

ECONOMIC DIMENSION

Having consolidated its position as the leading renewable energy company throughout the world, IBERDROLA RENOVBLES has created a model for success. We make available all alternatives for energy generation that are inexhaustible and sustainable, and that create wealth and generate value for our shareholders and for society in general. The Company's geographic diversification, flexibility and financial strength allows it to adjust its investments and optimize the profitability and efficiency of its plants, as well as to extend the useful life of its assets.

1. MANAGEMENT APPROACH

IBERDROLA RENOVABLES has become a world leader in the area of renewable energy through the establishment of a success model that makes available to society non-exhaustible, environmentally-sustainable alternatives for power generation that create wealth and value for all stakeholders.

The main lines of action leading to the achievement of this success are defined in the 2008-2012 Strategic Plan and are primarily the following:

To harness existing business opportunities.

IBERDROLA RENOVABLES' competitive advantages, such as geographic diversification, flexible wind turbine supply contracts, an extensive project portfolio, and financial strength would enable it to adapt its

investments if circumstances so advised, always subject to the commitment of maximizing the creation of value for the shareholders.

To maximize the profitability and efficiency of projects and the useful life of assets.

IBERDROLA RENOVABLES seeks maximum profitability through the operating efficiency of the various renewable energy technologies currently in use. To this end, it plans the construction and operation of its facilities with a view to maximizing availability and output levels throughout their useful life, and optimizes the processes for integration of the energy generated in the electricity system.

Long-term view.

IBERDROLA RENOVABLES adopts a positioning strategy allowing for its long-term growth through its presence

Work team at the CORE (Toledo).



in new countries, the investment in more efficient and more competitive technologies and a continuous wager on technological innovation.

In order to implement among the Company's professionals a number of guidelines aimed at promoting the achievement of the objectives set out in the Strategic Plan, the Board of Directors of IBERDROLA RENOVABLES has approved a set of policies that are grouped as follows:

- Corporate Governance Policies, for compliance with and improvement and continuous revision governance regulations, in line with the recommendations of the Unified Good Governance Code.
- Risk Policies, aimed at providing the maximum level of assurance to shareholders, other stakeholders and the markets in general, and to enhance the creation of value through the appropriate management of the risk/opportunity relationship.
- Corporate Social Responsibility Policies, with a special focus on the environmental and social dimension of risk management and through the analysis of risks relating to safety, professional ethics, professional development, social responsibility, commitment to the environment and the protection of biodiversity, among other risks.

Such policies may be viewed in the "About us - Our Policies" section on the website www.iberdrolarenovables.es.

In addition, the economic and financial results for fiscal year 2008 may be viewed in the section entitled "Financial information and notices to the CNMV."

2. ECONOMIC PERFORMANCE INDICATORS

Aspect: Economic performance

EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

IBERDROLA RENOVABLES' strategy is favored by the latest regulatory initiatives in the United States and the European Union.

EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change.

Climate change is one of the most important challenges faced by the energy sector, as it plays a key role in this area due to the fact that production technologies using fossil fuels have a significant specific effect on greenhouse gas emissions.

The "Climate Change and Energy Package," a package of measures approved by the European Parliament within the framework of the European Directive for the promotion of renewable energy sources, sets ambitious goals for the Member States: 20% of all energy consumed across the European Union must come from renewable energy sources by 2020, and greenhouse gas emissions must be reduced by 20% as compared to 1990 levels. Meeting the goal set by the Directive calls for investments in this sector in Europe, and especially in Spain and the United Kingdom. By 2020, 20% of the energy consumed in Spain and 15% in the United Kingdom must be from renewables. In addition, the emissions trading Directive offers appropriate signals for the promotion of technological change in the electricity sector and favors generation with cleaner technologies.

In February 2009, U.S. President Barack Obama signed what was known as the "Stimulus Bill," a package of measures intended to revitalize the economy that includes an extension of Production Tax Credits (PTCs) through 2012 for wind farms, their conversion into Investment Tax Credits (ITCs) at the investor's option, and the creation of federal funds

ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED (thousands of euros)

IBERDROLA RENOVABLES Group	2007 ⁵	2008
Revenue	1,008,836	2,177,785
Operating expenses	311,260	707,516
Employee compensation	97,136	188,921
Financial expenses	289,375	235,197
Corporate income tax	76,686	206,301
Donations and other investments in the community	N/Av	2,155
Retained economic value	N/Av	837,695

⁵ From October 1 through December 31, 2007.

managed by the U.S. Department of Energy and aimed at promoting the development of renewable energy. Moreover, further steps will be taken in 2009 towards the approval of the “Energy Bill,” which will most probably include a federal Renewable Portfolio Standard (RPS) system based on certificates of origin, and which will give a definitive boost to the development of wind power in the United States.

IBERDROLA RENEWABLES’ strategy, based on a significant development of renewable energy, mainly wind power, is geared towards the achievement of such aims by helping to avoid CO₂ emissions (the primary goal of the policies designed to combat climate change) and, at the same time, creates value in the communities in which the Company operates and contributes to their growth.

EC3. Coverage of the organization’s defined benefit plan obligations.

The IBERDROLA RENEWABLES Group generally offers to most of its employees a number of benefits in the various countries in which it has a presence and/or in which the specific implementation of such benefits is currently being analyzed. The most widespread benefits are the following: medical insurance, life insurance, accident insurance, pension plans (in Spain, the United Kingdom and the United States), food supplement/subsidy, and electricity rates (in Spain).

In Spain, the Company offers the IBERDROLA Pension Plan, which is a joint employment, collective promotion and defined contribution plan. The guaranteed contributions are supplemental to and independent of those established under the Social Security System, and there are two types of benefits: savings benefits and risk benefits. In Spain, this plan is offered to all employees, and the ratio for funding the contribution system is 1/3 by the company and 2/3

by the employee, with contributions being made on a monthly basis. There are specific standards for certain groups and senior managers.

SCOTTISHPOWER RENEWABLES currently has two Pension Plans in place. The first one is primarily a defined contribution system, with a scale of contributions by the employee and by the company that increases in accordance with seniority under the Plan. It requires a minimum contribution by the employee equal to 5% of his salary, and a contribution by the company that varies in accordance with the length of the employee’s participation in the Plan. After the passage of 10 years, the employee is entitled to opt for the defined benefit system. The second Plan, implemented during the first quarter of 2009, is a defined contribution system that also requires a minimum employee contribution equal to 5% of his salary, which is doubled by the company for up to 10%.

In the United States, IBERDROLA RENEWABLES currently has five types of Pension Plans, including both defined contribution and defined benefit plans. Under the former, the average contribution by the employee is around 4.96%, while the company’s contribution stands at approximately 2.40%.

EC4. Significant financial assistance received from government.

In Spain, IBERDROLA RENEWABLES has primarily received direct subsidies for R&D projects in the amount of €585,457. In addition, and also in connection with innovation and re-industrialization projects, soft credit has been granted to IBERDROLA RENEWABLES in the amount of €2,295,186.

In the United States, IBERDROLA RENEWABLES received Production Tax Credits for wind farms in the amount of 1.25 million euros in 2008.

ROKAS RENEWABLES receives government subsidies for new projects.

SCOTTISHPOWER RENEWABLES, IBERDROLA RENEWABLES Poland and IBERDROLA RENEWABLES France did not receive any financial aid from governments during fiscal year 2008.

It should also be pointed out that the government does not form a part of the shareholding structure of the companies belonging to the IBERDROLA RENEWABLES Group.

Finally, additional information may be found in the document “2008 Consolidated Annual Financial Statements” at www.iberdrolarenovables.es.

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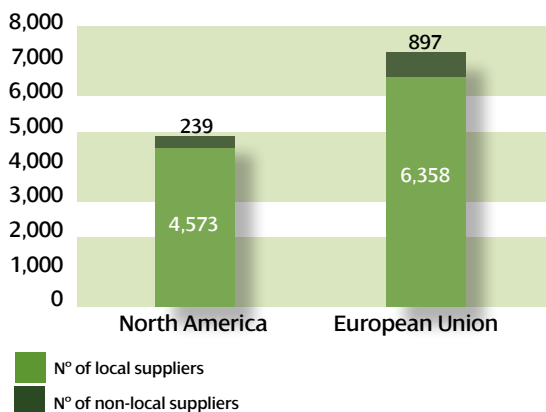
Aspect: Market presence

EC5. Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.

Basic salaries as ⁶ compared to local minimum salaries ⁷	2008	2007	2006
IBERDROLA RENOVABLES Group	124.55%	133.16%	175.40%

EC6. Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.

The Company's largest domestic supplier is GAMESA. Other wind turbine suppliers are General Electric, Mitsubishi, Suzlon and Alstom Ecotècnia.

NUMBERS OF REGISTERED SUPPLIERS

The chart above shows the number of registered suppliers, divided into local and non-local suppliers. As can be seen, the general trend is for most suppliers to be locally-based.

Moreover, if the purchase volume standard is used, most purchases are also made from local suppliers. For example, in Spain, 94% of purchases are made from local suppliers, while in the United States the percentage is 99.97%.

EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.

In all countries in which the IBERDROLA RENOVABLES Group operates, most of the personnel, as well as managers, are nationals of the respective country in each case.

IBERDROLA RENOVABLES has four energy Classrooms aimed at acquainting both schoolchildren and the population at large with the main characteristics of the different kinds of renewable energy now existing.

The principles making up the recruitment and selection policy of IBERDROLA RENOVABLES (published on the website, www.iberdrolarenovables.es), provide for:

- Non-discrimination and equality of opportunity.
- Universal recruitment, so that all professionals meeting the required competency profile are included, without exclusions of any kind that limit the effectiveness of the selection.
- A guarantee of maximum confidentiality for all candidates in accordance with the rules in force on the protection of personal data.
- Selection based on merit and the abilities of the candidates.

These principles ensure that the process of selection and recruitment is rigorous and is based exclusively on the academic, personal and professional merits of the candidates by means of the use of objective tests and methodologies that adhere to strictly professional standards. Therefore, no candidate is excluded, either in the processes of external selection or within the company, from the possibility of developing his or her professional career.

EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.

As of the date of this report, IBERDROLA RENOVABLES has four energy education Classrooms, established without charge and aimed at acquainting both schoolchildren and the population at large with the main characteristics of the different kinds of renewable energy now existing, during a one-day theoretical and practical seminar (for more information, see Annex 1).

In Castilla y León, an agreement was reached for the provision of thematic equipment and gardening at the *Casa del Parque del Valle de Iruelas* in Ávila. In addition, an Agreement was executed by the Company and

⁶ Basic salary = minimum entry wage. Where there is none, the lowest monthly salary collected by an employee is used.

⁷ The 2008 information for Poland was not included in IBERDROLA's 2008 Sustainability Report because it was not available as of the close thereof.

Energy generation at wind farms is vital for the development of society and for the fight against climate change.

Fundación Patrimonio Natural de Castilla y León for the conservation and management of the natural heritage of the autonomous community of Castilla y León.

In the Basque Country, ten environmental education workshops were organized during the first six months of 2008. These workshops were jointly coordinated by environmental experts of municipalities, associations of municipalities, and other governmental divisions, engaged in local Agenda 21 activities. Additionally, there has been an expansion of the Renewable Energy Route, an attraction that is visited by thousands of people throughout the year and is situated within the Aizkorri Natural Park, where the Parkeetxea Center for the Interpretation of Nature and the Elgea-Urkilla wind farm are located.

Under the plan for the protection of the historical and artistic heritage and of the environment signed with the Company, the Municipality of Palencia will promote the works for restoration of the balcony of the Santo Toribio hermitage, as well as the reconditioning of the steps joining the temple with the Victorio Macho Interpretation Center.

The Company cooperates with the Council for the Environment and Rural Development of Castile-La Mancha in the reforestation of 24,000 trees in the province of Cuenca, under an agreement executed by both entities and the *Empresa Pública de Gestión Ambiental of Castilla-La Mancha* (GEACAM). This is the first private initiative furthering the reforestation objective set for this session of the legislature by the Executive of Castilla-La Mancha.

IBERDROLA RENOVABLES has signed a cooperation agreement with the Energy Management Agency (*Agencia de Gestión de la Energía*) of Castilla-La Mancha for the introduction of various improvements and the conduct of activities at this center located in the historic area of Cuenca. Within the framework of this agreement, IBERDROLA RENOVABLES will develop a new Energy Area in the museum, and was the main collaborating partner in the 10th Anniversary of the Castile-La Mancha Museum of Science, which took place in January 2009.

At the international level, especially noteworthy are the program for Cleanup of the Killini Port Beach (Greece) and the investment in the construction and

maintenance of public roadways during the construction of the wind farm at Hnatkowice-Orzechowce. Other types of activities have also been conducted within the framework of the various community support policies implemented in different countries, such as providing support to local fairs, local sports, festivals, theater plays and rodeos or making donations to schools, hospitals, fire stations and other local institutions, among other activities.

EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.

Section 1.2 of this report and the Environmental Dimension section provide a description of the impacts of electricity production and consumption on the environment.

From the social viewpoint, the expansion of electricity systems energizes the regional economy in the area of implementation and generates employment opportunities, contributing to economic and social improvement, similar to other economic activities. Specifically:

- Wind farms are built in disperse geographical locations. This contributes to the generation of economic activity and employment, mainly in rural areas. IBERDROLA RENOVABLES' experience is that a large percentage of the personnel hired during the phases of implementation and operation of wind farms is made up of local persons.
- These facilities generate significant indirect employment in the region, requiring security, mechanical, transportation, health, lodging and other services, with a notable impact on the area's economy.
- Due to this geographical dispersion, the electricity business generates taxes, tariffs and levies at the local, regional and national level, and allows for the generation of income in economically disfavored areas, with government administrations receiving several millions of euros annually from this business, to which there should be added the tax levies associated with the increase in commercial and financial activities.

One particular feature of energy generation at wind farms, IBERDROLA RENOVABLES main activity, is that it does not generate any significant hazardous waste. This type of generation is tied to progress and well-being, and it is vital for the development of society and for the fight against climate change. IBERDROLA RENOVABLES believes that the growth of its business is a major stepping-stone on the road to sustainable development.