERDROLA RENOVABLES, S.A., and employees who have retired since 9 October 1996 and are members of the IBERDROLA RENOVABLES pension plan, are covered by an occupational, defined-contribution retirement pension system independent of the social security system.

In accordance with this system and IBERDROLA RENOVABLES's effective collective labour agreement, the periodic contribution to be made is calculated as a percentage of the annual pensionable salary of each employee, except for employees joining the Company after 1 January 1996, who are subject to a contributory system where the Company pays 1/3 and the employee 2/3.

The contributions made by the IBERDROLA RENOVABLES Group in 2008 and 2007 amounted to EUR 482 thousand and EUR 33 thousand, respectively. These amounts are recognised under "Staff costs" in the accompanying Consolidated Income Statement.

ii) Employees of SCOTTISH POWER hired after 1 April 2006 may opt for a defined contribution plan. IBERDROLA RENOVABLES' contributions for these employees in 2008 and 2007 were EUR 87 thousand and EUR 13 thousand, respectively, and are recognised under "Staff costs" in the accompanying Consolidated Income Statement.

c) Other provisions for contingencies and expenses

The "Provisions - Other Provisions" heading in the Consolidated Balance Sheet includes the best available estimate of the dismantling costs for certain IBERDROLA RENOVABLES facilities (see Notes 4.f and 6.a).

The Group records provisions for liabilities arising from ongoing litigation and indemnity payments, as well as obligations, collaterals and other similar guarantees.

The Group estimates that these obligations will fall due as follows:

	Thousands of euros
2012 and beyond	81,120
	81,120

18. BANK BORROWINGS-LOANS

The detail of outstanding loans is as follow:

	Thousands of euros			
		Foreign-currency loans		
	Loans in euros	US dollars	Other	Total
Balance at December 31, 2007	**628,401**	**85,854**	**130,880**	**845,135**
Balance at December 31, 2008	**716,699**	**145,215**	**42,257**	**904,717**
2009 – (current borrowings)	**102,944**	**12,113**	**4,373**	**119,430**
2010	70,768	11,799	4,108	86,675
2011	68,690	15,374	4,106	88,170
2012	60,146	18,433	4,106	82,685
2013	52,272	24,300	4,106	80,678
Others	361,879	63,196	21,458	446,533
Non-current borrowings	**613,755**	**133,102**	**37,884**	**784,741**

The foregoing loan balances relate to amounts drawn down and not repaid.

At December 31, 2008 and 2007, the IBERDROLA RENOVABLES Group was fully up to date on all its outstanding financial debt obligations. None of the amounts in the table above matured prior to December 31, 2008.

Some of the debt contracted with third parties to finance projects includes standard covenants, such as meeting a series of financial ratios, the obligation to set up a fund to guarantee the annual payment of loan principal and interest, financing part of the projects with internal resources in accordance with predefined ratios, the commitment to maintain the borrower's shareholder body and the obligation to pledge all the shares of the projects to creditors of the projects (see Note 36). In addition to the fundamental obligation to repay principal and pay interest, fees and expenses, a series of restrictions are included to keep the viability of the project from being affected, such as not disposing of the related assets; providing the appropriate guarantee and maintenance of the assets; completing and managing the financed project efficiently and diligently; not carrying out any activities other than those related to the financed project; ensuring compliance with all the legal obligations applicable to the project; not incurring debts with other banking institutions, etc.

Outstanding third-party debt containing these kinds of covenants which, if not satisfied, could trigger early repayment of the covenanted borrowing amounted to approximately 600,869 million euros at December 31, 2008.

At the date of preparation of these Annual Consolidated Financial Statements, the IBERDROLA RENOVABLES Group was in compliance with the covenants of its debt contracts, the breach of which could trigger the early repayment of outstanding amounts.

The loans and credits payable in foreign currency are stated in euros at the ruling exchange rates at the end of each year.

At December 31, 2008 and 2007, the outstanding loans were bearing weighted average annual interest at 4.64% and 5.40%, respectively.

The estimated market value of bank borrowings bearing fixed interest at December 31, 2008 and 2007 amounted to 159,965 and 83,284 thousand euros, respectively. The market value was determined by discounting the future cash flows at market interest rates. The interest rate curve used to make this calculation takes into account the risks associated with the electricity industry and the credit rating of IBERDROLA RENOVABLES. The sensitivity of the aforementioned market value to exchange and interest rate fluctuations is as follows:

	Thousands of euros			
	2008		2007	
	Interest rate fluctuation		Interest rate fluctuation	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Change in the value of borrowings	**(1,847)**	**2.040**	**(1,245)**	**871**

The structure of borrowings at December 31, 2008 and 2007, distinguishing between fixed and floating interest, was as follows:

	Thousands of euros	
	2008	**2007**
Fixed rate	186,854	89,726
Floating rate	717,317	755,409
	904,171	**845,135**

At December 31, 2008 and 2007, the IBERDROLA RENOVABLES Group had 287,721 and 238,710 thousand euros, respectively, of undrawn lines of credit facilities maturing between 2009 and 2016.

19. DERIVATIVE FINANCIAL INSTRUMENTS

The detail of the headings reflecting the value of derivative instruments at December 31, 2008 and 2007 is as follows:

	Thousands of euros							
	Assets 2008		Liabilities 2008		Assets 2007		Liabilities 2007	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
INTEREST RATE HEDGES	**115**	**121**	**1,744**	**12,301**	**-**	**5,403**	**5**	**698**
Cash flow hedges	**115**	**121**	**1,744**	**12,301**	**-**	**5,403**	**5**	**440**
- Interest rate swap	115	121	1,674	7,511	-	5,394	5	396
- Collar	-	-	70	4,790	-	9	-	44
Fair value hedge	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**258**
- Interest rate swap	-	-	-	-	-	-	-	258
FOREIGN EXCHANGE HEDGES	**94,379**	**15,037**	**65,724**	**5,136**	**16,408**	**3,374**	**331**	**1,058**
Cash flow hedges	**94,379**	**15,037**	**65,724**	**5,136**	**16,408**	**3,374**	**331**	**1,058**
- Foreign exchange hedge	94,379	15,037	65,724	5,136	16,408	3,374	331	1,058
NET FOREIGN INVESTMENT HEDGE	**253,576**	**-**	**-**	**52,588**	**9,921**	**-**	**-**	**-**
Cash flow hedges	**253,576**	**-**	**-**	**52,588**	**9,921**	**-**	**-**	**-**
- Foreign exchange hedge	253,576	-	-	52,588	9,921	-	-	-
COMMODITY PRICE HEDGES	**27,459**	**-**	**1,866**	**240**	**20,516**	**-**	**-**	**1,239**
Cash flow hedges	**27,459**	**-**	**-**	**-**	**20,516**	**-**	**-**	**1,239**
- Forwards	27,459	-	-	-	20,311	-	-	-
- Other	-	-	-	-	205			1,239
Fair value hedges	**-**	**-**	**1,866**	**240**		**-**	**-**	
- Other	-	-	1,866	240	-	-	-	-
NON-HEDGING DERIVATIVES	**146,239**	**54,845**	**111,498**	**56,748**	**88,037**	**73,374**	**78,716**	**115,586**
Derivatives over own shares	**739**	**-**	**-**	**21,472**	**-**	**3,196**	**-**	**-**
- Option	739	-	-	21,472	-	3,196	-	-
Interest rate derivatives	**-**	**60**	**-**	**9**	**-**	**516**	**-**	**-**
- Interest rate swap	-	60	-	9	-	516	-	-
Exchange rate derivatives	**-**	**-**	**-**	**-**	**2,518**	**-**	**-**	**-**
- Foreign exchange hedge	-	-	-	-	2,518	-	-	-
Commodity price derivatives	**145,500**	**54,785**	**111,498**	**35,267**	**85,519**	**69,662**	**78,716**	**115,586**
- Forwards	145,500	54,785	111,498	35,267	85,519	69,662	78,716	115,586
	521,768	**70,003**	**180,832**	**127,013**	**134,882**	**82,151**	**79,052**	**118,581**

The detail by maturity of the notional values of the derivative financial instruments in effect at December 31, 2008 is as follows:

	Thousands of euros					
	2009	2010	2011	2012	2013 and foward	Total
INTEREST RATE HEDGES:	**13,903**	**1,779**	**14,306**	**117,456**	**260,527**	**407,971**
Cash flow hedges	**13,903**	**1,779**	**14,306**	**117,456**	**260,527**	**407,971**
- Interest rate swap	-	-	7,153	117,456	156,729	281,338
- Collar	13,903	1,779	7,153	-	103,798	126,633
FOREIGN EXCHANGE HEDGES	**2,043,298**	**173,561**	**-**	**-**	**-**	**2,216,859**
Cash flow hedges	**2,043,298**	**173,561**	**-**	**-**	**-**	**2,216,859**
- Foreign exchange hedge	2,043,298	173,561	-	-	-	2,216,859
NET FOREIGN INVESTMENT HEDGE	**1,283,912**	**1,356,000**	**-**	**-**	**-**	**2,639,912**
Cash flow hedges	**1,283,912**	**1,356,000**	**-**	**-**	**-**	**2,639,912**
- Foreign exchange hedge	1,283,912	1,356,000	-	-	-	2,639,912
COMMODITY PRICE HEDGES:	**229,746**	**253**	**-**	**-**	**-**	**229,999**
Cash flow hedges	**227,756**	**-**	**-**	**-**	**-**	**227,756**
- Forwards	227,756	-	-	-	-	227,756
Fair value hedges	**1,990**	**253**	**-**	**-**	**-**	**2,243**
- Other	1,990	253	-	-	-	2,243
NON-HEDGING DERIVATIVES:	**5,100,139**	**568,846**	**214,373**	**21,392**	**19,902**	**5,924,652**
Derivatives over own shares	**8,246**	**-**	**56,965**	**-**	**-**	**65,211**
- Option	8,246	-	56,965	-	-	65,211
Interest rate derivatives	**1,351**	**11,880**	**3,667**	**-**	**-**	**16,898**
- Interest rate swap	1,351	11,880	3,667	-	-	16,898
Exchange rate derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Foreign exchange hedge	-	-	-	-	-	-
Commodity price derivatives	**5,090,542**	**556,966**	**153,741**	**21,392**	**19,902**	**5,842,543**
- Forwards	5,090,542	556,966	153,741	21,392	19,902	5,842,543
	8,670,998	**2,100,439**	**228,679**	**138,848**	**280,429**	**11,419,393**

The heading "Finance costs" on the 2008 and 2007 Consolidated Income Statements includes a charge of EUR 26,052 thousand and a credit of EUR 191 thousand (Note 30), respectively, due to changes in the fair value of derivatives indexed to financial indices that do not fulfil the requirement for hedge accounting. Furthermore, "Finance cost" of the Income Statement includes charges of EUR 703 thousand and EUR 336 thousand respectively, to offset the effect on results of hedged transactions, whose financial risk were charged to "Equity – Unrealized assets and liabilities revaluation reserve" and recorded therein.

The IBERDROLA RENOVABLES Group uses derivatives such as foreign exchange hedges to offset the potential negative effects that fluctuations in exchange rates could generate in transactions and loans in currencies other than the functional currency in certain Group currencies.

The nominal value of the assets and liabilities for which exchange rate hedges have been arranged is as follows:

Type of hedge	2008					
	Thousands of US Dollars	Thousands of Sterling Pounds	Thousands of Swedish Kronor	Thousands of Japanese Yens	Thousands of Polish Zlotys	Thousands of Euros
Cash flow	1,590,513	135,000	588,483	46,151,089	21,000	340,242
Net investment	2,098,771	879,000	-	-	-	

Type of hedge	2007		
	Thousands of US Dollars	Thousands of Swedish Kronor	Thousands of Polish Zlotys
Cash flow	-	1,947,144	18,000
Net investment	148,771	-	-

Furthermore, the IBERDROLA RENOVABLES Group carries out interest rate hedging transactions in accordance with its risk management policy. The purpose of these transactions is to offset the effect that fluctuations in interest rates could have on future cash flows for credits and loans with floating rates of interest and on the market value of fixed interest loans and credits.

The nominal value of the liabilities for which interest rate hedges have been arranged is as follows:

Type of hedge	Thousands of euros	
	2008	2007
Fair value	-	9,271
Cash flow	407,971	305,428

20. OTHER NON-CURRENT LIABILITIES

The detail of this heading at December 31, 2008 and 2007 is as follows:

	Thousands of euros	
	Balance at 12/31/08	Balance at 12/31/07
IBERDROLA Group (Note 38)	2,142,143	189,620
Related parties (Note 38)	28,600	36,746
Other	154,824	103,806
	2,325,567	**330,172**

The figure for related companies derives from an agreement reached in 2002 to acquire stakes in a number of wind farm companies from the Gamesa Group, under which it committed to acquire from this group the latter's interests in a series of holding companies for a group of wind farms.

Details of the balances and transactions with Group and related companies are given in Note 38.

21. DEFERRED TAX AND INCOME TAX

The Parent Company IBERDROLA RENOVABLES, files a consolidated tax return, having formed part of the tax group 2/86 headed by IBERDROLA since its incorporation.

Without prejudice to this special tax regime in Spain, which applies to the Parent and certain of its consolidated Spanish subsidiaries, other Spanish and foreign subsidiaries file individual income tax returns in accordance with the laws applicable to them.

The differences between the tax charge allocated to 2008 and 2007 and the tax payable for those years, recorded under "Deferred tax assets" and "Deferred tax liabilities", as appropriate, in the Consolidated Balance Sheet at December 31, 2008 and 2007, arose as a result of the temporary differences relating to the difference between the carrying amount of certain assets and liabilities and their tax bases. The main temporary differences are the following:

- Temporary differences arising from the measurement of assets and liabilities related to derivatives and assets that were measured at their market value in business combinations for which the difference between the tax base and carrying amount is not deductible for tax purposes.

- Temporary differences arising from the tax applied to the accelerated depreciation of items of property, plant and equipment by some Group companies.

- Temporary differences arising from prepaid taxes on intra-group transactions.

- Temporary differences arising from the tax treatment of goodwill generated by acquisition of equity stakes in non-resident entities.

The detail of current and deferred "Income tax" is as follows:

	Thousands of euros	
	Balance at 12/31/08	Balance at 12/31/07
Current tax	182,501	73,076
Deferred income tax	2,436	(5,845)
	184,937	**67,231**

The detail of the movements in deferred tax assets and liabilities at December 31, 2008 and 2007, is as follows:

	Thousands of euros											
	Balance at 01/01/07	Non-monetary contribution (Note 33)	Credit (charge) to profit and loss	Credit (charge) to asset and liability revaluation reserve	Translation differences	Increases/ (Decreases)	Balance at 12/31/07	Credit (charge) to profit and loss	Credit (charge) to asset and liability revaluation reserve	Translation differences	Increases/ (Decrease)	Balance at 12/31/08
Deferred tax assets												
From elimination of intra-group profits and homogenization	28,045	-	(9,248)	-	-	3,296	22,093	(1,900)	-	-	-	20,193
From measurement of derivative financial instruments												
Hedging derivatives	692	32,152	4,922	-	(1,184)	4,173	40,755	18,343	(9,337)	902	(28,398)	22,265
Non-hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Tax credits for loss carryforwards and deductions	4,987	52,320	6,875	-	(1,791)	(4,987)	57,404	75,447	-	5,953	(7,512)	131,292
Costs related to the initial public offering	-	-	(440)	-	-	42,906	42,466	-	(42,466)	-	-	-
Provision for pensions and similar commitments	-	1,915	5,784	720	(70)	7,125	15,474	(3,138)	3,186	1,766	6,944	24,232
Other	-	55,439	3,017	-	(2,041)	30,083	86,498	(7,269)	33,961	68,269	(15,672)	165,787
	33,724	**141,826**	**10,910**	**720**	**(5,086)**	**82,596**	**264,690**	**81,483**	**(14,656)**	**76,890**	**(44,638)**	**363,769**

	Thousands of euros											
	Balance at 01/01/07	Non-monetary contribution (Note 33)	Credit (charge) to profit and loss	Credit (charge) to asset and liability revaluation reserve	Translation differences	Increases/ (Decreases)	Balance at 12/31/07	Credit (charge) to profit and loss	Credit (charge) to asset and liability revaluation reserve	Translation differences	Increases/ (Decrease)	Balance at 12/31/08
Deferred tax liabilities												
From standardization of depreciation methods	14,844	-	1,012	-	-	(2,053)	13,803	(435)	-	-	-	13,368
From allocation of fair value in business combinations	8,282	1,520,761	(6,611)	-	(64,084)	(744)	1,457,604	(17,202)	-	(42,327)	-	1,398,075
From accelerated depreciation and amortization	-	266,063	(11,929)	-	1,276	21,123	276,533	61,150	-	3,218	120,386	461,287
From measurement of derivative financial instruments:	442	32,016	17,516	5,488	(1,107)	9,850	64,205	31,638	(2,443)	1,560	(35,914)	59,046
Other	3,170	41,827	5,077	-	(1,540)	6,027	54,561	8,768	(1,362)	(766)	(37,043)	24,158
	26,738	**1,860,667**	**5,065**	**5,488**	**(65,455)**	**34,203**	**1,866,706**	**83,919**	**(3,805)**	**(38,315)**	**47,429**	**1,955,934**

At December 31, 2008 and 2007 there were no deferred tax assets or other tax credits that had not yet been recognized by Group companies.

Following the amendments to applicable Tax legislation the carrying amounts of deferred tax assets and liabilities recognized and pending reversal at December 31, 2007 were modified to reflect the tax rate now expected to be in force when said reversal takes place.

"Income Tax Expense" on consolidated companies for 2008 and 2007 was calculated as follows:

	Thousands of euros	
	2008	**2007**
Profit before tax	**582,327**	**195,983**
Non-deductible expenses and non-computable income		
- from individual companies	(18,239)	3,230
- from consolidation adjustments	15,186	13,063
Share of profit/(loss) of associates accounted for using the equity method	(77)	(581)
Adjusted consolidated accounting profit	**579,197**	**211,695**
Gross tax calculated at the tax rate in force in each country (a)	179,333	68,613
Tax relief	(13,388)	(2,456)
Restatement of tax credits	18,992	1,074
Income Tax	**184,937**	**67,231**

(a) The various foreign fully and proportionately consolidated subsidiaries calculate the Income Tax expense and the resulting tax charge under the taxes applicable to them in accordance with the legislation applicable to them and on the basis of the tax rates in force in each country.

22. CURRENT TAX RECEIVABLES AND PAYABLES

The detail of "Tax receivables" and "Current tax liabilities and other tax payables" on the asset and liability sides, respectively, of the accompanying Consolidated Balance Sheets at December 31, 2008 and 2007, is as follows:

	Thousands of euros	
	2008	**2007**
Current assets		
Corporate income tax receivable	38,381	-
VAT receivable	136,713	228,399
Tax withholdings and prepayments	5,966	-
Sundry tax receivables	65,301	109,372
Social security tax receivable	28	-
	246,389	**337,771**
Current liabilities		
VAT payable	11,208	1,548
Tax withholdings payable	1,824	1,185
Income Tax payable	93,786	9,814
Other tax payables	229,794	219,884
Social Security payables	1,088	798
	337,700	**233,229**

British (HMRC) and US (IRS) Tax Authorities have reviewed the tax aspects related to some financial operations between SCOTTISH POWER and Scottish Power Holding Inc. (formerly PacifiCorp Holding Inc.). The IBERDROLA group considers the liabilities related to the review are correctly provided for. Furthermore, any other contingency that may arise from the ruling on the appeal would be compensated by IBERDROLA, S.A., in accordance with the indemnity agreement signed by both companies (see Note 38).

Furthermore, in a letter dated 10 October 2007, the European Commission notified Spain of its decision to invoke the procedure provided for in article 88, section 2 of the EU Treaty (state aid) in connection with the provisions of article 12.5 of the revised Corporate Income Tax Law.

In general, the IBERDROLA RENOVABLES Spanish companies have all years since 2004 open for review by the tax inspection authorities for the main taxes applicable to it, except for Corporate Income Tax, for which all years since 2001 are open for review. However, this period may differ in the case of the Group companies taxed in different tax jurisdictions.

The IBERDROLA Group and its tax advisors consider that no significant liabilities will arise for the Group as a result of the matters detailed in the paragraphs above.

23. OTHER CURRENT LIABILITIES

The detail of this heading in the Consolidated Balance Sheet at December 31, 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
IBERDROLA Group companies and related companies (Note 38)	1,065,784	1,753,188
Suppliers of fixed assets	574,311	213,214
Other payables	83,376	89,236
	1,723,471	**2,055,638**

24. REVENUE

The detail of this heading for 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
Renewable energies in Spain	889,713	598,890
Renewable energies in the United States	338,640	81,148
Renewable energies in the United Kingdom	138,475	27,237
Renewable energies in the rest of the world	105,921	81,355
Rest of activities in the United States	557,568	164,385
	2,030,317	**953,015**

25. PROCUREMENTS

The detail of this heading in the Consolidated Income Statements for 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
Power purchases	177,043	58,180
Gas purchase	174,554	32,114
Tolls for the use of distribution networks	23,429	-
Other external purchases	34,134	39,882
	409,160	**130,176**

26. STAFF COSTS

The detail of this heading in 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
Wages and salaries	155,804	80,973
Social security contributions	19,771	15,647
Pensions	4,801	2,296
Other social charges	8,545	84
	188,921	**99,000**
Capitalized staff costs		
Property, plant and equipment (Note 4.f)	**(38,920)**	**(16,089)**

The average number of employees of IBERDROLA RENOVABLES in 2008 and 2007 was 1,748 and 942 of which 942 y 205 are women, respectively.

The average number of employees in the consolidated Group is calculated based on the percentage ownership of IBERDROLA RENOVABLES in the joint ventures consolidated using proportionate consolidation and the total number of employees of fully-consolidated subsidiaries.

27. OUTSIDE SERVICES

The detail of this heading in 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
Operation and maintenance	167,287	69,168
Operating leases	32,828	17,294
Insurance	14,395	10,499
Other	83,846	84,123
	298,356	**181,084**

The estimate of future minimum payments under non-cancelable operating leases outstanding at December 31, 2008, is as follows:

	Thousands of euros
2009	24,819
2010 – 2012	73,751
2013 and beyond	527,896
	626,466

The estimate of future minimum payments under non-cancelable operating leases outstanding at December 31, 2007, is as follows:

	Thousands of euros
2008	15,204
2009 – 2011	46,080
2012 and beyond	432,321
	493,605

Most lease contracts have clauses allowing for renewal on expiry.

28. DEPRECIATION AND AMORTIZATION

The detail of this heading in 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
Property, plant and equipment depreciation charge		
Property, plant and equipment (Nota 9)	444,792	246,926
Amortization of intangible assets (Nota 8)	21,020	14,093
Capital grants transferred to profit or loss (Nota 16)	(5,551)	(5,047)
Change in bad debt provision	-	(38,938)
Impairment allowances (Note 9)	8,634	-
Other provisions and write-offs	6,988	-
	475,883	**217,034**

29. FINANCE INCOME

The detail of this heading in 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
Finance income from loans or similar - from Group companies and associates (see Note 38)	9,338	1,371
- other finance income	27,563	17,932
Settlement of fair value derivatives		
- from Group companies (see Note 38)	-	2,611
- other	39	18
Diferencias positivas de cambio		
- from Group companies (see Note 38)	6,691	-
- Other	6,818	737
Capitalized finance costs		
- Property, plant and equipment (Note 4.f)	62,925	17,704
	113,374	**40,373**

30. FINANCE COSTS

The detail of this heading in 2008 and 2007 is as follows:

	Thousands of euros	
	2008	**2007**
Finance costs on loans or similar		
- From loans from Group companies (Note 38)	76,832	130,714
- From loans from related companies (Note 38)	2,996	738
- Other	43,411	43,298
Changes in fair value of non hedging derivatives (Note 19)	26,052	(191)
Changes in fair value of hedging derivatives (Note 19)	(703)	336
Exchange losses		
- From Group companies (Note 38)	7,592	-
- Other	4,611	1,521
Pensions	2,678	620
Finance costs for equity having the substance of a financial liability (Note 15)	56,182	12,098
Finance costs from valuation of debt at amortized cost	839	790
Other finance costs	14,707	2,303
	235,197	**192,227**

31. SWAPS

The IBERDROLA RENOVABLES Group did not carry out any swaps.

32. BUSINESS COMBINATIONS

In 2008 and 2007, the IBERDROLA RENOVABLES Group did not undertake any significant business combinations in relation to the Consolidated Balance Sheet.

33. BUSINESS LINES FROM SCOTTISH POWER

As described in Note 14, on October 3, 2007 IBERDROLA subscribed 100% of a non-monetary capital increase through the contribution of SCOTTISH POWER assets used in the renewable energies sector in the UK and the United States, as well as other activities in U.S.

These assets and liabilities have been recognized in the IBERDROLA RENOVABLES Consolidated Balance Sheet at the fair value stated by IBERDROLA at the date of acquisition of SCOTTISH POWER (April 23, 2007).

Details of assets and liabilities contributed are as follows:

	Thousands of euros
Goodwill (Note 8)	1,686,807
Other intangible assets and computer software (Note 8)	2,963,255
Property, plant and equipment (Note 9)	4,023,359
Financial assets	258,179
Deferred tax assets (Note 21)	141,826
Inventories	178,725
Receivables	300,631
Current financial assets	130,983
Tax receivables	15,320
Cash and cash equivalents	248,377
Total assets	**9,947,462**
Minority interests	28,922
Equity instruments having the substance of a financial liability (Note 15)	550,585
Deferred income (Note 16)	8,600
Provision for contingencies and expenses (Note 17)	40,407
Non-current bank borrowings-loans	260,363
Other non-current payables	56,023
Deferred tax liabilities (Note 21)	1,860,667
Current bank borrowings-loans	286,575
Trade and other payables	1,646,487
Total liabilities	**4,738,629**
Value of the capital increase	**5,208,833**

From October 3, 2007 until December 31, 2007, these assets and liabilities have contributed 24,203 thousand euros to the net profit of the Group. Had these assets and liabilities been contributed to IBERDROLA RENOVABLES at January 1, 2007, revenue and net profit for 2007 would have been increased in 627,585 and 46,262 thousand euros, respectively.

34. CONTINGENT LIABILITIES

IBERDROLA RENOVABLES and certain investees are party to legal and out-of-court disputes arising as part of the Company's activities (these conflicts could be with suppliers, clients, administrative authorities including tax authorities, individuals, environmental activists, and employees).

Based on an evaluation of IBERDROLA RENOVABLES' legal advisors, these conflicts will not significantly affect the equity situation and financial position of IBERDROLA RENOVABLES.

The most significant conflicts are as follows:

Regulatory and tax proceedings

a) In February 2002 the California Public Utilities Commission (CPUC) and the California Energy Oversight Board (CEOB), both US-based entities, filed a claim with the Federal Regulatory Energy Commission (FERC) against PPM, an IBERDROLA RENOVABLES subsidiary. The claim alleges that the tariffs charged in accordance with the contract signed between PPM and the California Department of Water Resources (CDWR) is unreasonable.

   In the event the FERC were to consider the tariffs charged to be unreasonable, PPM could be ordered to reimburse the corresponding amounts received. However, the related amounts are not considered significant.

b) SPHI is currently in conflict with MidAmerican Energy Holdings Company (hereinafter MidAmerican), which acquired PacifiCorp from Scottish Power Plc (currently Scottish Power Limited) in 2006. The conflict relates to tax indemnity payments in connection with the contract for the acquisition of PacifiCorp. In particular, the parties differ as to the calculation of deferred income, carryforward of tax losses, and the distribution of tax refunds. However, no formal legal action has been filed against SPHI, and it is not possible to determine whether MidAmerican will file a claim or to quantify such a potential legal action. IBERDROLA has undertaken to compensate IBERDROLA RENOVABLES for any contingencies deriving from this conflict, as per the terms of the indemnity agreement signed between both sides.

Proceedings concerning the IBERDROLA RENOVABLES Group's plants

a) In Greece, a group of claimants (including landowner associations) challenged the licenses for the construction and operation of a 43.7 MW wind farm located in the Akarifnia and Opountii municipalities and owned by Rokas Aeoliki Komito, S.A. (98.96% owned by C. Rokas, S.A.), therefore, a 96.74% belongs to IBERDROLA RENOVABLES Group. In response to this claim, in March 2006 the Greek High Administrative Court ordered precautionary measures involving the suspension of construction work on the wind farm.

In the event an adverse decision was issued, the wind farm could not be built with the current licenses. Applications for new licenses have been filed in order to mitigate this risk.

b) IBERDROLA RENOVABLES does not have documentation accrediting the mandatory municipal licenses for carrying out its activities in certain plants in Spain, in particular with respect to the Company's oldest mini-hydraulic plants.

As part of its efforts to remedy the situation, IBERDROLA RENOVABLES has identified the licenses that must obtain for each plant. City councils grant municipal licenses based on objective, and not discretional, criteria relating to compliance with certain legal requirements. The Company does not expect to incur significant costs in remedying the situation, as the fees charged by city councils for issuing the licenses are not high.

35. INTERESTS IN JOINT VENTURES

Details of the principal financial indicators of the IBERDROLA RENOVABLES Group's main operations and interest in joint ventures (proportionately consolidated jointly-controlled entities) in 2008 and 2007 are as follows:

	Thousands of euros						
	Energías Renovables de la Región de Murcia, S.A.	Eólicas de Euskadi, S.A.	Eólica de Campollano, S.A.	Subgrupo Iberdrola EERR de la Rioja	Energía Global Castellana, S.A.	Scottish Power Holding, Inc. Subgroup	Other
2008							
Non-current assets							
Intangible assets	-	-	-	587	-	-	2,080
Property, plant and equipment	140,871	-	98,257	251,462	-	455,629	120,667
Non-current financial assets	1,492	-	6,297	109,579	-	8,780	33,341
	142,363	**-**	**104,554**	**361,628**	**-**	**464,409**	**156,088**
Current assets	**12,613**	**-**	**9,339**	**18,706**	**-**	**14,615**	**22,920**
Total assets	**154,976**	**-**	**113,893**	**380,334**	**-**	**479,024**	**179,008**
Non-current liabilities	**78,328**	**-**	**77,682**	**202,129**	**-**	**64,372**	**60,056**
Current liabilities	**9,880**	**-**	**15,787**	**76,260**	**-**	**7,999**	**39,039**
Total liabilities	**88,208**	**-**	**93,469**	**278,389**	**-**	**72,371**	**99,095**
Revenue	**24,758**	**-**	**29,546**	**99,051**	**-**	**55,662**	**13,980**
Expenses	**13,171**	**-**	**19,867**	**49,266**	**-**	**42,926**	**14,834**

	Thousands of euros						
	Energías Renovables de la Región de Murcia, S.A.	Eólicas de Euskadi, S.A.	Eólica de Campollano, S.A.	Subgrupo Iberdrola EERR de la Rioja	Energía Global Castellana, S.A.	Scottish Power Holding, Inc. Subgroup	Other
2007							
Non-current assets							
Intangible assets	-	3	-	617	1	-	2,590
Property, plant and equipment	142,876	96,108	101,553	265,866	180,867	450,276	93,973
Non-current financial assets	198	-	5,975	65,359	71	5,632	20,809
	143,074	**96,111**	**107,528**	**331,842**	**180,939**	**455,908**	**117,372**
Current assets	**20,819**	**14,874**	**2,098**	**46,580**	**25,756**	**18,957**	**33,847**
Total assets	**163,893**	**110,985**	**109,626**	**378,422**	**206,695**	**474,865**	**151,219**
Non-current liabilities	**61,574**	**65,843**	**85,044**	**186,962**	**139,700**	**66,584**	**15,429**
Current liabilities	**45,388**	**8,886**	**10,975**	**30,317**	**49,145**	**9,003**	**30,019**
Total liabilities	**106,962**	**74,729**	**96,019**	**217,279**	**188,845**	**75,587**	**45,448**
Revenue	**9,496**	**24,948**	**18,951**	**74,784**	**1,801**	**15,691**	**1,671**
Expenses	**5,200**	**12,751**	**9,264**	**24,869**	**743**	**10,052**	**1,773**

36. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

IBERDROLA RENOVABLES and its subsidiaries are required to provide the bank or corporate guarantees associated with the normal management of the Group's activities.

The IBERDROLA RENOVABLES Group has contracted guarantees for fulfilment of the various obligations deriving from the exercise of its business activities.

Furthermore, IBERDROLA RENOVABLES acts as guarantor to Iberdrola in the financing of the EUR 350,000 thousand EIB loan.

The IBERDROLA RENOVABLES Group considers that any additional liabilities that could arise from the guarantees extended at 31 December 2008 and 2007 and which were provisioned at 31 December 2008 or 2007, would not be significant.

Similarly, the IBERDROLA RENOVABLES Group, in compliance with the contractual obligations related to loans received from banks, has pledged all or part of its shares in certain Group companies at 31 December 2008 and 2007. Details of pledged shares by company are as follows:

	Thousands of euros			
	31 December 2008		31 December 2007	
Company	Number of shares pledged by percentage of Group ownership	Carrying amount by percentage of Group ownership	Number of shares pledged by percentage of Group ownership	Carrying amount by percentage of Group ownership
Desarrollo de Energías Renovables de La Rioja, S.A.	668,415	10,748	668,415	10,756
Molinos del Cidacos, S.A.	325,694	9,788	325,745	9,144
Sistemas Energéticos Torralba, S.A.	18,486	5,433	18,486	5,074
Sistemas Energéticos Mas Garullo, S.A.	12,569	2,367	12,569	2,274
Sistemas Energéticos La Muela, S.A.	25,500	4,808	25,500	3,759
Sistemas Energéticos del Moncayo, S.A.	24,075	4,762	24,075	4,657
Eólicas de Campollano, S.A.	272,425	5,106	272,425	3,402
Biovent Energía, S.A.	1,900	63,129	1,700	38,818
Energías Renovables de la Región de Murcia, S.A.	2,561,450	33,384	2,561,450	28,466
Molinos de La Rioja, S.A.	127,080	3,796	127,110	3,360
Energías Eólicas de Cuenca, S.A.	76,000	12,130	47,500	5,693
Iberdrola Energías Renovables de La Rioja, S.A.	63,608	64,786	63,608	62,209
Energía de Castilla y León, S.A.	1,624,587	2,189	1,624,587	2,070
Rokas Aeoliki Thraki (C Rokas)	5,983	10,429	3,292	4,818
Rokas Aeoliki Thraki II (R-Aeoliki)	10,923	14,271	6,005	7,081
Rokas Aeoliki (C Rokas)	-	-	10,167	14,129
Rokas Aeoliki Evia (C Rokas)	-	-	5,983	7,746
Rokas Aeoliki Komito (C Rokas)	-	-	3,626	3,350
Fitou	103	276	103	447
Eolica 2000, S.L.	3,355	1,709	-	-
SER	499	8,694	-	-
SER 1	489	2,005	-	-
ENERBRASIL	102,071	31,671	102,071	37,866

37. BOARD OF DIRECTORS' REMUNERATION AND INFORMATION REQUIRED UNDER ARTICLE 127 TER. FOUR OF SPANISH CORPORATIONS LAW

2008 Compensation stipulated in the bylaws

Article 44, sections 1 and 2 of the IBERDROLA RENOVABLES bylaws establishes the following: "1. The Directors, in their capacity as members of the Board of Directors, shall have the right to receive compensation from IBERDROLA RENOVABLES consisting of (a) a fixed payment; and (b) fees for attending Board and Board Committees meetings.// The total amount of compensation that IBERDROLA RENOVABLES may pay to the members of the Board for the items set forth in the preceding paragraph shall not exceed the amount to be determined by the shareholders at the General Shareholders' Meeting for such purposes. The amount set at the General Shareholders' Meeting shall be maintained for so long as it is not modified by a new resolution of the shareholders at the General Shareholders' Meeting.// The setting of the exact amount to pay within the limit set by the shareholders at the General Shareholders' Meeting, the distribution thereof among the various Directors, the standards to take into account for distribution thereof among the various Directors, the frequency of payment, and, in general, all that is not provided for by the shareholders acting at the General Shareholders' Meeting, shall be the responsibility of the Board of Directors, following a proposal from the Appointments and Compensation Committee. //2. Independently of the provisions of the foregoing paragraph, and subject always to the approval of the shareholders, Directors' remuneration may also consist of the delivery of shares or share options, as well as a payment which takes as its reference the value of IBERDROLA RENOVABLES' shares".

Pursuant to Article 44 of IBERDROLA RENOVABLES' bylaws on 5 November 2007, IBERDROLA issued the following resolution, "Total remuneration of the Board of Directors shall be limited to five million euros per year. This amount shall be increased each year in accordance with the rise in the consumer price index". This decision will remain in force until a different decision is implemented at a future General Shareholders' Meeting In accordance with article 44 of the bylaws, fixed and variable remuneration and indemnities payable to Directors holding executive positions within IBERDROLA RENOVABLES shall form part of and be settled with a charge to the above-mentioned total amount.

The breakdown of the compensation agreed for Directors in 2008 by the Board of Directors followed a proposal submitted by the Appointments and Remuneration Committee, and recognised under "Staff Costs" on the accompanying Consolidated Income Statement is as follows:

a) Compensation stipulated in the bylaws

Bylaw-stipulated compensation paid to the current Directors with a charge to the aforementioned compensation stipulated in the bylaws amounted to EUR 1,380 thousand and EUR 211 (*) thousand in 2008 and 2007, respectively. The fixed amounts received by the directors depend on the duties assigned to them, as shown in detail below:

Breakdown of annual compensation by position held:

	Thousands of euros	
	2008	**2007**
Chairman of the Board of Directors	180	180
Committee Chairmen	120	120
Committee members	100	100
Board Members	60	60

The amounts paid in 2008 and 2007 were allocated as follows:

	Thousands of euros	
	2008	**2007**
Chairman	180	28
Committee Chairmen	240	36
Committee members	600	92
Board Members	360	55
	1,380	**211***

Inlaw allocation accrued during 2008 for the Chairman of the Board of Directors and five Proprietary Directors designed by IBERDROLA, S.A. is totally paid to this Society.

b) Attendance fees

The attendance fees paid to the Directors, charged to "Compensation stipulated in the bylaws" are as follows:

	Thousands of euros	
	2008	**2007**
Chairmen (of Board and Board Committees)	3.6	3.6
Board Members	1.8	1.8

The attendance fees paid to Directors, with a charge to compensation stipulated in the bylaws, totalled EUR 619 thousand and EUR 155 thousand in 2008 and 2007 respectively, which were paid in 2008 and 2007, according to the following breakdown:

	Thousands of euros	
	2008	**2007**
Chairman	112	22
Committee Chairmen	171	40
Committee members	277	70
Board Members	59	23
	619	**155**

c) Other remuneration

In 2008 the Directors of IBERDROLA RENOVABLES with executive responsibilities and also eligible for "Compensation stipulated in the bylaws", set received fixed remuneration of EUR 380 thousand, variable remuneration of EUR 224 thousand, and compensation in kind and other payments totalling EUR 15 thousand.

In 2008, the Board of Directors of IBERDROLA RENOVABLES with executive responsibilities and also eligible for "Compensation stipulated in the bylaws" received a bonus of EUR 893 thousand for achieving targets set in multi-year strategic plans and for exceptional, one-off situations, recognised as a credit to previous years' payments required under bylaws.

d) Provisions and guarantees provided by the Company for the directors

The premium paid to cover directors' civil liability insurance, with a charge to compensation stipulated in the bylaws, was EUR 229 thousand in 2008. In 2007 the Company made no payment to cover directors' civil liability insurance.

Other insurances paid with a charge to compensation stipulated in the bylaws amounted to EUR 255 thousand.

The undistributed portion of compensation stipulated in the by-laws for 2008 and 2007, amounting to EUR 1,968 thousand and EUR 422 thousand respectively, was used to provision the obligations incurred by the Company should they materialise.

* This figure is the pro-rata for 2007 of the allocation approved annually according to the number of days elapsed from the date of incorporation of the Board of Directors (5 November 2007) until year-end 2007

At 31 December 2008 and 2007, the IBERDROLA RENOVABLES Group had granted no loans or advances to members of the Board of Directors of IBERDROLA RENOVABLES.

Information required under Article 127 ter. four of the Spanish Corporations Law

Pursuant to Article 127 ter. section 4 of the Spanish Corporations Law details of the interests held by members of the Board of Directors in the share capital of companies with identical, similar or complementary activities to that which comprises the corporate purpose of IBERDROLA RENOVABLES are as follows.

Board Members	Company	Total number of shares (direct and indirect)
José Ignacio Sánchez Galán	Iberdrola, S.A.	2,570,745
Xabier Viteri Solaun	Iberdrola, S.A.	13,853
Javier Sánchez-Ramade Moreno	Iberdrola, S.A.	47,400,000
José Luis San Pedro Guerenabarrena	Iberdrola, S.A.	96,024
José Sainz Armada	Iberdrola, S.A.	61,654
Alberto Pedro Cortina Koplowitz	SICA Desarrollos, S.L.	27,000
Carlos Egea Krauel	Iberdrola, S.A.	6,200
Manuel Moreu Munaiz	Seaplace, S.L.	25,500

In accordance with above-mentioned legislation, details of identical, similar or complementary activities to those of IBERDROLA RENOVABLES, carried out by members of the Board of Directors on a self-employed or employed basis are as follows:

Board Members	Company	Position or activity
José Ignacio Sánchez Galán	Iberdrola, S.A.	Chairman, Chief Executive Officer
	Scottish Power, Ltd.	Chairman
José Luis San Pedro Guerenabarrena	Iberdrola, S.A.	Director of Operations
	Scottish Power, Ltd.	Director
José Sainz Armada	Iberdrola, S.A.	Economic-Financial Manager
	Scottish Power, Ltd.	Director
Carlos Egea Krauel	Enagás, S.A.	Director
	Energías Renovables de la Región de Murcia, S.A.	Chairman
Xabier Viteri Solaun	Iberdrola Renewables Inc.	Director
	Iberdrola Renewables Holdings, Inc.	Chairman
Manuel Moreu Munaiz	Seaplace, S.L.	Chairman
Álvaro Videgain Muro	Sener Grupo Ingeniería, S.L.	Representative of Faliane 2003, S.L.

38. BALANCES AND TRANSACTIONS WITH OTHER IBERDROLA GROUP COMPANIES AND RELATED PARTIES

The table below shows the detail of balances and transactions with Iberdrola Group companies and related parties, defined as those companies that are considered as such by Iberdrola, S.A. (majority shareholder of IBERDROLA RENOVABLES) at December 31, 2008 and 2007:

	Thousands of euros								
	At December 31, 2008					Financial year ended December 31, 2008			
	Current receivables	Non current financial debt	Current financial debt	Current payables	Non-current other payables	Revenue	Services received	Finance income	Finance costs
Group									
Iberdrola, S.A.	2,643	2,046,407	405,674	1,322	-	-	31,165	11,425	81,171
Iberdrola Generación, S.A.U.	986	-	-	(2,286)	-	27,386	2,703	-	-
Iberdrola Distribución, S.A.U.	83,329	-	-	1,720	-	260,924	1,720	-	-
Iberdrola Ingeniería y Construcción, S.A.U.	-	-	-	81,594	-	-	8,249	-	-
Scottish Power Subgroup	54,149	95,736	-	39,911	-	-	-	4,604	3,253
Other Group Companies	-	-	-	41	-	-	-	-	-
	141,107	**2,142,143**	**405,674**	**122,302**	**-**	**288,310**	**43,837**	**16,029**	**84,424**
Related companies									
Grupo Gamesa	56	-	41,248	470,137	28,600	-	83,519	-	629
Bilbao Bizkaia Kutxa (*)	-	-	7,876	-	-	-	-	-	756
Grupo ACS (*)	-	-	-	-	-	-	-	-	-
Caja de Ahorros de Valencia, Castellón y Alicante - Bancaja (**)	-	-	-	-	-	-	-	-	-
Natexis (***)	-	-	18,547	-	-	-	-	-	1,611
	56	**-**	**67,671**	**470,137**	**28,600**	**-**	**83,519**	**-**	**2,996**

(*) Significant shareholders of Iberdrola, S.A.
(**) Significant shareholder of Iberdrola, S.A. from July 2008
(***) Shareholder of French subsidiary companies.

Also, in 2008, the IBERDROLA RENOVABLES Group acquired property, plant and equipment assets from Iberdrola Ingeniería y Construcción, S.A.U., the Gamesa Group and Iberdrola Distribución S.A.U. worth EUR 100,117 thousand, EUR 1,403,244 thousand and EUR 4,029 thousand, respectively.

For their part, entities associated with Bilbao Bizkaia Kutxa and Caja de Ahorros de Valencia, Castellón y Alicante - Bancaja had provided guarantees to the Group in the amount of EUR 3,110 and EUR 10,058 thousand, respectively, at 31 December 2008.

	Thousands of euros									
	At December 31, 2007						Financial year ended December 31, 2007			
	Current receivables	Loan notes receivables	Non current financial debt	Current financial debt	Current payables	Non-current other payables	Revenue	Services received	Finance income	Finance costs
Group										
Iberdrola, S.A.	-	1,047,950	134,766	1,014,301	-	-	-	25,198	754	114,894
Iberdrola Generación, S.A.U.	3,863	-	-	-	-	-	38,295	2,264	-	-
Iberdrola Distribución, S.A.U.	43,598	-	-	-	324	-	226,518	3,294	-	-
Iberdrola Ingeniería y Construcción, S.A.U.	-	-	-	-	57,535	-	113	37,451	-	-
Scottish Power Subgroup	15,024	3,288	54,854	24,566	45,164	-	22,058	1,289	3,228	15,820
Other Group companies	-	-	-	-	-	-	903	592	-	-
	62,485	**1,051,238**	**189,620**	**1,038,867**	**103,023**	**-**	**287,887**	**70,088**	**3,982**	**130,714**
Related companies										
Grupo Gamesa	-	-	-	-	611,298	36,746	-	16,669	-	452
Bilbao Bizkaia Kutxa (*)	-	-	7,088	-	-	-	-	-	-	286
Grupo ACS (*)	-	-	-	-	-	-	-	319	-	-
Caja de Ahorros de Valencia, Castellón y Alicante - Bancaja (**)	-	-	-	-	-	-	-	-	-	-
	-	**-**	**7,088**	**-**	**611,298**	**36,746**	**-**	**16,988**	**-**	**738**

(*) Significant shareholders of IBERDROLA
(**) Significant shareholder of IBERDROLA from July 2007

Also, in 2007, the IBERDROLA RENOVABLES Group acquired property, plant and equipment assets from Iberdrola Ingeniería y Construcción, S.A.U. and Gamesa Group worth 128,901 and 749,538 thousand euros, respectively.

For their part, entities associated with Bilbao Bizkaia Kutxa and Caja de Ahorros de Valencia, Castellón y Alicante - Bancaja had provided guarantees to the Group in the amount of EUR 3,080 and EUR 4,878 thousand, respectively, at 31 December 2007.

On November 5, 2007, IBERDROLA and IBERDROLA RENOVABLES signed an agreement to establish a framework for transparent relations between Iberdrola S.A. and IBERDROLA RENOVABLES (and between the Group companies). In accordance with corporate governance best practices, and in particular the second recommendation of the Unified Code of Corporate Governance, the agreement aims to define the scope of activity of IBERDROLA RENOVABLES, regulate the required mechanisms for preventing and responding to potential conflict of interest situations and for carrying out related party transactions.

This Framework Agreement shall remain in force (i) so long as IBERDROLA holds, either directly or indirectly, a majority holding (i.e. over fifty percent of the share capital) in IBERDROLA RENOVABLES; or (ii) even in the event of this holding falling below fifty percent of the share capital, so long as over half of the Directors of IBERDROLA RENOVABLES have been appointed by IBERDROLA. The termination of the Framework Agreement shall have no bearing over that of the other agreements that IBERDROLA RENOVABLES and IBERDROLA or any other of their respective Group companies may have signed. The latter will remain in force in accordance with their own particular terms.

On 2 November 2007 IBERDROLA RENOVABLES subscribed three new current account contracts with IBERDROLA, denominated in euros, US dollars and sterling, respectively, to replace the existing ones, to implement the new subsidiary financing via IBERDROLA RENOVABLES. During the life of these contracts, the balances payable by IBERDROLA RENOVABLES to IBERDROLA will accrue daily interest at 3M EURIBOR, 3M LIBORUSD and 3M LIBORGBP respectively, plus a margin of 20 basis points. Balances receivable will accrue daily interest at 3M EURIBOR, 3M LIBORUSD and 3M LIBORGBP respectively, minus a margin of 10 basis points.

On 10 December 2007, IBERDROLA RENOVABLES subscribed a new current account contract with IBERDROLA, denominated in Polish zlotys. During the life of this contract, the balance PAYABLE and/or receivable between IBERDROLA RENOVABLES with IBERDROLA will accrue daily interest at 3M WIBOR plus a margin of 20 basis points and 3M WIBOR minus a margin of 10 basis points respectively.

On 8 April 2008, IBERDROLA RENOVABLES subscribed a new current account contract with IBERDROLA, denominated in Hungarian florins.During the life of this contract, the balance payable and/or receivable between IBERDROLA RENOVABLES and IBERDROLA will accrue daily interest at 3M BUBOR plus a margin of 40 basis points and 3M BUBOR minus a margin of 10 basis points respectively.

All these contracts have duration of one year and can be tacitly extended for yearly periods unless one of the parties decides to cancel it.

On November 20, 2007, the Board of Directors of IBERDROLA RENOVABLES passed a resolution to enter into a long-term financing contract with IBERDROLA for a maximum of 2 billion euros (or its equivalent in US dollars or sterling). The financing will bear interest at a rate that may be (as IBERDROLA RENOVABLES prefers) (i) fixed (based on the swap rates of the Reuters ICAP8 screen) or (ii) floating (based on Euribor for repayments in euros or Libor for repayments in US dollars or sterling). In both cases, a margin of zero point ninety five percent (0.95%) p.a. will be added. The financing must be repaid in one single repayment in a seven-year period (or earlier in accordance with the provisions of the contract).

On December 29, 2008 in accordance with the terms of the above loan agreement, IBERDROLA RENOVABLES has drawn down two billion in euros, US dollars and sterling, which is recognised under "Other non-current liabilities".

The structure of borrowings with Group companies at 31 December 2008 and 2007, distinguishing between fixed and floating interest, was as follows:

	2008	2007
Fixed interest	715,751	-
Floating interest	1,832,066	1,228,487
	2,547,817	**1,228,487**

The estimated market value of borrowings with Group and related companies bearing fixed interest at 31 December 2008 amounted to EUR 674,292 thousand. The market value was determined by discounting the future cash flows at market interest rates. The interest rate curve used to make this calculation takes into account the risks associated with the electricity industry and the credit rating of IBERDROLA RENOVABLES. The sensitivity of the aforementioned market value to exchange and interest rate fluctuations is as follows:

	Thousands of euros	
	2008	
	Interest rate fluctuation	
	+0.25%	-0.25%
Change in the value of borrowings	(8,477)	9,038

In addition, on 20 November 2007, following approval by its Board of Directors subsequent to a favourable report from the Related Parties Committee, IBERDROLA RENOVABLES signed with IBERDROLA a brand and domain name licensing, assignment and management agreement relating to the Company's use of certain brands and domain names owned by IBERDROLA (including the "Iberdrola" brand) and the assignment of other Iberdrola brands relating to certain software applications.

In 2007, IBERDROLA and IBERDROLA RENOVABLES signed an agreement under which the former agreed to indemnify the latter for litigation arising from events other than the ordinary activities of Scottish Power Holdings, Inc., the holding company for SCOTTISH POWER's US activities, which was contributed to IBERDROLA RENOVABLES on 3 October 2007 (Note 22).

The amounts that IBERDROLA RENOVABLES may recover from third parties for activities carried out by ScottishPower Holdings Inc. prior to October 3, 2007 that are unrelated to its current business, will be compensated, up to the value of the sums that, where applicable, IBERDROLA, S.A. must pay to the Company in accordance with the provisions of the indemnity agreement.

The contract will run for an indefinite period and will be rescinded as soon as the potential contingencies prescribe or when five years have lapsed since (a) IBERDROLA ceases to own more than 50% of the IBERDROLA RENOVABLES' share capital, either directly or indirectly, or (b) the date on which the majority of the members of the IBERDROLA RENOVABLES' Board of Directors are not appointed on the proposal of IBERDROLA.

IBERDROLA RENOVABLES entered into a framework agreement with Iberdrola Ingeniería y Construcción, S.A. on November 5, 2007, for an indefinite period, to render services involved in developing, constructing, managing and operating the Company's renewable energy plants. These services include (i) with regard to wind farms, engineering services (wind measurement), managing authorizations and supervision, and technical assistance for construction (at all times in accordance with the provisions of the framework agreement of September 30, 2004 covering the construction of wind farms which sets the particular terms for rendering services and the applicable prices); (ii) with regard to mini-hydroelectric and supplying electromechanical equipment, including the construction process, monitoring the environmental surveillance and waste management plan (in all cases in accordance with the framework agreement of July 16, 2004 for mini-hydroelectric plants whereby services are invoiced based on costs incurred plus a 9.3%-17.3% margin); and (iii) services related to CORE (Renewables Operations Center).

In 2006, IBERDROLA RENOVABLES signed an agreement with Gamesa Eólica, S.A. for the supply of wind turbines by which the Gamesa Group will supply the Group wind turbines with total capacity of 2,700 MW valued at over 2,300 million euros between 2007 and 2009 for installation in Spain, the rest of Europe, Mexico and the US. The contract extends to assembly and start-up, as well as operating and maintenance services during the guarantee period.

Also during the same year, IBERDROLA RENOVABLES committed to buying from Gamesa Energía (a subsidiary of Gamesa Corporación Tecnológica, S.A.) approximately 1,000 MW of wind capacity in the US, worth between 700 and 1,100 million US dollars, depending on the total capacity actually acquired and output.

In October 2005, the IBERDROLA RENOVABLES Group agreed to buy from Gamesa Energía, S.A. (a subsidiary of Gamesa Corporación Tecnológica, S.A.) certain wind farms with a combined installed capacity of 700 MW. These acquisitions will take place between 2006 and 2009 at a price of approximately 900,000 thousand euros, extendible to 2012.

On June 13, 2008, the corresponding social parties of IBERDROLA RENOVABLES and Gamesa Corporación Tecnológica, S.A.U. (hereinafter, GAMESA) have formalized a contract to supply wind turbines, under which IBERDROLA RENOVABLES will acquire wind turbines to GAMESA Group with a combined power equivalent to 4,500 MWs for wind farms in Europe, Mexico and the United States during the period ranging from year 2010 to 2012.

The contract includes assembling and launching of wind turbines, as well as operation and maintenance services during their warranty period.

In addition, on 13 June 2008, the governing bodies of IBERDROLA RENOVABLES and GAMESA signed a strategic agreement entailing:

- The acquisition by IBERDROLA RENOVABLES of wind projects owned by the GAMESA Group in the UK, Mexico and the Dominican Republic, with combined capacity of over 900 MW, for approximately 65 million euros.

- The pooling of their businesses in promotion, development and operation of the wind farms of IBERDROLA RENOVABLES and GAMESA Group in Spain and certain countries in Europe.

For this purpose, they will set up two joint companies, one for business in Spain and the other for operations abroad. Initially, depending on the criteria established in the agreement, IBERDROLA RENOVABLES will own 77% of the new company operating in Spain and 76% of the company operating abroad.

IBERDROLA RENOVABLES and GAMESA have agreed to not sell their stakes before 31 December 2010 unless both parties agree. In addition, IBERDROLA RENOVABLES and GAMESA have granted each other put and call options on GAMESA's stake, which may be exercised from January 1, 2011.

39. REMUNERATION OF SENIOR MANAGEMENT

Employee benefits expenses (wages and salaries, bonuses, compensation in kind, Social Security costs, pension plans and so on) relating to Senior Executives amounted to EUR 5,786 and 3,337 thousand in 2008 and 2007, respectively. These sums are recognized under "Staff costs" in the accompanying 2008 and 2007 Consolidated Income Statements.

In addition to the variable compensation accrued in 2008, a multi-year performance-linked bonus payment of EUR 1,905 thousand was made, which had been fully provisioned in previous years.

The employment contracts of senior executives, including executive directors, of the Company and its Group contain golden parachute clauses for cases of termination or changes of control. The contracts have obtained the prior approval of the Board of Directors since its incorporation.

The objective of these contracts is to achieve a level of loyalty among top-ranking executives that is effective and sufficient for the management of IBERDROLA RENOVABLES and thereby avoid the loss of experience and skills that could jeopardise the achievement of strategic objectives. In essence, these clauses recognise termination benefits based on length of service or responsibilities held at the Company by members of the executive team, with annual salary payments ranging from a minimum of two to a maximum of five years.

40. FINANCIAL POSITION

The Consolidated Financial Statements for 2008 and 2007 show a net working capital requirement, mainly due to the classification as current borrowings of as current both reciprocal current account debts that various Group companies have with IBERDROLA (Note 38) and debt with related entities. It is the intention of IBERDROLA as the Group's majority shareholder, to provide all finance necessary to allow the Group to adequately carry on its business activities.

41. FEES FOR SERVICES PROVIDED BY AUDITORS

Fees paid to the auditor by IBERDROLA RENOVABLES Group companies for audit services, including those relating to the IBERDROLA RENOVABLES in 2007 initial public offering, provided by the statutory auditor and related companies in 2008 and 2007, amounted to 3,802 and 4,976 thousand euros, respectively. Auditors' fees paid to other auditors who contributed to the audit of IBERDROLA RENOVABLES Group companies in 2008 and 2007 were 146 thousand and 133 thousand euros, respectively.

Also, fees for other professional services provided to various Group companies by the statutory auditor and related companies in 2008 and 2007 were 245 and 95 thousand euros, respectively.

42. ENVIRONMENTAL INFORMATION

The IBERDROLA RENOVABLES Group incurred environmental expenses for insignificant amounts in terms of these Consolidated Financial Statements, in 2008 and 2007.

IBERDROLA RENOVABLES did not consider it necessary to record any provision to cover environmental risks. Neither are there any significant contingencies with respect to the environment.

43. EARNINGS PER SHARE

The table below shows the calculation of basic and diluted earnings per share for 2008 and 2007:

	2008	2007
Net profit for the year attributable to the equity holders of the Parent (thousands of euros)	390,160	117,538
Weighted average number of ordinary shares outstanding	4,223,404,832	1,095,585,408
Basic and diluted earning per share (€)	0.09	0.11

The average number of shares is calculated as indicated in Note 4.v.

44. SUBSEQUENT EVENTS

On 17 February 2009 a new legislative initiative called Stimulus Bill was approved by the president of the US designed to reactivate the economy and was drafted jointly by the US House of Representatives and Senate. Its measures include an extension of the Production Tax Credit (PTC) until 2012, an option to monetise PTCs by converting them into ITCs (Investment Tax Credits), thereby effectively getting a subsidy of 30% of eligible costs, subject to approval by the Treasury Secretary. It also sets up a programme of loan guarantees of approximately USD 8 billion for projects to develop renewable energy and improve power transmission, applying to projects whose construction starts before 1 October 2011.

45. PREPARATION OF THE FINANCIAL STATEMENTS

The Consolidated Financial Statements for the year ended December 31, 2008 were formally prepared by the Board of Directors of Iberdrola Renovables, S.A., on 24 February, 2009.

EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These Consolidated Financial Statements are presented on the basis of IFRSs, as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

APPENDIX

INFORMATION ON SUBSIDIARIES, ASSOCIATES AND INVESTEES OF IBERDROLA RENOVABLES

The tables below give details of the percentage ownership held either directly or indirectly by IBERDROLA RENOVABLES in its subsidiaries. The percentage of voting rights in the corporate bodies of these companies controlled by IBERDROLA basically corresponds to the percentage of ownership.

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Windpark Jülicher Land	Germany	Energy	100	100	-
Iberdrola Renovables Deustchland, GMBH	Germany	Energy	100	100	-
Scottish Power Hazelwood Pty, Ltd.	Australia	Dormant	100	100	-
Hazelwood Ventures	Australia	Dormant	100	100	-
Energías Renováveis do Brasil, Ltda. S.A.	Brazil	Energy	99,9	99,9	Ernst & Young
Enerbrasil, S.A.	Brazil	Energy	100	100	Ernst & Young
Iberdrola Renovables Bulgaria EEOD	Bulgaria	Energy	100	100	Ernst & Young
Iberdrola Renewable Energy Canada, Ltd.	Canada	Holding company	80	100	Ernst & Young
True North Winds, Ltd.	Canada	Energy	80	100	Ernst & Young
Rokas Aeoliki Cyprus, Ltd.	Cyprus	Energy	72.56	39.52	Ernst & Young
Iberenova Promociones, S.A.U.	Spain	Energy	100	100	Ernst & Young
Ciener, S.A.U.	Spain	Energy	100	100	Ernst & Young
Energía I Vent, S.A.	Spain	Energy	90	90	Ernst & Young
Iberdrola Renovables Galicia, S.A.U.	Spain	Energy	100	100	Ernst & Young
Iberdrola Renovables Castilla La Mancha, S.A.U.	Spain	Energy	100	100	Ernst & Young
Minicentrales del Tajo, S.A.	Spain	Energy	66.58	66.58	Ernst & Young
Biovent Energía, S.A.	Spain	Energy	95	85	Ernst & Young
Iberdrola Renovables Andalucía, S.A.U.	Spain	Energy	100	100	Ernst & Young
Iberdrola Renovables Aragón, S.A.U.	Spain	Energy	100	100	Ernst & Young
Sociedad Gestora de Parques Eólicos Campo de Gibraltar, S.A.	Spain	Energy	55	55	Ernst & Young
Sociedad Gestora de Parques Eólicos de Andalucía, S.A.	Spain	Energy	55	55	Ernst & Young
Iberdrola Renovables Castilla y León, S.A.	Spain	Energy	95	95	Ernst & Young
Sistemas Energéticos Chandrexa, S.A.	Spain	Energy	96.07	96.07	Ernst & Young
Sistemas Energéticos Mas Garullo, S.A.	Spain	Energy	51	51	Ernst & Young
Sistemas Energéticos La Muela, S.A.	Spain	Energy	50	50	Ernst & Young
Sistemas Energéticos Moncayo, S.A.	Spain	Energy	75	75	Ernst & Young
Sistemas Energéticos Torralba, S.A.	Spain	Energy	60	60	Ernst & Young
Electra Sierra de San Pedro, S.A.	Spain	Energy	80	80	-
Iberdrola Energía Marinas de Cantabria, S.A.	Spain	Energy	60	60	-
Energías Eólicas de Cuenca, S.A.	Spain	Energy	100	62.5	Ernst & Young
Somozas Energías y Recursos Medioambientales, S.A.	Spain	Energy	90	90	Ernst & Young
Iberdrola Renovables Canarias, S.A.	Spain	Energy	100	100	Ernst & Young
Energías Ecológicas de Tenerife, S.A.	Spain	Energy	50	50	-
Energías Ecológicas de Lanzarote, S.L.	Spain	Energy	50	50	-
Energías Ecológicas de Fuencaliente, S.L.	Spain	Energy	50	50	-
Energías Ecológicas de La Gomera, S.L.	Spain	Energy	50	50	-
Energías Ecológicas de Fuerteventura, S.L.	Spain	Energy	50	50	-

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007 (CONT.)

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Energías Ecológicas de La Palma, S.L.	Spain	Energy	50	50	-
Iberdrola Energía Solar de Puertollano, S.A.	Spain	Energy	90	90	Ernst & Young
Parque Eólico Puerto de Málaga, S.L.	Spain	Energy	55	55	Ernst & Young
Sistemas Energéticos Tacica de Plata, S.A.	Spain	Energy	100	100	Ernst & Young
Sistemas Energéticos Nacimiento, S.A.	Spain	Energy	100	100	Ernst & Young
Inversiones Financieras Perseo, S.L.	Spain	Holding company	70	-	-
Energías Renovables de Fisterra, S.A.	Spain	Energy	80	-	-
Energías Renovables de Ría Muros, S.A.	Spain	Energy	51	-	-
Energías Renovables de Tambre, S.A.	Spain	Energy	100	-	-
Parque Eólico Cerro Mingarron, S.L.U.	Spain	Energy	40	-	-
Parque Eólico Maraña, S.L.U.	Spain	Energy	40	-	-
Parque Eólico La Cava, S.L.U.	Spain	Energy	40	-	-
Parque Eólico Carriles, S.L.U.	Spain	Energy	40	-	-
Parque Eólico Montalbo, S.L.U.	Spain	Energy	40	-	-
Parque Eólico Fuente Romana, S.L.U.	Spain	Energy	40	-	-
Iberjalón, S.A.	Spain	Energy	80	-	-
Sistemas Energéticos La Torrecilla, S.A.	Spain	Energy	100	-	Ernst & Young
Eme Ferreira Uno, S.L.	Spain	Energy	100	-	-
Eme Dólar Dos, S.L.	Spain	Energy	100	-	-
Eme Hueneja Cinco, S.L.	Spain	Energy	100	-	-
Eme Hueneja Cuatro, S.L.	Spain	Energy	100	-	-
Eme Hueneja Dos, S.L.	Spain	Energy	100	-	-
Eme Hueneja Uno, S.L.	Spain	Energy	100	-	-
Sistemas Energéticos de Cádiz, S.A.	Spain	Energy	85	-	-
Eme Alcudia Uno, SL	Spain	Energy	100	-	-
Eme Calahorra Dos, S.L.	Spain	Energy	100	-	-
Eme Calahorra Uno, S.L.	Spain	Energy	100	-	-
Sistemas Energéticos Altamira, S.A.	Spain	Energy	100	-	Ernst & Young
Sistemas Energéticos La Higuera, S.A.	Spain	Energy	100	-	Ernst & Young
Sistemas Energéticos La Linera S.A.	Spain	Energy	100	-	Ernst & Young
Sistemas Energéticos de Levante, S.A.	Spain	Energy	60	-	-
Iberdrola Renovables de Valencia, S.A.	Spain	Energy	100	-	-
Iberdrola Renovables de Cantabria, S.A.	Spain	Energy	100	-	-
Iberdrola Renovables de La Rioja, S.A.	Spain	Energy	63.55	63.55	Ernst & Young
Eólicas de Euskadi, S.A.	Spain	Energy	100	50	Ernst & Young
Producciones Energéticas de Castilla y León, S.A.	Spain	Energy	85.5	85.5	Ernst & Young
Parque Eólico Cruz del Carrutero, S.L.	Spain	Energy	76	76	-
Iberdrola Renewables Holdings, Inc. (IRHI)	United States	Energy	100	100	Ernst & Young
Iberdrola Renewables, Inc. (PPM)	United States	Services	100	100	Ernst & Young
Technical Services India, LLC (PPM)	United States	Services	100	100	Ernst & Young
Phoenix Wind Power II, LLC	United States	Energy	100	100	Ernst & Young
PPM Colorado Wind Ventures, LLC	United States	Holding company	100	100	Ernst & Young
Moraine Wind II, LLC	United States	Services	100	100	Ernst & Young

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007 (CONT.)

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Heartland Wind, LLC	United States	Holding company	100	100	Ernst & Young
Pacific Wind Development, LLC	United States	Energy	100	100	Ernst & Young
MinnDakota Wind, LLC	United States	Energy	100	100	Ernst & Young
Eastern Desert Power, LLC	United States	Energy	100	100	Ernst & Young
Atlantic Wind, LLC	United States	Holding company	100	100	Ernst & Young
Manzana Wind, LLC	United States	Energy	100	100	Ernst & Young
Rugby Wind, LLC	United States	Energy	100	100	Ernst & Young
Atlantic Renewable Energy Corporation	United States	Holding company	100	100	Ernst & Young
PPM Wind Energy, LLC	United States	Holding company	100	100	Ernst & Young
Kimberly Run Windpower, LLC	United States	Energy	100	100	Ernst & Young
Casselman Windpower, LLC	United States	Energy	100	100	Ernst & Young
Chestnut Ridge Windpower, LLC	United States	Energy	100	100	Ernst & Young
West Virginia Windpower, LLC	United States	Energy	100	100	Ernst & Young
PPM Roaring Brook, LLC	United States	Energy	100	100	Ernst & Young
Elm Creek Wind, LLC	United States	Energy	100	100	Ernst & Young
Leaning Juniper II North Wind, LLC	United States	Energy	100	100	Ernst & Young
Twin Buttes Wind, LLC	United States	Energy	100	100	Ernst & Young
Dillon Wind, LLC	United States	Energy	100	100	Ernst & Young
PPM Wind Management, LLC	United States	Services	100	100	Ernst & Young
New Harvest Wind Project, LLC	United States	Energy	100	100	Ernst & Young
Tule Wind, LLC	United States	Energy	100	100	Ernst & Young
Deerfield Wind, LLC	United States	Energy	100	100	Ernst & Young
New England Wind, LLC	United States	Energy	100	100	Ernst & Young
Blue Nothern, LLC	United States	Energy	100	100	Ernst & Young
Penascal Wind Power, LLC	United States	Energy	100	100	Ernst & Young
Streator – Cayuga Ridge Wind Power, LLC	United States	Energy	100	100	Ernst & Young
Pebble Springs Wind, LLC	United States	Energy	100	100	Ernst & Young
Buffalo Ridge I, LLC	United States	Energy	100	100	Ernst & Young
Aeolus Wind Power I, LLC	United States	Holding company	100	100	Ernst & Young
Moraine Wind, LLC	United States	Energy	100	100	Ernst & Young
Klondike Wind Power, LLC	United States	Energy	100	100	Ernst & Young
Mountain View Power Partners III, LLC	United States	Energy	100	100	Ernst & Young
Flying Cloud Power Partners, LLC	United States	Energy	100	100	Ernst & Young
Aeolus Wind Power III, LLC	United States	Holding company	100	100	Ernst & Young
Trimont Wind I, LLC	United States	Energy	100	100	Ernst & Young
Elk River Windfarm, LLC	United States	Energy	100	100	Ernst & Young
Shiloh I Wind Project, LLC	United States	Energy	100	100	Ernst & Young
Dry Lake Wind Power, LLC	United States	Energy	100	100	Ernst & Young
Aeolus Windpower III, LLC	United States	Holding company	100	100	Ernst & Young
Atlantic Renewable Projects, LLC	United States	Holding company	100	100	Ernst & Young
Aeolus Wind Power IV, LLC	United States	Holding company	100	100	Ernst & Young
Aeolus Wind Power V, LLC	United States	Holding company	100	100	Ernst & Young
Aeolus Wind Power VI, LLC	United States	Holding company	100	100	Ernst & Young

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007 (CONT.)

Company	Location	Activity	Direct or indirect percentage ownership 12.31.08	12.31.07	Auditor
Aeolus Wind Power VII, LLC	United States	Holding company	100	100	Ernst & Young
Big Horn Wind Project, LLC	United States	Energy	100	100	Ernst & Young
Buffalo Ridge II, LLC	United States	Energy	100	100	Ernst & Young
Conestoga Winds, LLC	United States	Energy	100	100	Ernst & Young
PPM Elm Creek Wind, LLC	United States	Holding company	100	100	Ernst & Young
Enstor Columbia Storage and Transportation, LLC	United States	Energy (Gas)	100	100	Ernst & Young
Enstor Louisiana, LLC	United States	Energy (Gas)	100	100	Ernst & Young
Enstor Operating Company, LLC	United States	Energy (Thermal)	100	100	Ernst & Young
Enstor Houston Hub Storage and Transportation, L.P.	United States	Energy (Gas)	100	100	Ernst & Young
Enstor Katy Storage and Transportation, L.P.	United States	Energy (Gas)	100	100	Ernst & Young
Enstor Waha Storage and Transportation, L.P.	United States	Energy (Gas)	100	100	Ernst & Young
Enstor Grama Ridge Storage and Transportation, LLC	United States	Energy (Gas)	100	100	Ernst & Young
Freebird Assets, Inc.	United States	Energy (Gas)	100	100	Ernst & Young
Freebird Gas Storage, LLC	United States	Energy (Gas)	100	100	Ernst & Young
Pacific Klamath Energy, Inc.	United States	Energy (Thermal)	100	100	Ernst & Young
West Valley Leasing Company, LLC	United States	Energy (Thermal)	100	100	Ernst & Young
Klamath Energy, LLC	United States	Energy (Thermal)	100	100	Ernst & Young
Klamath Generation, LLC	United States	Holding company	100	100	Ernst & Young
Scottish Power Group Holdings Company	United States	Holding company	100	100	Ernst & Young
Black Light (Minority Interest)	United States	Holding company	0.5	0.5	Ernst & Young
Nth Power Technologies Fund I, L.P.	United States	Holding company	19	19	Ernst & Young
Scottish Power Financial Services, Inc.	United States	Holding company	100	100	Ernst & Young
Pacific Harbor Capital, Inc.	United States	Services	100	100	Ernst & Young
Hillsborough Leasing Services, Inc.	United States	Services	100	100	Ernst & Young
Scottish Power International Group Holdings Company	United States	Holding company	100	100	Ernst & Young
Hazelwood Finance, L.P.	United States	Dormant	12.55	12.55	-
Iberdrola Renewable Energies, USA, Ltd.	United States	Holding company	100	100	Ernst & Young
Community Energy, Inc.	United States	Holding company	100	100	Ernst & Young
CEI Mass Wind, LLC	United States	Holding company	100	100	Ernst & Young
CEI Wind Park Bear Creek, LLC	United States	Energy	100	100	Ernst & Young
CH-Community Wind Energy, LLC	United States	Energy	50	50	Ernst & Young
Providence Heights Wind, LLC	United States	Energy	100	100	Ernst & Young
JB Wind Holdings, LLC	United States	Holding company	8.85	8.85	Ernst & Young
Jordanville Wind, LLC	United States	Energy	100	100	Ernst & Young
Lempster Wind, LLC	United States	Energy	100	100	Ernst & Young
Locust Ridge II, LLC	United States	Energy	100	100	Ernst & Young
Locust Ridge Windfarm, LLC	United States	Energy	46.3	46.3	Ernst & Young
Mount Pleasant Wind, LLC	United States	Energy	50	50	Ernst & Young
Wind Park Bear Creek, LLC	United States	Energy	8.85	8.85	Ernst & Young
Benson Wind Farm, LLC	United States	Energy	100	100	Ernst & Young
Wildhorse Mountain Wind, LLC	United States	Energy	100	100	Ernst & Young
Mattoon Wind Farm, LLC	United States	Energy	100	100	Ernst & Young
Barton Windpower, LLC	United States	Energy	100	100	Ernst & Young

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007 (CONT.)

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Barton Windpower II, LLC	United States	Energy	100	100	Ernst & Young
Midwest Renewable Energy Projects II, LLC	United States	Holding company	100	100	Ernst & Young
Northern Iowa Windpower, LLC	United States	Energy	100	100	Ernst & Young
Winnebago Windpower, LLC	United States	Energy	100	100	Ernst & Young
Winnebago Windpower II, LLC	United States	Energy	100	100	Ernst & Young
Barre Wind, LLC	United States	Energy	100	-	Ernst & Young
County Line Wind, LLC	United States	Energy	100	-	Ernst & Young
Dundy County Wind, LLC	United States	Energy	100	-	Ernst & Young
Goodland Wind, LLC	United States	Energy	100	-	Ernst & Young
Hamlin Wind, LLC	United States	Energy	100	-	Ernst & Young
Hays Wind, LLC	United States	Energy	100	-	Ernst & Young
Horse Creek Wind, LLC	United States	Energy	100	-	Ernst & Young
Land Holdings Wind, LLC	United States	Holding company	100	-	Ernst & Young
Laramie County Wind, LLC	United States	Energy	100	-	Ernst & Young
Mercury Valley Wind, LLC	United States	Energy	100	-	Ernst & Young
Moyer Ranch Wind, LLC	United States	Energy	100	-	Ernst & Young
Spring Creek Wind, LLC	United States	Energy	100	-	Ernst & Young
Trew Ranch Wind, LLC	United States	Energy	100	-	Ernst & Young
Union County Wind, LLC	United States	Energy	100	-	Ernst & Young
Wauneta Wind, LLC	United States	Energy	100	-	Ernst & Young
Wilder Wind, LLC	United States	Energy	100	-	Ernst & Young
Midland Wind, LLC	United States	Energy	100	70	Ernst & Young
Houck Mountain Wind, LLC	United States	Energy	100	100	Ernst & Young
Groton Wind, LLC	United States	Energy	100	100	Ernst & Young
Farmers City Wind, LLC	United States	Energy	100	-	Ernst & Young
Enstor Colorado, LLC	United States	Energy	100	100	-
E.O. Resources, LLC	United States	Energy	100	100	-
Caledonia Energy Partners, LLC	United States	Energy	100	-	-
Gemini Capital LLC	United States	Holding company	100	-	-
CEP Energy Services, LLC	United States	Services	100	-	-
Enstor Columbia Gas Storage, LLC	United States	Energy	100	100	-
PCC Holdings, Inc.	United States	Holding company	100	100	-
Barton Chapel Wind, LLC	United States	Energy	100	-	-
Columbia Community Windpower, LLC	United States	Energy	100	100	-
Oceantec Energias Marinas	United States	Energy	46.662	-	-
Colorado Wind Ventures, LLC	United States	Holding company	50	50	Ernst & Young
ScotPower UK	United States	Dormant	100	100	Ernst & Young
ScotPower Limited	United States	Dormant	100	100	Ernst & Young
Colorado Green Holdings, LLC	United States	Energy	50	50	Ernst & Young
Pacific Solar Investments, Inc.	United States	Energy	100	-	-
Iberdrola Renewable, Inc.	United States	Dormant	100	100	Ernst & Young
Enstor, Inc.	United States	Energy (Gas)	100	100	Ernst & Young
Wind Ventures Holdings, LLC	United States	Holding company	100	-	Ernst & Young

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007 (CONT.)

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Jersey Atlantic Wind, LLC	United States	Energy	8.85	8.85	Ernst & Young
Klondike Wind Power III, LLC	United States	Energy	100	100	Ernst & Young
Star Point Wind Project, LLC	United States	Energy	100	-	Ernst & Young
PPM Technical Services, LLC	United States	Energy	100	100	Ernst & Young
Penascal II Wind Project, LLC	United States	Energy	100	-	Ernst & Young
Klondike Wind Power II, LLC	United States	Energy	100	100	Ernst & Young
Ousauhing Raisner, AS	Estonia	Energy	65	80	-
SE Hamel au Brun, SAS	France	Energy	100	100	Deloitte
Eolienne de la Grande Place, SAS	France	Energy	100	100	Mazars
Parc Eolien la Talizat, SAS	France	Energy	100	100	Deloitte
Societé de Mulsonnier, SAS	France	Energy	100	100	Deloitte
CEPE de Nurlu, SAS	France	Energy	100	100	Ernst & Young
Iberdrola Energies Renouvelables, SAS	France	Energy	100	100	Ernst & Young
Perfect Wind, SAS	France	Energy	100	100	Tabilet Ravelet
Energy Eolienne Trayes	France	Energy	100	100	Tabilet Ravelet
Cepe de Carriére Martín, SAS	France	Energy	100	100	Ernst & Young
Cepe de Villers Le SER, SAS	France	Energy	100	100	Ernst & Young
Energie Eolienne Fitou, SAS	France	Energy	100	100	Tabilet Ravelet
Pamproux Energies, SAS	France	Energy	70	70	Jacques Hourcade
Foye Energies, SAS	France	Energy	70	70	Jacques Hourcade
Teillay Energies, SAS	France	Energy	70	70	Jacques Hourcade
Jazenenuil Energies, SAS	France	Energy	70	70	Jacques Hourcade
Energie Rose de Vents, SAS	France	Energy	51	51	Conseil Audit et Synthese
La Rose des Vents Lorraine Saint Aubain, SAS	France	Energy	51	51	Conseil Audit et Synthese
Eolienne de Mauron, SAS	France	Energy	100	100	Mazars
Haute Marne Energie, SAS	France	Energy	51	51	Ernst & Young
Energiaki Alogorachis, S.A.	Greece	Energy	100	100	Ernst & Young
Rokas, S.A. (*)	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Constructions, S.A.	Greece	Construction	96.74	52.7	Ernst & Young
Rokas Aeoliki, S.A.	Greece	Energy	95.77	52.17	Ernst & Young
Rokas Aeoliki Evia, S.A.	Greece	Energy	95.90	52.24	Ernst & Young
Rokas Aeoliki Zarakes, S.A.	Greece	Energy	95.90	52.24	Ernst & Young
Rokas Aeoliki Kriti, S.A.	Greece	Energy	96.37	52.5	Ernst & Young
PPC Renewables Rokas, S.A.	Greece	Energy	49.34	26.88	Ernst & Young
Rokas Aeoliki Thraki, S.A.	Greece	Energy	95.77	52.17	Ernst & Young
Rokas Aeoliki Thraki II, S.A.	Greece	Energy	95.86	52.22	Ernst & Young
Rokas Aeoliki Thraki III, S.A.	Greece	Energy	96.14	52.37	Ernst & Young
Rokas Aeoliki Komito, S.A.	Greece	Energy	96.73	52.69	Ernst & Young
Rokas Aeoliki Thessalia I, S.A.	Greece	Energy	96.14	52.37	Ernst & Young
Rokas Aeoliki Thessalia II, S.A.	Greece	Energy	96.14	52.37	Ernst & Young
Rokas Aeoliki Viotia, S.A.	Greece	Energy	96.73	52.37	Ernst & Young
Rokas Aeoliki Achladotopos, S.A.	Greece	Energy	96.14	52.37	Ernst & Young
Rokas Energy, S.A.	Greece	Energy	96.39	52.51	Ernst & Young

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007 (CONT.)

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Rokas Aeolos, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Vorios Ellas I, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Vorios Ellas II, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Kozani I, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Kozani II, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Macedonia I, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Macedonia II, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Macedonia III, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Peloponnisos I, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Peloponnisos II, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Iliaki I, Ltd. S.A.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Iliaki II, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Aeoliki Sterea Ellas I, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Hydroelectric III, S.A.	Greece	Energy	96.74	-	Ernst & Young
Rokas Hydroelectric I, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Hydroelectric II, Ltd.	Greece	Energy	96.74	52.7	Ernst & Young
Rokas Iliaki III, S.A.	Greece	Energy	96.74	-	Ernst & Young
Iberdrola Magyarorszag, KFT	Hungary	Energy	100	100	-
Magellan Investment Vagyonkezelo	Hungary	Energy	100	100	-
Kaptar Sxeleronm, KFT	Hungary	Energy	100	100	-
Amithaba Vagyonkezelo, KFT	Hungary	Energy	100	100	-
Mistral Energética Villamosen, KFT	Hungary	Energy	100	100	-
Amitaius Vagyonkezelo, KFT	Hungary	Energy	100	100	-
Vento Energética Villamosenergiatermelo, KFT	Hungary	Energy	100	100	-
Societá Energie Rinnovabili, S.p.A.	Italy	Energy	49.9	100	Ernst & Young
Societá Energie Rinnovabili I, S.p.A.	Italy	Energy	48.902	99	Ernst & Young
Eólica Lucana, S.R.L.	Italy	Energy	100	-	-
Iberdrola Energie Rinnovabili, S.p.A.	Italy	Energy	100	100	-
Parques Ecológicos de México, S.A. de CV	Mexico	Energy	100	100	Ernst & Young
Iberdrola Renovables Mexico, S.A. de CV	Mexico	Energy	100	-	Ernst & Young
Energía Wiatrowa Karscino, S.P. ZOO EWK	Poland	Energy	100	100	-
Iberdrola Energía Odnawialna Spo3kaz Ograniczon Odpowiedzialnocecil	Poland	Energy	100	100	Ernst & Young
Elektrownie Wiat. Podkarpacia, S.P. ZOO	Poland	Energy	100	-	-
Eoenergy Energía Eólica, S.A.	Portugal	Energy	100	100	Ernst & Young
Aeolia Produçao de Energía, S.A.	Portugal	Energy	78	78	Ernst & Young
Iberdrola Renewables Portugal, S.A.	Portugal	Energy	100	100	Ernst & Young
PE Serra do Alvao	Portugal	Energy	100	-	-
Scottish Power Renewable Energy Limited (SPREL)	UK	Energy	100	100	Ernst & Young
Coldham Windfarm Limited	UK	Energy	80	80	Ernst & Young
Wind Resources Limited	UK	Energy	100	100	Ernst & Young
CRE Energy Limited	UK	Energy	100	100	Ernst & Young
Iberdrola Renewable Energies of UK Limited	UK	Energy	100	100	Ernst & Young

A. COMPANIES MAJORITY OWNED OR CONTROLLED AND FULLY CONSOLIDATED IN 2008 AND 2007 (CONT.)

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Scottish Power Renewable Energy Hb (SPREHL)	UK	Energy	100	100	Ernst & Young
Iberdrola Renewable Holdings, Inc.	UK	Holding company	100	100	Ernst & Young
Beaufort Energy Limited	UK	Holding company	100	100	Ernst & Young
Wolf Bog Limited	UK	Energy	100	100	Ernst & Young
Callagheen Windfarm Limited	UK	Energy	100	100	Ernst & Young
Carland Cross Limited	UK	Energy	100	100	Ernst & Young
Coal Clough Limited	UK	Energy	100	100	Ernst & Young
Das Yenilenebilir Enerjiler	Turkey	Energy	100	100	-

(*) Listed on the Greece stock exchange.

B. JOINTLY CONTROLLED ENTITIES CONSOLIDATED USING THE PROPORTIONATE CONSOLIDATION METHOD IN 2008 AND 2007

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Molinos del Cidacos, S.A.	Spain	Energy	31.78	31.78	Ernst & Young
Desarrollo de Energías Renovables de La Rioja, S.A.	Spain	Energy	40.51	40.51	Ernst & Young
Energías Renovables de la Región de Murcia, S.A.	Spain	Energy	50	50	Ernst & Young
Molinos de La Rioja, S.A.	Spain	Energy	42.36	42.37	Ernst & Young
Eólicas de Campollano, S.A.	Spain	Energy	25	25	KPMG
Ecobarcial, S.A.	Spain	Energy	43.78	43.78	Ernst & Young
Electra de Malvana, S.A.	Spain	Energy	48	48	-
Electra de Montachez, S.A.	Spain	Energy	40	40	-
Sistema Eléctrico de Conexión Huenéja, S.L.	Spain	Energy	47.37	47.37	-
Saltos del Belmontejo, S.A.	Spain	Energy	24.84	24.84	Ernst & Young
Electra de Layna, S.A.	Spain	Energy	47.5	47.5	-
Aerocastilla, S.A.	Spain	Energy	57	57	-
Generación de Energía Eólica, S.A.	Spain	Energy	57	57	-
Vientos de Castilla y León, S.A.	Spain	Energy	57	57	-
Eólicas Fuente Isabel, S.A.	Spain	Energy	57	57	-
Productora de Energía Eólica, S.A.	Spain	Energy	56.91	56.91	-
Energías de Castilla y León, S.A.	Spain	Energy	85.5	85.5	Ernst & Young
Peache Energías Renovables, S.A.	Spain	Energy	57	57	-
Eléctricas de La Alcarria, S.L.	Spain	Energy	40	40.02	Ernst & Young
Sierra de Baños, S.L.	Spain	Energy	30	30	-
Rioglass Photovoltaica, S.A.	Spain	Energy	24.5	24.5	-
Bionor Eólica, S.L.	Spain	Energy	57	57	-
OLA Galicia, S.A.	Spain	Energy	22	-	-
Eólica 2000, S.L.	Spain	Energy	49	-	Ernst & Young
Flat Rock Windpower, LLC	United States	Energy	50	50	Ernst & Young
Flat Rock Windpower, II LLC	United States	Energy	50	50	Ernst & Young
Baca Wind, LLC	United States	Energy	50	-	-
SEFEOSC, SAS	France	Energy	49	49	Ernst & Young
Les Moulins de la Somme, SARL	France	Energy	50	50	-
Ferme Eolienne de Welling, SAS	France	Energy	49	49	PWC
Eoliennes De Pleugriffet	France	Energy	49	-	Mazars
Hammerfest Storm, AS	Norway	Energy	13.72	-	PWC
Celtpower Ltd.	UK	Energy	50	50	-

C. ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD IN 2008 AND 2007

Company	Location	Activity	Direct or indirect percentage ownership	
			12.31.08	12.31.07
Sotavento Galicia, S.A.	Spain	Energy	8.00	8.00

D. GROUP COMPANIES AT 31 DECEMBER 2008 WHICH WERE EXCLUDED FROM CONSOLIDATION BECAUSE THEY HAD BEEN LIQUIDATED OR MERGED

Company	Location	Activity	Direct or indirect percentage ownership		Auditor
			12.31.08	12.31.07	
Energía Global Castellana, S.A.	Spain	Energy	-	95	Ernst & Young
Villardefrades Eólica, S.L.	Spain	Energy	-	95	-
Eme Dólar Uno, S.L.U.	Spain	Energy	-	100	Ernst & Young
Eme Hueneja Tres, S.L.U.	Spain	Energy	-	100	Ernst & Young
Eme Dólar Tres, S.L.U.	Spain	Energy	-	100	Ernst & Young
Eme Ferreira Dos, S.L.U.	Spain	Energy	-	100	Ernst & Young
Global Solar Energy, S.A.	Spain	Energy	-	100	Ernst & Young
SE Ferrol – Naron	Spain	Energy	-	100	-
Scenic Vista Wind Powers, LLC	United States	Energy	-	100	Ernst & Young
Enstor Brentwood Gast Storage, LLC	United States	Energy (Gas)	-	100	Ernst & Young
Enstor City Gate, LLC	United States	Energy (Gas)	-	100	Ernst & Young
Enstor Delta Gas Storage, LLC	United States	Energy (Gas)	-	100	Ernst & Young
New Energy Holdings I, Inc.	United States	Dormant	-	100	-
Scottish Power Energy Ventures, Inc.	United States	Holding company	-	100	Ernst & Young
Pacific Development, Inc.	United States	Dormant	-	100	-
PHC Properties Corporation	United States	Dormant	-	100	-
Hazelwood Australia, Inc.	United States	Dormant	-	100	-
Scottish Power Trans, Inc.	United States	Dormant	-	100	-
CEI New Hampshire Wind, LLC	United States	Energy	-	100	Ernst & Young
Illinois Wind Energy, LLC	United States	Energy	-	50	Ernst & Young
Freebird Energy Marketing, LLC	United States	Services	-	100	Ernst & Young
Pa Wind Park Bear Creek 2, LLC	United States	Energy	-	50	Ernst & Young
Bear JAW Holding, LLC	United States	Holding company	-	99	Ernst & Young
Monterey Wind, LLC	United States	Energy	-	70	Ernst & Young
Mountain Wiew Green, LLC	United States	Energy	-	100	Ernst & Young
Iberdrola Renewable Energies, USA, Ltd.	United States	Energy	-	100	Ernst & Young
PACE Group, Inc.	United States	Holding company	-	100	Ernst & Young
CEI New Jersey Wind, LLC	United States	Energy	-	100	Ernst & Young
PPM Tug Hill, LLC	United States	Energy	-	100	Ernst & Young
Bishop Wind Farm, LLC	United States	Energy	-	100	Ernst & Young
Operations, LLC (PPM)	United States	Services	-	100	Ernst & Young
Grass Valley Wind, LLC	United States	Energy	-	100	Ernst & Young
Leaning Juniper Wind Power, LLC	United States	Services	-	100	Ernst & Young
Roaring Brook Wind Power, LLC	United States	Energy	-	100	Ernst & Young
South Chestnut, LLC	United States	Energt	-	100	Ernst & Young
Tug Hill Wind Power, LLC	United States	Energy	-	100	Ernst & Young
Energy Works Holdings I	Cayman Islands	Being wound up	-	100	-