

PROFILE: WORLD LEADER IN WIND POWER

With a presence in twenty-three countries and assets in operation in the eleven of the most developed markets in the world, IBERDROLA RENOVABLES has not just cemented its position as a world leader in wind power. Besides exceeding its objectives for 2008, it has become an international standard-bearer in the production of clean energy, and has created a business model that makes available to society inexhaustible energy generation alternatives that are environmentally sustainable and that create wealth and value for society and all stakeholders.

1. STRATEGY AND ANALYSIS

1.1. Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.

2008-2012 Strategic Plan.

On June 25, 2008, the Board of Directors of IBERDROLA RENOVABLES approved its new Strategic Plan for the 2008-2012 period, which was communicated to the financial markets and to society in general.

The main objective is to position the Company as a world leader in wind energy and as an international benchmark in renewable energy, establishing a successful model that makes available to society inexhaustible alternatives for energy generation that are sustainable from an environmental point of view and that create wealth and value for all stakeholders.

IBERDROLA RENOVABLES has successfully positioned itself as world leader in wind energy and widely exceeded the goals set for 2008.

The investments referred to in the Strategic Plan will mainly be used for international expansion.

IBERDROLA RENOVABLES has a flexible business model that allows it to adapt investments according to the needs prevailing at any time and in any context, as well as to manage its asset portfolio in order to maximize value.

More complete information regarding the Strategic Plan can be found on the Company's website:

www.iberdrolarenovables.es.

Fulfillment of the Plan's objectives in 2008.

As a result of investments totaling 3,803.5 million euros in fiscal year 2008, IBERDROLA RENOVABLES has made progress towards achieving the goals established in the Strategic Plan, which has allowed it to reaffirm its world leadership in wind energy. In 2008, IBERDROLA RENOVABLES increased its installed capacity by 31% (which amounts to 2,204 MW of new capacity), reaching a total of 9,302 MW. As at December 31, installed capacity had reached 4,868 MW in Spain, 2,876 MW in the United States, 665 MW in the United Kingdom, and 893 MW in the Rest of the World.

The increase in installed capacity has allowed the Company to increase production by 71.1% to approximately 16,998 GWh, and has advanced its goals of internationalization and geographical diversification. At the end of 2008, 52% of the Company's assets were located in Spain, 31% in the United States, 7% in the United Kingdom and 10% in the Rest of the World.

All of the above has been reflected in the key economic /financial indicators of the Company, which earned net profits of 390.2 million euros at fiscal year end, a factor of 3.3 over those for the same period the previous year.

In addition, 2008 was IBERDROLA RENOVABLES' first full year as a listed company, being one of the top 10 companies by market capitalization on the Ibex 35. As announced in the Initial Public Offering (IPO), the Company will propose to the General Shareholders' Meeting the payment, charged to 2008 profits, of the first dividend in its history as a listed company. 27% of the consolidated attributable net profits will go to the parent company.

Another significant event during fiscal year 2008 was the signature by IBERDROLA RENOVABLES and GAMESA EÓLICA of the largest contract for the supply of wind turbines in the history of the wind energy industry, with a total capacity of 4,500 megawatts (MW), and which will materialize between 2010 and 2012. This contract allows IBERDROLA RENOVABLES to meet its needs for the supply of wind turbines for the coming years in order to develop its wind energy portfolio.

Furthermore, IBERDROLA RENOVABLES and GAMESA ENERGÍA have entered into a strategic agreement to pool resources for the promotion, development and operation of wind farms in Spain and in certain countries of continental Europe.

Challenges for 2009 and medium-term challenges.

IBERDROLA RENOVABLES is in an excellent position to take advantage of opportunities around the world in the short to medium term. In the first place, highly significant regulatory progress is taking place in the main countries in which the Company operates, mainly in the United States and the European Union.

Wind technology as an engine for industrial activity has been recognized by the new government administration in the United States, which has included the support of renewable energy in its Economic Stimulus Act as a central part of its short and medium-term policy.

In February 2009, the President of the United States, Barack Obama, signed the "Stimulus Bill," a package of measures aimed at reactivating the economy, which included extending Production Tax Credits (PTCs) for wind farms through 2012, the conversion thereof into Investment Tax Credits (ITCs) at the election of the investor, and the creation of federal funds managed by the U.S. Department of Energy aimed at promoting the development of renewable energy and transportation lines.

The Company has a highly flexible business model that allows it to adjust its investment decisions and maximize its asset portfolio.

This regulation, particularly with respect to the possibility of monetizing tax credits, will determine the speed at which the wind energy market develops in this country. Furthermore, progress is expected in 2009 on moving forward an Energy Bill that is very likely to include a federal Renewable Portfolio Standard (RPS) system based on certificates of origin, which will give a definitive boost to the development of wind energy in the United States.

In addition, President Obama's electoral campaign included very ambitious targets for wind energy, such as doubling the United States' production of renewable energy over the next three years. This would mean increasing installed capacity by 24,000 MW and reflects the commitment that 10% of electricity consumed in 2012 must come from renewable sources, a figure that will rise to 25% by 2025.

2008 also witnessed a very significant step towards achieving a safe, sustainable and competitive European energy policy. In December, the European Parliament approved the final text of the Climate Change and Energy Package, a series of measures that includes the European Directive on the Promotion of Energy from Renewable Sources. This package of measures

lays down three main binding goals for 2020, providing the necessary framework for development of the industry: 20% of final consumption of energy from renewable sources, a 20% increase in energy efficiency, and a 20% reduction in greenhouse gases from 1990 levels. The goal for Spain is also 20%.

IBERDROLA RENOVABLES' scale as a world wind power leader and its financial strength (with leverage of 22.4%) allow it to take advantage of these favorable circumstances and be a driving force in economic recovery and job creation on a worldwide scale.

The macroeconomic situation and the state of the financial markets make it advisable to approach 2009 with a prudent and realistic strategy. To this end, IBERDROLA RENOVABLES has a highly flexible business model that allows it to adjust its investment decisions and execute them at the right moment.

Whitelee wind farm (United Kingdom).



IBERDROLA RENOVBLES expects to invest 2,000 million euros in 2009, a figure that could be increased by up to 20%.

In this context, the Company expects to invest 2,000 million euros in 2009, a figure that could be increased by up to 20% under the appropriate regulatory, economic and financial conditions.

1.2. Description of key impacts, risks and opportunities.

The Company's commitment to sustainability is one of the main pillars of its strategy. At IBERDROLA RENOVBLES, we have made the defense of the environment a key part of our identity. This firm commitment to sustainable development allows us to implement best practices in the area of corporate responsibility with greater transparency. This translates into progress in the societies in which we operate, allowing us to contribute the maximum value to all stakeholder groups with which we have relationships.

Main impacts:

Environmental Dimension.

IBERDROLA RENOVBLES is a company principally engaged in the development, construction, management and operation of electricity generation plants that use renewable energy sources. This form of production is free of greenhouse gas emissions.

The Company is a pioneer in the Spanish electricity sector in the fight to meet the targets laid down in the Kyoto Protocol. This illustrates its firm commitment to respect for nature, which forms a part of IBERDROLA RENOVBLES' corporate essence. Through our environmental and biodiversity policies, the Company is committed to promoting environmental innovation and eco-efficiency in energy production and management, while also taking into account the effects on biodiversity of the planning, implementing and operation of its energy infrastructure.

In line with this vision and with the goals laid down in these policies, IBERDROLA RENOVBLES invested 3,592.9 million euros in renewable energy development in 2008.



All of the activities to control and reduce these impacts are described both in the part of this report dealing with the environmental dimension and on our website: www.iberdrolarenovables.es.

It is important to point out that, with respect to the development and promotion of facilities, environmental aspects are taken into account through a long management and construction process, by performing the studies required by the legislation of each country, and by assessing a project's impact on the environment of which it will form part, including the fauna, flora, climate and any other ecosystem that might be affected, in order to ensure that the project as finally implemented complies with the applicable requirements.

Social Dimension.

The transformation and internationalization of IBERDROLA RENOVABLES over the last three years has led to the appearance of new and important challenges, both internal and external, in the management of the Company's social environment.

As regards relationships with its employees, the Company continues to strengthen activities aimed at improving levels of workplace safety, training and updating knowledge, and improving mobility in order to optimize internal capacities and stimulate the opportunities for development of the workforce.

IBERDROLA RENOVABLES also places great importance on the management of relations with the communities in which it operates, promoting mechanisms for dialogue and communication and taking measures to facilitate their economic and social development, as well as encouraging employment and supply chain policies that make such development possible.

Worthy of note is the Environmental Education Program that the Company has been running in recent years at three Renewable Energy study centers, located close to wind farms. On January 15, 2009 the fourth such study center was opened at the Maranchón Wind Farm. These study centers, which have been visited by more than 55,000 people, aim to educate students and the general population about the main environmental features and benefits offered by the different renewable energies.

Economic Dimension.

The economic management of IBERDROLA RENOVABLES, as with the IBERDROLA Group, is based on three main pillars:

- The optimization of its investment capacity, ensuring the effective use of third-party and the Company's own

capital, as well as appropriate rates of return that can create value for the shareholders.

- Efficient operational management of assets, which contributes to achieving expected rates of return in a manner that is safe and sustainable over time.
- Maintaining a sound financial structure as a means of contributing to the Company's strong asset base, thus facilitating the accomplishment of its strategic objectives.

Key risks:

On April 14, 2008, the Board of Directors of IBERDROLA RENOVABLES approved its own Comprehensive Risk Control and Management Policy, together with specific risk policies in development thereof, which were updated by the Board on February 24, 2009. Risk limits associated with such policies were also approved, with periodical monitoring to ensure compliance. The Risk Control and Management System of IBERDROLA RENOVABLES has thus been formalized.

Market risks.- The IBERDROLA RENOVABLES Group's activities are subject to various market risks, such as the price of electricity in the various markets where it operates, the price of gas used both as fuel and in the activities of storage and trading, and others.

The energy management risk policies establish measures for controlling and managing the market risk of the different businesses.

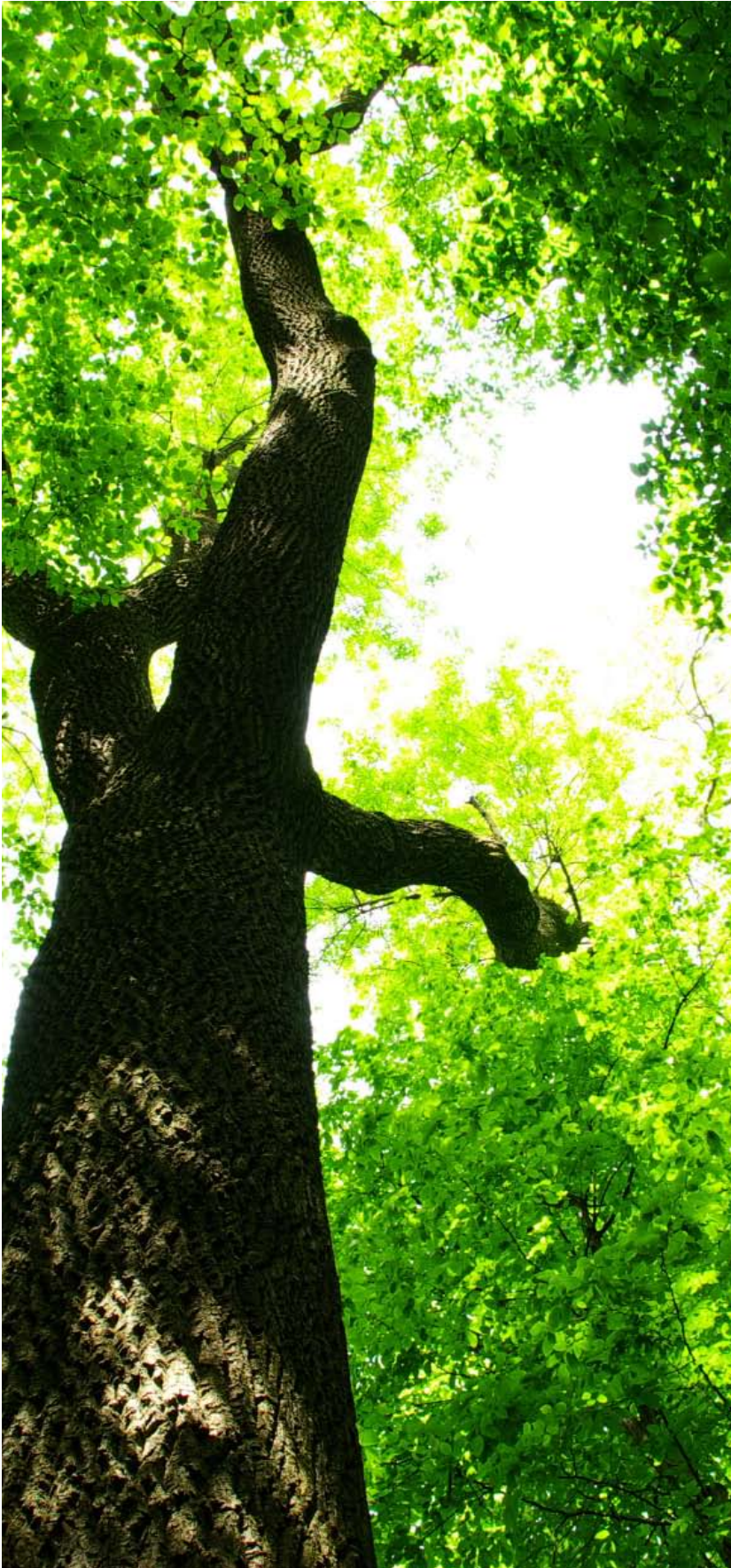
Business risks.- The activities of the IBERDROLA RENOVABLES Group are subject to various business risks, including those relating to weather conditions such as rainfall and wind.

Regulatory risks.- The companies of the IBERDROLA RENOVABLES Group are subject to a set of laws and regulations regarding compensation and other aspects of their activities in Spain and in each country where they operate. The introduction of new laws and regulations, or amendments to those in effect, can have a negative impact on the companies' activities, financial situation and operating results.

The risk policies foster continuous analysis and monitoring of regulatory changes, as well as decision-making on the basis of reasonable regulatory assumptions, at both the domestic and international levels.

Operational risks.- During the operation of all of the IBERDROLA RENOVABLES' Group activities, direct or indirect losses may occur as a result of technological failures, human error or certain external events.

IBERDROLA RENOVABLES mitigates these risks by making the necessary investments, applying operational



and maintenance procedures and programs backed by quality systems, including monitoring procedures and systems, as well as separating functions in the activities of energy trading, planning adequate staff training and education and ensuring an adequate safety policy, as established in the operational risk policy for facilities, the energy management risk policy and the security policy.

Environmental risks.- The activities of the IBERDROLA RENOVABLES Group are subject to risks relating to the existence of wide-ranging regulation and legislation, which require the performance of environmental impact studies and the acquisition of licenses and permits with environmental conditions. As with other risks, it cannot be guaranteed that:

- The competent authorities will approve the environmental impact studies.
- The required authorizations and licenses will be granted.
- There will be no public campaigns in opposition to certain projects that cause delays or modifications with respect to what was planned.
- The regulations will not be amended or interpreted in a manner that increases costs or affects projects, operations or investment plans.

In addition, there are other environmental risks inherent in the Group's activities as a result of the management of waste, landfills, emissions and ground contamination at its facilities and those that affect biodiversity, which may give rise to claims for damages, sanction proceedings, and damage to its image and reputation.

Corporate risk policies aim to mitigate environmental risks, encouraging the implementation of environmental management systems at the Company's production facilities and continuous cooperation with affected regulatory bodies and agents.

Risks relating to new investments.- All new investment is subject to various risks, whether market, credit, business, regulatory, operational or others, that can compromise a project's profitability objectives.

During the execution phase of the investments, it is worth highlighting the risks relating to the construction of new energy generation facilities, mainly wind farms, which may require permits and authorizations to be obtained from public authorities, the purchase of land or the signing of lease agreements, the execution of contracts for equipment supply, construction services, operation and maintenance, fuel supply and transport, and the execution of consumer and finance agreements. All of the foregoing may cause delays and lead to cost increases.

The investment risk policy contemplates all of these risks and establishes specific limits on forecasted returns and expected return on risk which must be met before a project can be authorized. In addition, there are specific procedures for the approval of significant investments that require the prior preparation of an investment dossier with a corresponding risk analysis.

There is also a back-testing procedure for the risk analysis of new investments in which the risk assumptions used are reviewed and conclusions reached to improve future analysis.

Risks associated with activities carried on outside of Spain.- All of the Group's activities outside Spain are also exposed, to a greater or lesser extent based on the nature thereof, to the risks described above (weather, demand, regulation, fuel and energy prices, environment, etc.). In addition, other types of risk inherent to the country in which the activity is carried out also come into play:

- Changes in a country's regulations and administrative policies.
- Imposition of monetary restrictions and other restrictions on the movement of capital.
- Changes in the commercial environment.
- Economic crises, political instability and social disturbances that affect activities.
- Public expropriation of assets.
- Fluctuations in exchange rates.

All of these risks may affect the income of international subsidiaries, their market value and the transfer of income to the Group's parent company, and are contemplated in the approved risk policies.

Reputational risk.- Corporate reputation forms part of a company's value creation cycle. In this cycle, stakeholders' perceptions of a company measure the reputational impact of the activities that it performs. The conduct of all entities belonging to IBERDROLA RENOVABLES is aligned with the vision, values and policies established within the Group.

The framework policy for reputational risk mitigation establishes the main lines of activities for managing this risk within the Group along with monitoring indicators, while the specific risk policies contemplate the same and promote activities that help to limit or mitigate them.

Financial risks.- Information concerning the financing and financial risk management policy is contained in the Financial Risk Management Policy section of the Notes to the 2008 Consolidated Annual Financial Statements, available on the Company's website:

www.iberdrolarenovables.es.

The Company's principal opportunity is the ability to invest in various renewable energy generation technologies.

Key opportunities:

The analysis of opportunities covers the development of new technologies and other energy sources. At present, the Company's activity is mainly focused on wind power. However, it is also developing production plants with other technologies such as mini-hydro, marine wind, solar thermoelectric, biomass energy, wave energy, and others.

Offshore (marine wind farms).- IBERDROLA RENOVABLES intends to develop six marine wind energy projects off the Spanish coast, reaching a total capacity of 3,000 MW, with locations in Cádiz, Castellón and Huelva. In accordance with the current regulations, the Company has presented its proposals to the Ministry of Industry, Tourism and Trade setting forth the remunerative framework for these facilities. In the medium-term, IBERDROLA RENOVABLES expects offshore wind power to be a mainstay of the Company's growth.

Specifically, IBERDROLA RENOVABLES is performing studies in relation to the request for authorization of the following projects: Costa de la Luz (Huelva), Punta del Gato (Huelva), Punta de las Salinas (Castellón), Costa de Azahar (Castellón), Costa de la Luz (Cádiz) and Banco de Trafalgar (Cádiz). Each plant will have an estimated capacity of 498 MW.

These facilities would commence operations during the 2011-2015 period, for which reason they are not included in IBERDROLA RENOVABLES' 2008-2012 Strategic Plan, and their capacity is additional to the Company's current portfolio of projects.

Regarding projects that IBERDROLA RENOVABLES is carrying out in the United Kingdom, it is worth noting that clearance has been given to the construction in West of Duddon Sands of the first offshore wind farm of the Scottish subsidiary, SCOTTISH POWER RENEWABLES. Located 14 kilometers southwest of the Barrow-in-Furness coastline, this facility will produce a total of 500 MW, sufficient to supply more than 372,000 homes. The wind farm, which will be jointly developed by SCOTTISH POWER RENEWABLES, DONG Energy and Eurus Energy, will have 139 turbines, two marine substations and one land substation. Another project underway in the United Kingdom aims to produce an additional 35 MW at the Shell Flats offshore wind farm.

In the medium term, offshore wind power will be one of the mainstays of IBERDROLA RENEWABLES' growth.

In addition, IBERDROLA RENEWABLES has been awarded an exclusive contract to investigate the possibility of setting up an offshore wind farm to the west of Argyll and the Isle of Tiree, in Scotland. It is estimated that the facility could generate between 500 and 1,800 MW and supply energy to between 270,000 and one million families. The land is managed by the Crown Estate, the agency entrusted with handling real estate owned by the British Royal Family, and the contract was awarded through a tender process organized by Scottish Territorial Waters.

IBERDROLA RENEWABLES, through its subsidiary SCOTTISHPOWER RENEWABLES, has agreed with the Swedish company Vattenfall to make joint offers in the third round of offshore wind farm development in the United Kingdom.

Finally, the Company is also involved in the development of various facilities in Germany and France.

Thermosolar Energy.- The Company's portfolio includes the development of twelve thermoelectric solar energy projects with parabolic cylinder collector technology, each with a capacity of 50 MW.

Meteorological stations have been set up to measure solar resources at the Sevilla, Ciudad Real, Badajoz, Albacete and Teruel projects. In addition, we are participating in a 3 MW Direct Steam Generation (DSG) R&D project.

This portfolio of thirteen projects adds up to a total capacity of 603 MW, located in the regions of Extremadura, Castilla y León, Andalusia, Castilla-La Mancha, Murcia and Aragon.

In 2009, the first thermo-solar plant, producing 50 MW, is expected to start operating in Puertollano. It is currently in the testing phase. This plant is 90% owned by IBERDROLA RENEWABLES and 10% owned by the Energy Diversification and Saving Institute (*Instituto para la Diversificación y Ahorro de la Energía*) (IDAE).

Photovoltaic Energy.- IBERDROLA RENEWABLES currently has two plants operating with this technology, one in Castilla-La Mancha and the other in Greece.

Biomass.- Projects will be developed on a very selective basis, and always subject to long-term raw material supply guarantees. IBERDROLA RENEWABLES has plans in its projects portfolio to install three forest biomass facilities in Spain, producing a total of 25 MW. These facilities are located in the municipalities of Somozas (La Coruña), Archidona (Málaga) and Corduente (Guadalajara), producing 8 MW, 15 MW and 2 MW, respectively.

In 2008, the construction of the Corduente biomass plant began. This will be the first facility in Spain to use forest waste to generate electricity.

This new infrastructure, which involves an investment of approximately 6 million euros, will add value to IBERDROLA RENEWABLES, significantly contributing to research into the generation of electricity from biomass.

In this regard, it is expected that the plant will use approximately 20,000 tons of forest residue per year, to be obtained from the cleaning and pruning of the Alto Tajo Nature Park, thus helping to avoid fires and plagues.

Marine Energy.- 2008 saw the start of processes with the Scottish Government and the Autonomous Assembly of Northern Ireland for three coastal facilities, two in Scotland (Pentland Firth and The Sound of Islay) and another in Northern Ireland (North Antrim). Through these facilities, the Company intends to develop the largest wave energy projects in the world. The goal is to start the projects in 2011.

The plants could have between five and twenty wave turbines each, with a per-unit capacity of 1 MW, giving a possible total installed capacity of 60 MW. This is sufficient green energy to supply the needs of some 40,000 homes.

The turbines will undergo final testing under the specific conditions of the Scottish coast, prior to the full-scale installation of this technology at the above-mentioned plants in 2011.

IBERDROLA RENEWABLES, as a pioneer in the development of marine technology, is involved in the "Pelamis Project" (whose name comes from the technology used) off the coast of the Orkney Islands in northern Scotland. This Project consists of four 150 meter-long floating generators known as sea snakes, each with a capacity of 750 kW. This and other Company initiatives are being developed at the European Marine Energy Center (EMEC), located in northern Scotland.

Regarding another marine energy development project, the first buoy of the Santoña (Cantabria) pilot wave

energy plant was launched in 2008, which will make it the first of its kind in Europe.

It is expected that the plant, located four kilometers off the coast of Santoña, will be composed of 10 buoys. The nine remaining buoys, which will be launched in a subsequent phase, will have a capacity of 150 kW. When the 10 buoys are in operation, this facility's annual production of electricity will be approximately equal to the domestic consumption of approximately 2,500 homes.

The joint venture that is developing the plant, IBERDROLA ENERGÍAS MARINAS DE CANTABRIA, S.A., is jointly owned by the Company (60%), TOTAL (10%), Ocean Power Technologies (OPT) (10%), IDAE (10%) and *Sociedad para el Desarrollo de Cantabria* (SODERCAN) (10%). The first-phase budget, which includes the marine electricity infrastructure (and which will be installed later), totals approximately 3 million euros.

Gas-cycle plants and storage.- In 2008, IBERDROLA RENOVABLES signed an agreement to sell to Constellation Energy the West Valley gas plant, with a 200 MW capacity, located close to Salt Lake City (Utah, United States), for 87.5 million dollars (approximately 56.5 million euros).

The Company currently has 2 gas-cycle plants located in the United States with a total capacity of 606 MW (100 MW at the Klamath Peaking Plant and 506 MW at the Klamath Cogeneration Plant).

The Company also signed a contract in 2008 for the purchase of Tenaska Power Fund from Caledonia Energy Partners, the owner of the Caledonia gas storage facility, which is located in northwestern Mississippi (United States). The amount of the transaction was approximately 287.3 million dollars (182.5 million euros) after adjusting the clauses contained in the purchase agreement.

The Caledonia facility, strategically connected to the Tennessee gas network, has a usable capacity of 330 million cubic meters (bcm) of gas.

After the purchase, the Company has four facilities with a total capacity of 1.36 bcm. In addition, it has 2.30 bcm of capacity either contracted or under management.

The Company also owns two storage facilities under development: Enstor Waha Storage and Transportation, L.P. ("Waha"), located in western Texas, and Enstor Houston Hub and Storage Transportation, L.P. ("Houston Hub"), located close to Houston, Texas.

There is also a series of projects at an early stage of development as well as potential acquisitions of both projects in development and operational facilities.

Pilot wave energy plant at Santoña (Cantabria).



2. ORGANIZATIONAL PROFILE

2.1. Name of the organization.

IBERDROLA RENOVABLES, S.A.

2.2. Primary brands, products and/or services.

IBERDROLA RENOVABLES is a Company principally engaged in the development, construction and operation of generation plants that use renewable sources of energy, as well as the sale of electricity produced thereby. The Company's activities currently focus on wind energy as well as mini-hydro and thermosolar energy. It has also commenced development of other technologies such as biomass and wave energy.

IBERDROLA RENOVABLES is also active in the storage and wholesale purchase and sale of natural gas through Enstor Operating Company, as well as electricity generation in the United States, concentrating on two sectors: the construction, start up and ownership of natural gas storage facilities and the wholesale purchase and sale of natural gas (purchase, transport, storage and sale of gas).

IBERDROLA RENOVABLES is a multinational company with the trademarks set forth in the table below, which reflect the vision and corporate values on which the Company's strategy is based.

The following table sets forth the Company's main operating data at the end of fiscal year 2008:

Operating Data		2008	2007	Dif 08-07	%
Installed capacity	MW	9,302	7,099	2,203	31.0%
Wind Spain	MW	4,526	4,229	297	7.0%
Wind USA	MW	2,876	1,539	1,337	86.9%
Wind UK	MW	665	382	284	74.3%
Wind Rest of the World	MW	893	607	286	47.1%
Mini-Hydro	MW	342	342	-	0.0%
Gas storage	bcm	1.36	1.03	0.33	32.0%
Gas storage	bcm	1.36	1.03	0.33	32.0%
Production	GWh	16,998	9,935	7,061	71.1%
Wind USA	GWh	5,409	1,071	4,338	405.0%
Wind UK.	GWh	1,227	244	983	402.9%
Wind Rest of the World	GWh	1,321	1,011	310	30.7%
Mini-Hydro	GWh	536	542	(6)	(1.1%)

IBERDROLA RENOVABLES' TRADEMARKS AND ITS GOODS AND SERVICES

Renewable energy production in:



Spain, Germany, France,
Italy, Mexico & Brazil



Europe, Asia, USA
& Canada



UK



Greece

Activities related to natural gas: exploitation and development of the Company's own storage assets, purchase/sale, and natural gas brokerage activities in the USA



INSTALLED CAPACITY AT DECEMBER 31, 2008

	Installed Capacity (MW)	% installed capacity
Wind Power	8,960	96.3
Spain	4,526	48.7
The USA	2,876	30.9
The UK	665	7.1
Rest of the world	893	9.6
Mini-Hydraulic Energy	342	3.7
Total Renewable energies	9,302	100

PROJECT PORTFOLIO AT YEAR-END 2008

MW	Total Project Portfolio	Strategic Agreement Contribution	Potential	Probable	Practically Certain
Wind	54,115	~10,000	29,363	12,542	2,210
Spain	12,859	~4,750	5,433	1,922	754
USA	22,600	0	13,851	8,200	549
UK	5,151	0	4,078	634	439
RoW	13,505	~5,250	6,001	1,786	468
Other Renewables	1,002	0	607	340	55
Spain	907	0	520	335	52
UK	3	0	0	3	0
RoW	92	0	87	2	3
TOTAL	55,117	~10,000	29,970	12,882	2,265

As of year-end 2008, IBERDROLA RENEWABLES owns two gas-cycle plants in the United States with an installed capacity of 606 MW.

USA	(MW)
Klamath Generating Plant	100
Klamath Cogeneration	506
Total	606

The Company also has four gas storage facilities:

USA	BCM
Enstor Katy Storage (Texas)	0.59
Enstor Grama Ridge Storage (New Mexico)	0.22
Freebird (Alabama)	0.22
Caledonia (Mississippi)	0.33
TOTAL OWNED CAPACITY	1.36
TOTAL MANAGED OR CONTRACTED CAPACITY	2.30
TOTAL CAPACITY	3.66

For more detailed information regarding the financial/economic and operating trends of the Company, see the 2008 Annual Financial Information published on the Company's website: www.iberdrolarenovables.es.

2.3. Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.

The activities contemplated in IBERDROLA RENOVABLES' corporate purpose are conducted through a group of companies guided by a common general strategy, from which synergies and returns are expected to be obtained for all business units and which is implemented through the respective organizational and corporate structure.

The organizational model is based on the decentralized business units and the centralized corporate governance and control functions listed below:

Position	Name
Chairman	Mr. José Ignacio Sánchez Galán
Chief Executive Officer	Mr. Xabier Viteri Solaun
Assistant Chief Executive Officer	Mr. Estanislao Rey-Baltar Boogen
Governance Divisions	
Office of the General Secretary of the Board ¹	Ms. Ana Isabel Buitrago Montoro
Corporate Divisions	
Office of the General Secretary	Ms. Ana Isabel Buitrago Montoro
Economic and Financial	Mr. José Ángel Marra Rodríguez
Corporate Resources	Mr. Álvaro Delgado Piera
Markets & Prospects	Ms. M ^a Ángeles Santamaría Martín
Administration & Control	Mr. Rafael de Icaza de la Sota
Business Divisions	
Operations	Mr. José Joaquín Santamaría Tamayo
Spain	Mr. Víctor Manuel Rodríguez Ruiz
United Kingdom	Mr. Keith Stuart Anderson
United States	Mr. Ralph Currey
Rest of the World	Mr. Jamie Wilson
Internal Audit Division	Ms. Sonsoles Rubio Reinoso

¹ As Secretary of the Board reporting to the Board of Directors

2.4. Location of organization's headquarters.

The registered office of IBERDROLA RENOVABLES is located at: Calle Menorca, 19, planta 13. CP 46023, Valencia Spain

2.5. Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.

IBERDROLA RENOVABLES is present in 23 countries, in terms of megawatts in operation, portfolio of projects and offices open. The map below shows the countries in which the Company has installed capacity, portfolio of projects and offices open at the end of fiscal year 2008.

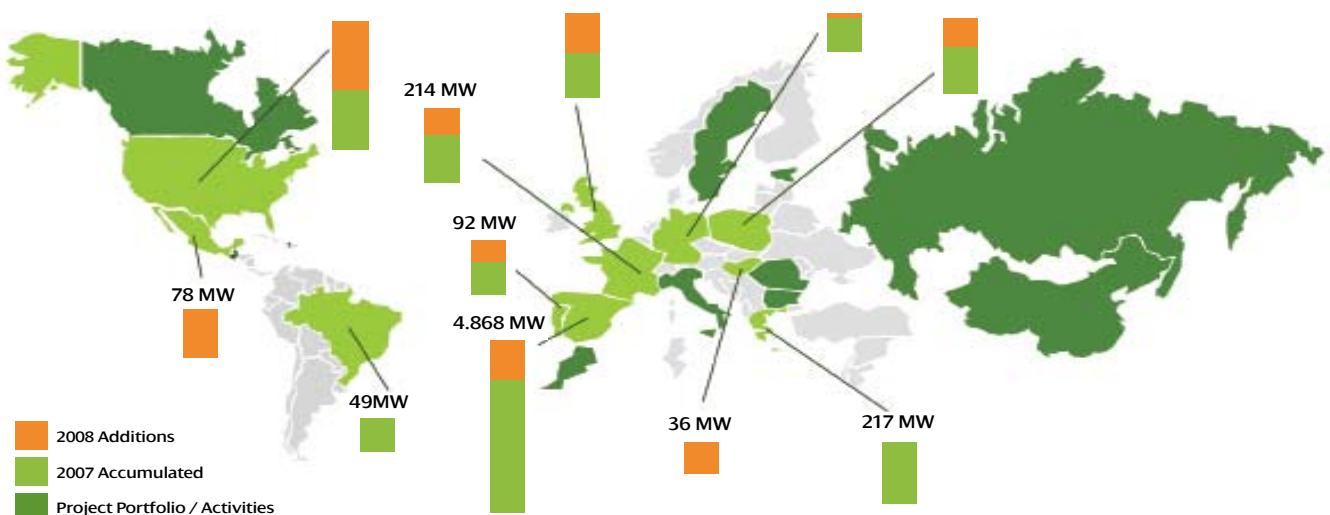
For purposes of this report, IBERDROLA RENOVABLES' most significant activities take place in Spain, the United Kingdom, the United States, Greece, France and Poland.

2.6. Nature of ownership and legal form.

IBERDROLA RENOVABLES is a sociedad anónima (corporation) incorporated under Spanish law.

At the date of publication of this report, IBERDROLA RENOVABLES' share capital amounted to 2,112,032,450. This capital is divided into 4,224,064,900 shares, each having a par value of 0.5 euro. Given that the shares are represented by book entries and are listed on the Spanish Stock Markets, it is not possible to know the exact stake

PRESENT IN 23 COUNTRIES AND WITH ASSETS IN OPERATION IN THE 11 MOST IMPORTANT MARKETS



Data communicated to the CNMV; the discrepancy with respect to the Rest of the World in the table "Installed capacity at December 31, 2008" is due to rounding.

of each shareholder in the share capital. At the date of this report, the only significant shareholder in the Company is IBERDROLA, S.A., which holds 80% of the share capital.

2.7. Markets served.

In the countries in which IBERDROLA RENOVABLES operates, provided in section 2.5, the reporting companies provide the products and services described in section 2.2, among which the principal activity is the generation of electricity from renewable sources, mainly wind. The same types of products and services will be provided in other countries should the appropriate legal, economic and social circumstances arise, in line with the company's strategic approach.

2.8. Scale of the reporting organization.

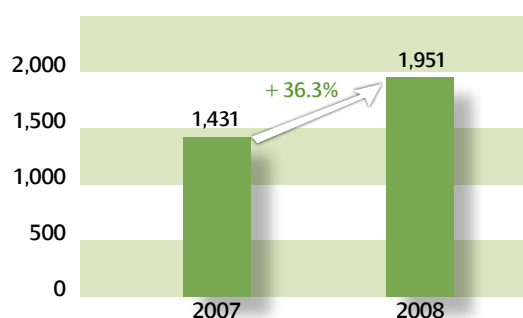
The scope of this point differs from the scope of the report parameters established in section 3.6 (Boundary of the Report), since it includes data for all of the countries in which the IBERDROLA RENOVABLES Group operates.

NUMBER OF EMPLOYEES *

2008	2007	2006
1,951	1,431	416

WORKFORCE*

(Number of persons)



*IBERDROLA RENOVABLES did not exist as an independent company in 2006. The 2006 workforce data provided under "Labor Practices and Decent Work" corresponds to companies previously included within IBERDROLA that later became part of the IBERDROLA RENOVABLES Group, as indicated in section 3.6, Boundary of the report.

*In all countries in which IBERDROLA RENOVABLES is present.

NET SALES

(in thousands of euros)

2008	2007	2006
2,030,317	953,015	N/A

The Company's most significant activities take place in Spain, the United Kingdom, the United States, Greece, France and Poland.

TOTAL CAPITALIZATION, IN TERMS OF DEBT AND EQUITY

(in thousands of euros) ²

	2008	2007	2006
Subscribed capital	2,112,032	2,112,032	N/A
Shareholders' equity of parent company	11,188,279	10,918,454	N/A
Financial debt and other non-current debts payable	3,237,321	1,076,500	N/A

² Data extracted from the 2008 Consolidated Annual Financial Statements.

TOTAL ASSETS

(in thousands of euros)

	2008	2007	2006
	20,216,152	17,655,199	N/A

BENEFICIAL OWNERSHIP

IBERDROLA S.A. owns 80% of the share capital of IBERDROLA RENOVABLES.

Breakdown by country/region of the following:

SALES, OTHER OPERATING REVENUE AND FINANCIAL REVENUE

(in thousands of euros)

	2008	2007	2006
Spain	938,863	617,434	N/A
United Kingdom	157,105	33,935	N/A
United States	951,795	262,669	N/A
Rest of the World	130,022	94,798	N/A
IBERDROLA RENOVABLES Group	2,177,785	1,008,836	N/A

COSTS BY COUNTRIES/REGIONS THAT REPRESENT 5% OR MORE OF TOTAL REVENUE

(in thousands of euros)

	2008	2007	2006
Spain	376,416	412,616	N/A
United Kingdom	107,800	26,953	N/A
United States	751,135	267,083	N/A
Rest of the World	102,583	67,805	N/A
IBERDROLA RENOVABLES Group	1,337,934	774,457	N/A

More information on the Company's website:

www.iberdrolarenovables.es.

IBERDROLA RENOVABLES is rated on the most significant indexes and comparative studies relating to sustainability.

2.9. Significant changes during the reporting period regarding size, structure or ownership of the organization.

During fiscal year 2008, the most significant change regarding size, structure and ownership was the announcement on July 1 of IBERDROLA RENOVABLES' voluntary public tender offer for the Greek company Rokas, covering all of the common and preferred stock that it did not already own.

Since February 25, 2009, following the completion of a squeeze-out (the compulsory sale of all common and preferred shares that it did not possess after the voluntary public tender offer), IBERDROLA RENOVABLES has owned 100% of the Rokas Group.

The Company thus confirmed its commitment to the Greek market, in which it has been present since 2004, when it purchased 21% of the common shares of the Rokas Group. Since then, the Company has gradually increased its presence in the Greek wind energy market.

2.10. Awards received in the reporting period.

IBERDROLA RENOVABLES is rated on various indexes and comparative studies relating to sustainability. The most significant are the following:

Sustainability Indexes	Position
FTS4Good Ibex Index	First company in the industry admitted to index. Acknowledges the appropriate systems and policies to manage environmental, social and ethical risks.
The European Renewable Energy Index (ERIX)	Third place among the top ten European renewable energy companies.
S&P Global Clean Energy Index (SPGCLEN)	Placed first among renewable energy companies in the world.
Merrill Lynch Renewable Energy Index (ML Renewable Energy)	Second-ranked renewable energy company in this index.
Europe Energy Alternate Sources Index (BEENRG)	Twentieth place in the ranking of alternative energy companies.
Dow Jones Sustainability Index (DJSI)	IBERDROLA RENOVABLES, as a Company belonging to the IBERDROLA Group, is included in the DJSI. IBERDROLA is the world leader among utilities on the prestigious Dow Jones Sustainability Index 2008, which sets the global benchmark in measuring the contribution of sustainable development companies.

Furthermore, the principal awards and recognitions received in 2008 are listed below:

Recognition	Given By
AMPE 2008 Award for the best newspaper advertising campaign of the year. AMPE Silver Newspaper Award	Asociación de Medios Publicitarios en España (AMPE).
Best-positioned company for its concern for the environment and society	Future Brand.
Award for best Initial Public Offering	"Award for the best investment products." Mi Cartera de INVERSIÓN.

Recognition	Given By
Recognition of the Application of Clean Technologies in the 'XIV Premio Ones Mediterrània 2008' Awards for the Santoña wave energy project	The Catalanian NGO Mare Terra Fundació Mediterrània.
Best legal team of a European company in the "Regulated Non-Financial Sectors" category	2008 European Counsel Awards.
"Fourth Culture" Regional Prize for Energy Projects - "Energy and Economic Impact" - awarded to the CORE	The Department of Industry and the Information Society of the Castile-La Mancha Regional Government.
Environmental Management and Security Best Practices for Klamath Co-generation Plant (City of Klamath Falls, Oregon)	Combined Cycle Journal.
IBERDROLA RENEWABLES recognized as "Best of the Best"	Combined Cycle Journal.
AWEA Commercial Achievement Award to IBERDROLA RENEWABLES for its creative contributions in relation to sales of renewable energies	American Wind Energy Association (AWEA).
Shiny Apple Award for the Dillon wind energy project (Palm Springs wind farm)	Palm Springs Unified School District, Riverside County, California.
Prism Award for community relations efforts in relation to the Dillon project	Public Relations Society of America (Los Angeles chapter).
Environmental Work Category	38th place among the 100 best companies to work for in Oregon (USA) Oregon Business Magazine.
OSHA SHARP recognition plaque and banner for Pacific Klamath Energy	Safety and Health Achievement Recognition Program (SHARP). In collaboration with OSHA.
George Darr RNP Clean Energy Award to IBERDROLA RENEWABLES ESTADOS UNIDOS for its services in the renewable energy field	Renewable Northwest Project.
IBERDROLA RENEWABLES awarded second-best advertising campaign in 2007	Actualidad Económica.
Best business initiative in Cantabria for the "Waves of Santoña" project	Actualidad Económica.
Recognition to IBERDROLA RENEWABLES for significant efforts developing large-scale renewable energy projects	Ernst & Young and Euromoney.
Prize for the Best Business and Management Trajectory	Dinero Magazine.
IBERDROLA RENEWABLES, the leading company for environmental awareness. 5th place in the ranking of companies that will be most successful in the years ahead	KAR (Key Audience Research) Study.
2008 Company of the Year Award	Sixth annual El Boletín awards.
Best Project Developer Award	Environmental Finance Magazine.

Report Profile

3. REPORT PARAMETERS

3.1. Reporting period for information provided.

2008

3.2. Date of most recent previous report.

2007

3.3. Reporting cycle.

Annual

3.4. Contact point for questions regarding the report or its contents.

General questions regarding this report may be addressed by mail or by telephone to:

Corporate Headquarters

IBERDROLA RENOVABLES

Calle Menorca, número 19, planta 13
46023 Valencia.

Tel: +34 963.884.588

Fax: + 34 963.884.589

Offices in Madrid

IBERDROLA RENOVABLES

Vía de los Poblados, 3
Parque Empresarial Cristalía, Edif, 9
28033 Madrid

Tel: +34 91 577 65 65

Fax: +34 91 364 26 24

or by e-mail to:

informacion@iberdrolarenovables.es

information@iberdrolarenovables.es

The Company's website (www.iberdrolarenovables.es), under "Contact Us", provides the addresses and telephone numbers of the various IBERDROLA centers worldwide.

Report scope and boundary

3.5. Process for defining report content.

This document is the second Sustainability Report prepared by IBERDROLA RENOVABLES. The Company's goal is to progressively expand the annual information about its activities and its results, making successive improvements to the economic, environmental and social information.

The information prepared by IBERDROLA RENOVABLES is addressed to society as a whole, although the Company is aware that the main users thereof will be financial analysts and investors, social organizations, and persons and organizations interested in the evolution of the concepts of sustainability and corporate social responsibility.

3.6. Boundary of the report.

In order to define the boundary of this report, IBERDROLA RENOVABLES has followed the recommendations set forth in the GRI's Boundary Technical Protocol. Section 2.3 above contains a description of the subsidiaries of the Renovables Group. The information provided in this report has the following scope:

Regarding economic performance, the quantitative information available covers all of IBERDROLA RENOVABLES' subsidiaries and affiliates. The economic information included in this Sustainability Report comes from the "2008 Consolidated Financial Statements."

As regards environmental and social performance, the quantitative information provided covers those subsidiaries that operate primarily in the renewable energy generation and gas industries and are thus deemed to have a significant impact on the environmental or social area. These companies are as follows:

- ✓ IBERDROLA RENOVABLES, S.A., in Spain.
- ✓ IBERDROLA RENEWABLES Holdings, Inc., in the United States.
- ✓ IBERDROLA RENEWABLES INC., in the United States.
- ✓ Enstor, Inc., in the United States.
- ✓ SCOTTISHPOWER RENEWABLES ENERGY HOLDING LTD, in the United Kingdom.
- ✓ SCOTTISHPOWER RENEWABLE ENERGY LIMITED, in the United Kingdom.
- ✓ C. ROKAS S.A., in Greece.
- ✓ ENERGIKI ALOGORACHIS ANONIMI ETERIA, in Greece.
- ✓ IBERDROLA RENEWABLES POLSKA SP ZOO, in Poland.
- ✓ IBERDROLA RENOVABLES FRANCE, SAS, in France.

In order to define the boundary of this report, IBERDROLA RENOVABLES has followed the recommendations set forth in the GRI's Boundary Technical Protocol.

For purposes of this report, the following terms have the meaning set forth below:

- ✓ “IBERDROLA RENOVABLES” or the “Company”: the Spanish company IBERDROLA RENOVABLES, S.A., parent company of the IBERDROLA RENOVABLES Group.
- ✓ “IBERDROLA RENOVABLES Group” or the “Group”: IBERDROLA RENOVABLES (as parent company) together with the group of IBERDROLA RENOVABLES’ subsidiaries with the most significant operations, located in the United States, the United Kingdom, Greece, Poland and France, that form the reporting boundary of this report and are referred to in the preceding paragraph.
- ✓ “European Union”: the region encompassing the information for companies of the IBERDROLA RENOVABLES Group located in Spain, the United Kingdom, Greece, Poland and France.
- ✓ “North America”: the region encompassing the information on IBERDROLA RENEWABLES in the United States.

Where data is offered in relation to fiscal year 2006, the information corresponds to the former companies that later become part of the IBERDROLA RENOVABLES Group.

IBERDROLA RENOVABLES holds indirect interests in the following companies located in jurisdictions regarded as tax havens under the provisions of Royal Decree 1080/1991, of July 5 (see table).

The standards defined in connection with the boundary of this report also apply to these entities. Operations are carried out by these companies pursuant to Spanish legislation and applicable international laws, and in no event do such companies engage in tax evasion, money laundering or the financing of unlawful activities. As provided in the Regulations of the Board of Directors of IBERDROLA RENOVABLES, the Board has reserved for itself the power to adopt resolutions regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, after a report from the Audit and Compliance Committee.

3.7. State any specific limitations on the scope or boundary of the report.

Based on the standards set forth in section 3.6, IBERDROLA RENOVABLES believes that this Report reflects the economic, environmental and social performance of its corporate group in a reasonable and balanced manner.

Corporate Name	Nationality	Activities
Rokas Aeoliki Vorios Cyprus Ltd.	Republic of Cyprus	This subsidiary, in which C. Rokas RENEWABLES (IBERDROLA RENOVABLES Group) holds a 75% stake, is dedicated to wind power generation in the Republic of Cyprus.





3.8. Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.

The IBERDROLA RENOVABLES Group owns 100% of all of the subsidiaries coming within the scope of this report and therefore it is not necessary to consolidate the information based on the percentage of equity interests held.

3.9. Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicator and other information in the report.

The exchange rates set forth in the following chart have been applied in order to consolidate economic data within the economic and social information, using the average exchange rate for activities conducted throughout the year and the year-end exchange rate for the parameters evaluated at the end of the fiscal year.

Exchange rate at fiscal year-end

Euro	US dollar	Pound sterling
2007	1.4721	0.7334
2008	1.3917	0.9525

Average annual exchange rate

Euro	US dollar	Pound sterling
2007	1.3705	0.6846
2008	1.3498	0.9084

3.10. Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.

Generally, IBERDROLA RENOVABLES has not deemed it necessary to restate the information contained in prior reports due to changes in its corporate structure. In those indicators in which such restatement might provide significant information, such circumstance will be noted and the corresponding information will be supplied.

3.11. Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.

There are no significant changes in the reporting methods compared to previous periods.

GRI Content Index

3.12. Table identifying the location of the Standard Disclosures in the report.

This report follows the order of sections established in the GRI Guidelines, and its table of contents reproduces the table of contents of the report.

Assurance

3.13. Policy and current practice with regard to seeking external assurance for the report.

IBERDROLA RENOVABLES subjects its annual information to external independent verification: the annual financial statements and the management reports (both individual and consolidated with those of its subsidiaries), as well as the Sustainability Report for fiscal year 2008, have been audited by an independent external auditor. IBERDROLA RENOVABLES has hired two different audit firms to carry out these verifications.

Annex 2 contains the report on the external verification of this report.

IBERDROLA RENOVABLES subjects its annual information to external independent verification.

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

Governance.

4.1. Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.

Management Structure.

According to current Article 26 of the By-Laws, the management of the Company is vested in “a Board of Directors, an executive committee called the Executive Committee (*Comisión Ejecutiva Delegada*), and, if any and if agreed to by the Board of Directors, a Chief Executive Officer (*Consejero Delegado*).”

Board of Directors

At the date of this report, the Board of Directors is composed of 15 Directors, the maximum number established by Article 30 of the By-Laws. The detailed information set forth below also identifies the Secretary, the Assistant Secretary and the Legal Counsel to the Board of Directors.

The General Secretary and Secretary of the Board of Directors (non-Director): Ms. Ana Isabel Buitrago Montoro.

Assistant Secretary of the Board of Directors (non-Director) and Legal Counsel: Ms. Regina Reyes Gallur.

Section B.1.19 of the 2008 Annual Corporate Governance Report contains detailed information on the appointment, re-election, evaluation and removal of Directors.

In fiscal year 2008, the Board met with appropriate frequency in accordance with the provisions of Article 33 of the Regulations of the Board of Directors of IBERDROLA RENOVABLES. Specifically, it has complied with the provision of meeting at least once per month, with the sole exception of August.

Committees of the Board of Directors.

Article 36 of the By-Laws provides that “the Board of Directors must create and maintain an Executive Committee, an Audit and Compliance Committee and a Nominating and Compensation Committee.” In addition, Article 22 of the Regulations of the Board of Directors and clause 5 of the Framework Agreement entered into with IBERDROLA S.A. on November 5, 2007 lay down the obligation to create a Related-Party Transactions Committee.

The IBERDROLA RENOVABLES’ Board of Directors therefore has the following Committees:

- Executive Committee.
- Audit and Compliance Committee.
- Nominating and Compensation Committee.
- Related-Party Transactions Committee.

The functions and responsibilities of these Committees are described in detail in the 2008 Annual Corporate Governance Report 2008.

Position	Director	Status	Date of last appointment	Expiry date
Chairman	Mr. José Ignacio Sánchez Galán	Proprietary	11/05/2007	11/05/2012
Chief Executive Officer	Mr. Xabier Viteri Solaun	Executive	11/05/2007	11/05/2012
Director	Ms. María Helena Antolín Raybaud	Independent	11/05/2007	11/05/2012
Director	Mr. Alberto Cortina Koplowitz	Proprietary	11/05/2007	11/05/2012
Director	Mr. Luis Chicharro Ortega	Independent	11/05/2007	11/05/2012
Director	Mr. Carlos Egea Krauel	Proprietary	11/05/2007	11/05/2012
Director	Mr. Julio Feroso García	Proprietary	11/05/2007	11/05/2012
Director	Ms. María Dolores Herrera Pereda	Proprietary ³	03/31/2009	11/05/2012
Director	Mr. Santiago Martínez Garrido	Proprietary ⁴	31/03/2009	05/11/2012
Director	Mr. Santiago Martínez Lage	Independent	11/05/2007	11/05/2012
Director	Mr. Manuel Moreu Munaiz	Independent	11/05/2007	11/05/2012
Director	Mr. José Luis San-Pedro Guerenabarrena	Proprietary	11/05/2007	11/05/2012
Director	Mr. Javier Sánchez-Ramade Moreno	Proprietary	11/05/2007	11/05/2012
Director	Mr. José Sainz Armada	Proprietary	11/05/2007	11/05/2012
Director	Mr. Álvaro Videgain Muro	Independent	11/05/2007	11/05/2012

³ y ⁴ All Directors have been appointed to 5-year terms, although Ms. María Dolores Herrera Pereda and Mr. Santiago Martínez Garrido, who have been appointed on an interim basis to fill vacancies, will hold office for the balance of the 5-year term to which the directors they replace had been appointed.

IBERDROLA RENOVABLES
headquarters (Valencia).



Executive Committee

The Executive Committee has been delegated all powers of the Board of Directors that can be delegated under the applicable law and the By-Laws.

In addition, the Executive Committee is entrusted with its own strategy and investment tasks. Thus, most of its time is spent proposing to or informing the Board about strategic, investment and divestment opportunities that are important for the Company or the IBERDROLA RENOVABLES Group, assessing the extent to which they are in line with the Budget and the Strategic Plan, and analyzing and monitoring business risks, for which purpose it takes into account the environmental and social aspects thereof.

Pursuant to the provisions of Article 23 of the Regulations of the Board of Directors, the Executive Committee shall be composed of the number of Directors decided on by the Board of Directors, subject to a minimum of three (3) and a maximum of six (6).

As of the date of this report, the Committee has four members:

Position	Director	Status
Chairman	Mr. José Ignacio Sánchez Galán	Proprietary
Member	Mr. José Sainz Armada	Proprietary
Member	Mr. Santiago Martínez Lage	Independent
Member	Mr. Xabier Viteri Solaun	Executive

Article 23.4 of the Regulations of the Board of Directors provides that the Executive Committee shall meet at least one (1) time per month and as many other times as the Chairman deems appropriate. In addition, it shall meet when so requested by two (2) of the Directors sitting on the Committee. The Executive Committee held 21 meetings during fiscal year 2008.

Audit and Compliance Committee

The Audit and Compliance Committee is an internal informational, consultative and supervisory body without executive powers that has informational, advisory and proposal-making powers within its scope of activity. Articles 38 of the By-Laws and 24 to 26 of the Regulations of the Board of Directors govern the makeup and powers of this Committee, as well as the rules relating to meetings and the passing of resolutions.

As of the date of this report, the Audit and Compliance Committee has three members:

Position	Director	Status
Chairman	Mr. Álvaro Videgain Muro	Independent
Member	Mr. Javier Sánchez-Ramade Moreno	Proprietary
Secretary-Member	Mr. José Luis San-Pedro Guerenabarrena	Proprietary

This Committee held a total of ten meetings during fiscal year 2008.

Nominating and Compensation Committee

This Committee is an internal informational and consultative body within the Board, without executive powers, with informational, advisory and proposal-making powers within its scope of activity. Its operation is governed by Article 39 of the By-Laws and Articles 27 to 29 of the Regulations of the Board of Directors.

As of the date of this report, the Nominating and Compensation Committee has the following composition:

Position	Director	Status
Chairman	Mr. Santiago Martínez Lage	Independent
Member	Mr. Luis Chicharro Ortega	Independent
Secretary-Member	Mr. José Sainz Armada	Proprietary

This Committee held nine meetings during fiscal year 2008.

Related-Party Transactions Committee

This Committee is an internal informational and consultative body within the Board, without executive powers, with informational, advisory and proposal-making powers within its scope of activity. Its operation is governed by Articles 30 to 32 of the Regulations of the Board of Directors. As of the date of this report, the Related-Party Transactions Committee has the following composition:

Position	Director	Status
Chairman	Mr. Álvaro Videgain Muro	Independent
Member	Ms. María Helena Antolín Raybaud	Independent
Member	Mr. Xabier Viteri Solaun	Executive

Article 31 of the Regulations of the Board of Directors lists the powers of the Related-Party Transactions Committee. This Committee held eight meetings during fiscal year 2008.

4.2. Indicate whether the Chair of the highest governance body is also an executive officer and, if so, his function within the organization's management and the reasons for this arrangement.

The position of Chairman of the Board of Directors of IBERDROLA RENOVABLES is a non-executive position. The Executive Committee and the Chief Executive Officer have been delegated all the powers that may be delegated under the law and the By-Laws. The principal measures aimed at mitigating the risks of accumulation of powers are described in section B.1.21 of the 2008 Annual Corporate Governance Report.

Maranchón wind farm
(Guadalajara).



The Board of Directors has fifteen members, of which one is an executive member, five are independent members, and nine are proprietary members.

4.3. For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.

As shown in the table included in section 4.1, the Board of Directors has fifteen members, of which one is an executive director, five are independent directors and nine are proprietary. IBERDROLA RENOVABLES characterizes as an independent director any director who satisfies the definition there of provided by the Unified Corporate Governance Code.

4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.

Communication with shareholders

The shareholders' main channel of communication with the Board of Directors is the General Shareholders' Meeting. The Regulations of the General Meeting, whose main provisions are summarized in sections E.3 and E.4 of the 2008 Annual Corporate Governance Report (available on the Company's website), give details of the shareholders' rights to information, attendance, and distance proxy-granting and voting at the General Shareholders' Meeting, as well as the measures taken by the Company to encourage participation therein.

For its part, the Office of the Shareholder permanently deals with requests through a personal assistance department at the Company's headquarters, a toll-free call center (900 123 133), as well as through an e-mail address (accionistas@iberdrolarenovables.com) and the website www.iberdrolarenovables.es.

Communication with employees

Various channels and tools are available to IBERDROLA RENOVABLES' employees in order for them to contact and communicate with the Company's corporate governance bodies. Especially noteworthy among these are the meetings that the Chairman holds with employees throughout the world, whether face-to-face or via the Internet, at which all employees can submit to him their questions and/or suggestions. Additionally, the employees hold meetings with the Chief Executive Officer and their superiors in order to resolve all kinds of matters relating to the Company.

In line with the recommendations set out in the Unified Good Governance Code and benchmark international best practices, IBERDROLA RENOVABLES has implemented and

made available to its employees a channel of communication with the Audit and Compliance Committee, the purpose of which is to provide information on a confidential basis regarding possible irregular conduct that may be potentially significant in the financial and accounting areas.

4.5. Linkage between compensation for members of the highest governance body, senior managers and executives, including departure arrangements, and the organization's performance, including social and environmental performance.

Sections B.1.11 and B.1.12 (together with the corresponding comments in section G) of the 2008 Annual Corporate Governance Report, and sections 37 and 39 of the Notes to the Annual Financial Statements of IBERDROLA RENOVABLES and its Consolidated Group, give details of the compensation paid to members of the Board of Directors and Senior Executives during each fiscal year. This information is completed and expanded upon in the Annual Report regarding Director Compensation Policy for the fiscal year in question and application of the compensation policy in the preceding fiscal year approved by the Board of Directors at its meeting of May 4, 2009.

4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided.

Article 42 of the Regulations of the Board of Directors governs the specific conflict of interest situations that might affect the Directors and persons related thereto. This Article provides that the Directors must give notice of the conflicts of interest in which they or persons related to them are involved and must abstain during the deliberations and vote regarding the matter in question. This provision is developed in more detail in the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders and Senior Management of IBERDROLA RENOVABLES S.A.

Section C.5 of the 2008 Annual Corporate Governance Report sets forth the conflicts of interest that have affected Directors during fiscal year 2008, and section C.6 describes the mechanisms established to detect and resolve any possible conflicts of interest between IBERDROLA RENOVABLES and its Directors, managers and significant shareholders.

Additionally, on November 5, 2007, IBERDROLA RENOVABLES and IBERDROLA S.A. entered into a framework agreement in order to establish a transparent framework for relationships between the two companies, in aspects such as the delimitation of each company's respective scope of action, the flow of information, conflicts of interest and related-party transactions. This framework agreement is available on both companies' websites.

4.7. Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics.

Pursuant to Article 13.1 (a) of the By-Laws, the shareholders at a General Shareholders' Meeting have the power to appoint and remove Directors as well as to approve the appointment of the Directors, if any, that the Board of Directors has designated to fill vacancies on an interim basis.

In all cases, the proposals for appointment of Directors that the Board of Directors submits to a decision by the shareholders at a General Shareholders' Meeting, and the appointment decisions made by the Board in the exercise of the power legally attributed thereto to make interim appointments, must be preceded by: (a) a corresponding proposal of the Nominating and Compensation Committee in the case of independent Directors; and (b) a report of the Nominating and Compensation Committee in the case of the other Directors. Pursuant to Article 28 of the Regulations of the Board of Directors, the report must assign the new Director to one of the categories contemplated in such Regulations.

The Board of Directors, together with the Nominating and Compensation Committee within the scope of its authority, shall endeavor to ensure that the candidates proposed to the shareholders at the General Shareholders' Meeting for their appointment as Directors, and the Directors directly appointed by the Board to fill vacancies in the exercise of its power to make interim appointments, shall be persons who are widely recognized for their expertise, competence and experience, and shall be particularly rigorous in connection with the selection of those persons who are to hold office as independent Directors (Article 13 of the Regulations of the Board of Directors).

For such purpose, the Nominating and Compensation Committee must report on and review the standards that must be followed in composing the Board of Directors and in selecting candidates, defining their duties and necessary qualifications and assessing the time and dedication required for the proper performance of their duties (Article 28 of the Regulations of the Board of Directors).

In particular, the Nominating and Compensation Committee shall, at the request of the Board of Directors, select the possible candidates to be appointed, if appropriate, as Directors of the Company and shall submit its proposals or reports to the Board of Directors. To this end, the Committee must verify compliance with the general requirements that must be satisfied by every candidate for Director of the Company as provided in the By-Laws, in the Regulations of the Board of Directors and in the applicable regulations. Likewise, in the case of candidates for the position of

independent Director, the Committee must verify compliance with the requirements specifically applicable to this type of Director as provided in the By-Laws and in the Regulations of the Board of Directors and must gather adequate information regarding the personal qualifications, experience, knowledge and effective availability of the candidates.

Moreover, in order to perform the duties of the Board of Directors, and particularly in connection with matters relating to the economic, environmental and social performance of the Company, each Director may request the hiring, at the Company's expense, of external advisors in order for them to deal with specific issues of certain complexity that may arise during the performance of the Director's duties (Article 38 of the Regulations of the Board of Directors). In addition, the Nominating and Compensation Committee may seek the advice of external professionals, who must address their reports directly to the Chairman of the Committee (Article 28 of the Regulations of the Board of Directors).

Regarding matters related to economic, environmental and social performance of the Company, it should be noted that the compensation package of the IBERDROLA RENOVABLES Group Management Team includes, among other items, a variable compensation item linked to the objectives achieved, which take into account financial, environmental and social aspects.

Sierro wind farm
(Castile-León).





Klondike wind farm
(United States).

4.8. Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.

The commitment to sustainability is one of the key pillars of IBERDROLA RENOVABLES' strategy, which has made defense of the environment a mark of its identity, implementing best practices in the area of corporate responsibility, with the highest level of transparency.

IBERDROLA RENOVABLES has adopted the Vision and Values set out by the IBERDROLA Group.

Vision: *"We aspire to be the preferred Company because of our commitment to the creation of value, people's quality of life and the protection of the environment."*

This Vision is based on five Values:

- Corporate ethics and responsibility.
- Economic results.
- Respect for the environment.
- Trust.
- A sense of belonging.

During the first quarter of 2009, IBERDROLA RENOVABLES's Management Committee approved the Company's own Mission Statement in order to contribute to the Vision of the IBERDROLA Group:

Mission: *"IBERDROLA RENOVABLES is committed, in the spirit of the IBERDROLA Group's values, to provide society with environmentally-sustainable, renewable power generation that creates wealth and value for all stakeholders."*

Code of Professional Conduct

The IBERDROLA Group Code of Professional Conduct applies to all of IBERDROLA RENOVABLES' professionals. The Code of Professional Conduct formalizes and develops, within the framework of IBERDROLA RENOVABLES' Strategic Plan, the vision and values of the IBERDROLA Group and provides guidance on how its employees should act in a global, complex and changing environment.

The IBERDROLA Group's Code of Professional Conduct sets forth the Company's commitment to the principles of corporate ethics and transparency in all fields of activity, establishing a number of principles and rules of conduct aimed at ensuring the ethical and responsible behavior

of all the professionals and the companies of the Group in the performance of their activities, regardless of their geographic location.

In particular, this Code embodies the workers' commitment to the protection of the Company's interests and describes the corrective measures that must be applied in the situations requiring them. In addition, it provides that, should any questions arise or in the event of situations not contemplated in the Code, the employees must turn to their immediate superior or to the Corporate Resources division for a solution.

The Code also provides that, if there are reasonable indications of the commission of any irregularity or of an act which is unlawful or which breaches the rules of the Code of Professional Conduct, such information must be reported to an immediate superior or, if circumstances so require, to the Corporate Resources division, and in the case of potentially significant financial and accounting irregularities, they must be reported directly to the Audit and Compliance Committee.

In order to encourage the responsible conduct of its subsidiary companies, the latter are either governed by the Group's Code of Professional Conduct or they are in the process of convergence towards Codes of Conduct that are coordinated with the principles defined by IBERDROLA RENOVABLES.

Additionally, IBERDROLA RENOVABLES views the Code of Professional Conduct as a set of reference guidelines for all of the players with whom the Group interacts: shareholders, professionals, users, suppliers, competitors, authorities and markets in general.

The Code of Professional Conduct may be viewed at www.iberdrolarenovables.es.

Corporate Social Responsibility Policies

IBERDROLA RENOVABLES is firmly committed to sustainable development. Through the public adoption by its Board of Directors of specific policies, the Company wishes to show that sustainable development represents a unique business approach for it and, at the same time, is the best guarantee of its commitment to the creation of value, both for shareholders and other stakeholders, as well as providing the perfect stimulus in its attempts to continue improving its responsible conduct.

IBERDROLA RENOVABLES also pays special attention to the social dimension of risk management, analyzing, among others, the risks related to safety, professional ethics, professional development and social responsibility.

IBERDROLA RENOVABLES is the world leader in wind energy and wishes to be the international benchmark in renewable energy, with a commitment to creating value, protecting the environment and improving people's quality of life.

IBERDROLA RENOVABLES has approved the following social responsibility policies:

- Corporate social responsibility policy.
- Environmental policy.
- Biodiversity policy.
- Occupational risk prevention policy.
- Innovation policy.
- Supplier hiring and relations policy.
- Quality policy.
- Recruitment and selection policy.
- Knowledge management policy.
- Anti-fraud policy.
- Policy for balance between personal and working life and equality of opportunity.

The Company's Comprehensive Risk System specifically contemplates the reputational risks faced by the Group.

4.9. Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.

IBERDROLA RENOVABLES' contribution to sustainable development materializes through a set of principles and practices that address the needs and expectations of its stakeholders and are included in the Corporate Social Responsibility Policy approved by the Board of Directors and published on the Company's website, www.iberdrolarenovables.es, under "Our Policies."

By way of application of the corporate governance, risk and corporate social responsibility policies approved by the Board of Directors, IBERDROLA RENOVABLES defines its Strategic Plan through a planning scheme that takes into account both the internal diagnosis of the organization and the surrounding environment, with both financial and non-financial objectives.

The Company has adhered to the Global Compact in order to encourage and disseminate its principles regarding human rights, employment practices, the environment and the fight against corruption.

4.10. Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.

Pursuant to Article 33 of the Regulations of the Board of Directors of IBERDROLA RENOVABLES, the Board must evaluate, on an annual basis, (I) its operation and the quality of its work, (II) the performance by the Chairman of the Board and the Chief Executive Officer of their duties, based on the report submitted by the Nominating and Compensation Committee, and (III) the operation of its Committees, based on the report submitted thereto by such Committees.

The evaluation process is structured in two phases: (I) a first phase during which information is obtained from the Directors, and (II) a second phase during which such information is analyzed and conclusions are drawn, in order to identify potential areas for improvement and implement specific measures that may help to further improve IBERDROLA RENOVABLES' corporate governance system.

In order to carry out this evaluation, various aspects of the functioning of the Board of Directors have been analyzed, together with the efficiency of its actions and the contribution of its members to the performance of the Board's functions, all coordinated and supervised by its Chairman.

The Board of Directors completed this evaluation process for fiscal year 2008 at its meeting of February 24, 2009 by adopting a resolution concluding that the Board is correctly organized and operating.

In addition, for 2009 the Board has set the goal of continuing with training activities and maintaining an information program that allows its directors to broaden their knowledge of the businesses, the regulatory framework, corporate governance and the economic/financial situation within which the Company operates, as well as encouraging and increasing the attendance of the Company's Senior Management at Board meetings, in order them to inform the Board about matters within their competence.

4.11. Explanation of whether and how the precautionary approach or principle is addressed by the organization.

This principle is included in the Environmental Policy approved by IBERDROLA RENOVABLES' Board of Directors, and its adoption by the Company is clearly shown by its support for renewable production technologies, principally wind power, which have a lesser impact on climate change and are less harmful to biodiversity.

The precautionary approach is reflected through the widespread use of environmental impact assessments, a preventive tool that is used prior to the execution of infrastructure projects. Finally, the implementation of the environmental management system (the core function of which is to analyze, prevent and mitigate risks) is another key instrument in the implementation of the precautionary principle in the organization. Within the framework of these management systems, emergency drills are conducted at the facilities and analyses are carried out of the causes of incidents in order to prevent any future accidents. Another key component of these management systems is training, which allows the principles underpinning such systems to be disseminated across the organization.

For more information, see indicator EN14.

4.12. Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.

IBERDROLA RENOVABLES, as part of the IBERDROLA Group, has adhered to the Global Compact, thus committing itself to supporting, encouraging and disseminating the Compact's ten principles relating to human rights, employment practices, the environment and the fight against corruption.

The Company has also joined the "Global Roundtable on Climate Change" and "Caring for Climate."

In the United States, IBERDROLA RENEWABLES forms part of "The Climate Trust." Additionally, in conjunction with the American National Renewable Energy Laboratory, it participates in the "Solar Measuring Network," the goal of which is to develop a network for measuring solar energy.

Further, it has set in motion the first Bird and Bat Protection Program; it is a joint member with "Bat Conservation International" in a research program carried out at the wind farms in Pennsylvania, Massachusetts and California; it is a founding member and member of the Board of the "American Wind and Wildlife Institute"; it actively participates in the creation of the "California Voluntary Siting Guidelines" and it is a member of the "U.S. Fish & Wildlife Wind Turbine Guideline Advisory Committee."

4.13. Main associations of which IBERDROLA RENOVABLES is a member.

Spain	
Asociación Empresarial Eólica (AEE)	APPA Geotérmica
Asociación de Pequeños Productores y Autogeneradores de Energías Renovables (APPA)	APPA Solar Termo
APPA Biomasa	Club Español de la Energía
APPA Fotovoltaica	ASIF (Asociación de la Industria Fotovoltaica)
APPA Marina	Protermosolar (Asociación Solar Termoeléctrica)
International	
European Wind Energy Association (EWEA)	ESTELA (Thermosolar Promotion in Europe)
GWEC (Global Wind Energy Council)	
United Kingdom	
British Wind Energy Association	UK Scottish Renewables Forum
Renewable Energy House	
United States	
American Gas Association (AGA)	American Wind Energy Association (AWEA)
Canadian Gas Association (CGA)	Canadian Wind Energy Association (CanWEA)
Edison Electric Institute (EEI)	Renewable Energy Policy Project/Center for Renewable Energy and Sustainable Technology (CREST)
Electric Power Supply Association (EPSA)	Electric Power Research Institute (EPRI)
National Wind Coordinating Committee	Geothermal Energy Association
Repowering the Midwest	North American Energy Standards Board
World Energy Council	United States Energy Association
Northwest Public Power Association (NWPPA)	American Wind and Wildlife Institute
Renewable Fuels Association	
Greece	
Athens Chamber of Commerce and Industry	Hellenic Federation of Enterprises
Institute of Energy for South Eastern Europe	Hellenic Wind Energy Association
Association of Hellenic Electricity Companies	Development Association of Electricity Producer
Poland	
Polish Wind Energy Association (PSEW)	Polish Economic Chamber of Renewable Energy (PIGEO)
France	
Syndicat des Energies Renouvelables (SER)	

4.14. List of stakeholder groups engaged by the organization.

In order to identify its stakeholder groups, IBERDROLA RENOVABLES has adopted the approach laid down by IBERDROLA, while adjusting the relationships with such groups according to the different needs identified by IBERDROLA RENOVABLES:

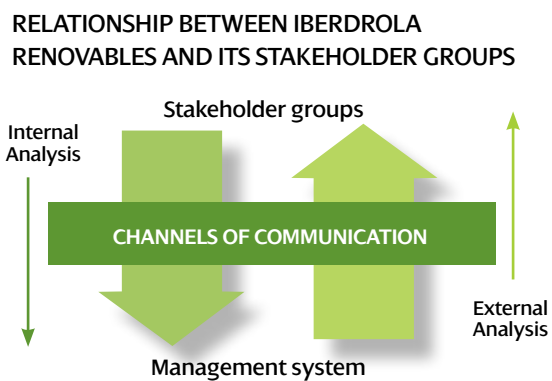
- Society.
 - Environment.
 - Customers (this stakeholder group is particularly important in the United States, through the company Community Energy).
- Employees.
 - Shareholders and the financial community.
 - Regulatory authorities.
 - Suppliers.
 - Media.

4.15. Basis for identification and selection of stakeholders with whom to engage.

IBERDROLA RENOVABLES has identified the stakeholder groups with whom to engage through a process of internal reflection within the Company's management team, following the framework laid down by IBERDROLA, in order to be able to work with them in a way that can be genuinely

put into practice. IBERDROLA RENOVBLES has adjusted this process of identification of stakeholder groups and the establishment of relationships with them to both the needs of the Company and those of the stakeholder groups with which it interacts.

4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.



IBERDROLA RENOVBLES is convinced of the key role played by social trust in the success of industry's policies, plans and operations.

Critical matters for the sector, such as climate change, increasing capacity and looking for new sites, are largely determined by the degree of coincidence of IBERDROLA RENOVBLES' strategic objectives with those of the societies in which it operates. This requires resources to be dedicated to the proper management of the relationships between them. Stakeholder groups have the capacity to change the Company's reputation; they can give warnings or signal risks; they are capable of distracting Management's attention and resources away from key activities; and, finally, as a result of their social role, they can affect, to a greater or lesser degree, the Company's value.

For all of the above reasons, an important part of IBERDROLA RENOVBLES' strategic approach is based on its relationships with those groups affected by its activities, in the two senses that this relationship suggests: from the point of view of reputation, to manage the perception that these groups have of the Company, and from the point of view of social responsibility, meeting their expectations and needs by creating value in the projects. The Company is convinced that it must have a key role in contributing to the socio-economic system of the societies in which it is active and assume goals to be able to carry out this commitment.

As explained in section 4.14 of this report, in order to achieve these objectives, the Company has identified the various stakeholder groups with which it relates. The systematic nature of the contacts with these groups is reflected throughout this report by the performance indicators that show the channels of communication that the company makes available to the various stakeholders as well as the actions taken in response to the latter's key issues.

Once identified, the goal is to create stable relationships and strengthen available channels of communication. These channels of communication and dialogue with stakeholder groups can, in general terms, be divided into three levels:

- IBERDROLA RENOVBLES Management holds meetings with key stakeholder groups on a global basis in order to identify and understand the important aspects to take into account in the Company's strategic planning.
- At the local level, each of the businesses has channels of communication in place with its key stakeholder groups.
- At plant level, other communication channels also exist for the receipt of complaints and ideas and relating to the improvement of the facilities and works carried out.

4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded thereto, including through its reporting.

The Company believes that continuous and transparent communication with its stakeholder groups is a fundamental aspect of corporate responsibility. Thus, the Company establishes the best relationships with its stakeholder groups, understood as groups that affect or are affected by the activities carried out, following the recommendations and good practices of Corporate Social Responsibility (CSR).

The Company is aware of the importance of the information and response capacity of stakeholder groups and therefore offers different groups the possibility of giving their opinion about the information received and proposing ways of improving the situation through the different channels of communication described throughout this report.

In addition, IBERDROLA RENOVBLES extends Corporate Social Responsibility good practices to its supply chain, currently having a solid network of suppliers committed to the development of increasingly efficient clean technology and sustainable business management.