



EXTENDING SUCCESS

ANNUAL REPORT AND ACCOUNTS

INTO NEW

GALP ENERGIA

CHALLENGES

2009



GALP ENERGIA

ANNUAL REPORT AND ACCOUNTS 2009

This translation of the Portuguese document was made only for the convenience of non-Portuguese speaking shareholders. For all intents and purposes, the Portuguese version shall prevail.

GALP ENERGIA is an integrated energy operator with a presence across the whole oil and gas value chain as well and increasingly in renewable energy. Its operations are deployed over diverse geographical locations where South America and Africa play a prominent role, namely in exploration and production. To the list of countries where Galp Energia operates – Portugal, Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia and East Timor – two new countries were added in 2010: Uruguay and Equatorial Guinea.

Performance indicators in **2009**

11,960 M€

-21% RCA TURNOVER
2008: 15,062M€

287 M€

-59% RCA OPERATING PROFIT
2008: 693M€

GALP ENERGIA

ANNUAL REPORT & ACCOUNTS 2009

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213 M€

-55% RCA NET PROFIT

2008: 478M€

01

GALP ENERGIA

WE ARE AN ENERGY COMPANY. WE EXPLORE, DEVELOP AND PRODUCE OIL AND NATURAL GAS IN FOUR CONTINENTS.

WE SUPPLY ENERGY EVERY DAY TO MILLIONS OF PEOPLE.



OUR ACTIVITIES ARE SPREAD OVER 65 COUNTRIES.



EXPLORATION & PRODUCTION

+3,065 Mboe

CONTINGENT RESOURCES (3C)

Galp Energia has a strong presence in exploration activities as it participates in one of the most important discoveries of reserves in present times: the **Santos basin**, off the Brazilian coast, where the Tupi field has an estimated recoverable volume of between **5 and 8 billion barrels**. Oil production is centred off Angola's coast, where there are expectations of growth beyond the current **13.9 thousand barrels** a day.

In 2009, Galp Energia expanded its exploration portfolio with the addition of **new projects** to explore and liquefy natural gas in **Equatorial Guinea and the Santos basin's pre-salt** on top of new oil exploration in **Uruguay**.

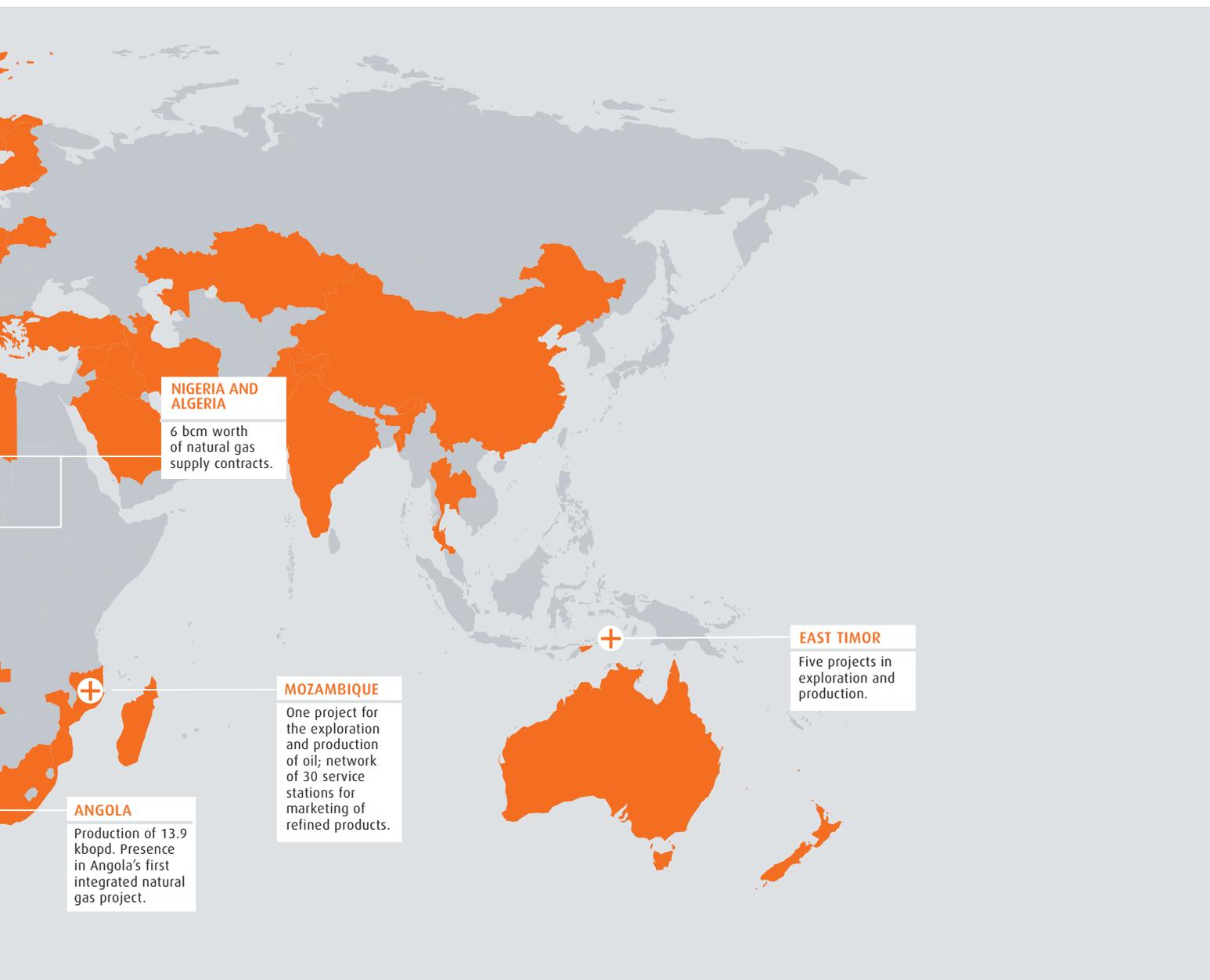
Volume of proved and probable reserves (2P) on a net-entitlement basis rose to **35 million barrels of oil**, related to the start of development activities in the Tómbua-Lândana field.

REFINING & MARKETING

+16.7 Mton

REFINED PRODUCTS SOLD

Galp Energia refines petroleum and other raw materials, which it sources from more than 15 countries, in **two refineries** in mainland Portugal with a combined throughput capacity of **310 thousand barrels** per day. The ongoing conversion of the refining base will enable a better response to the rising demand for diesel in the Iberian Peninsula.



GAS & POWER

+4.7 bcm

NATURAL GAS SOLD

Refined products are marketed mainly in Portugal and Spain, where **11.1 million tonnes** were sold to direct clients in 2009. The acquisition of Agip's and ExxonMobil's Iberian subsidiaries raised materially the coverage ratio of refining activities by marketing activities. Galp Energia now operates around **1,500 service stations**, mainly in the Iberian Peninsula but also in several African countries.

Galp Energia has contracts for the supply of **6 billion cubic metres of natural gas** from Algeria, by pipeline, and from Nigeria, by LNG tankers. The purchased natural gas is sold to more than one million clients in Portugal and Spain. For its currently regulated distribution activities in Portugal, the company has a network of close to **11 thousand kilometres**.

The expanding activities in the Power segment consist in the operation of cogeneration plants with an installed capacity of **160 megawatts**. Galp Energia is currently developing a portfolio of several projects, including new cogeneration plants, combined cycle gas turbine (CCGT) generation and renewable energy, mainly wind power.



Francisco Murteira Nabo,
chairman of Galp Energia's
board of directors.



**DESPITE THE ADVERSE
ECONOMIC ENVIRONMENT
THROUGHOUT 2009,
GALP ENERGIA HAS
BEEN MATERIALIZING ITS
AMBITIOUS STRATEGIC PLAN.**

Dear shareholders,

Year 2009 was marked by an extremely adverse economic environment as the financial crisis that started in 2008 deepened. This had a negative impact on companies, particularly small and medium sized enterprises, and households alike.

This economic environment obviously affected Galp Energia's operating and financial performance, with both net profit and operating profit at replacement cost falling steeply, by more than 50%.

However, Galp Energia was again a reference in 2009, in both business and social responsibility terms. Ever committed to our responsibilities, we powered ahead with our transformational plan, keeping to our capital spending schedule, particularly the execution of our refinery conversion project, Portugal's largest ongoing industrial project.

At a cost of 1.3 billion euros, this project will, upon completion, create a modern and efficient refining infra-structure that will improve the country's current account balance by raising the production of diesel and thereby substituting for a large share of the country's current import needs of this product.

I also should like to point out two major milestones in two other areas of the company's activities: in exploration and production, the start-up of the Tupi project in the Santos basin, the first contribution to production from our Brazilian portfolio; in natural gas, the acquisition, subject to approval, from Spanish operator Gas Natural, of an additional 400,000 clients, which has turned us into the second-largest operator in the Iberian market with a share of 15%.

With an ambitious and solid strategic plan under execution, Galp Energia plans to grow its upstream business further in the future. In 2009, we added new projects to our portfolio in Uruguay and Equatorial Guinea, on the strength of our marketing business in the Iberian market.

I ended my statement last year with a word of thanks to all employees and a note of optimism on the future of our company. I thank you again for having shown that we deserve, even in challenging times, the trust of our shareholders and clients.

Our culture of ambition, our entrepreneurial spirit and our quest for innovation are our main weapons to face up to the future. Despite the first signs of recovery, economic hardship will endure in 2010. Therefore, it is of paramount importance that we continue to face up to our challenges with determination and a sense of responsibility.

Francisco Murteira Nabo

Chairman of the board of directors
Galp Energia

CONTINUOUS AMBITION

Throughout 2009, there were many events that contributed to value creation at Galp Energia.

Dear shareholders,

In terms of our exogenous environment, it is hard to imagine a year that might be more adverse to Galp Energia than 2009. With average crude prices tumbling by 37%, refining margins plummeting 60%, natural gas prices falling on spot markets by more than 50% and Iberian markets for oil products and natural gas shrinking around 10%, it is easy to understand what I mean.

On sales of €12 billion we achieved replacement-cost EBITDA of €619 million and replacement-cost net profit of €213 million – the latter 55% lower than in 2008. For this result it should be emphasised the contribution from the strict cost reduction program.

Throughout 2009, there were many events that contributed to value creation at Galp Energia. I will list below only the most relevant among them:

- The start of the extended well test at the Tupi reservoir, in block BM-S-11, by means of a production infrastructure with a capacity of over 20 thousand barrels per day;
- The start of production at the Tômbua-Lândana field, in Angola's Block 14, with a nominal capacity of 100 thousand barrels per day;
- Drill stem tests in the Iara and Iracema wells, in block BM-S-11;
- Our participation in the project for developing a floating LNG unit for possible use in the Santos basin;
- The start of the construction phase of the conversion projects for the Matosinhos and Sines refineries;
- The agreed acquisition of a company marketing natural gas in the Madrid region with around 400 thousand clients.

Throughout the year, we pressed ahead with our six transformational programmes, with significant progress in all of them as I summarise below:



Manuel Ferreira De Oliveira,
Galp Energia's CEO.



WE SUCCESSFULLY
CONTINUED THE EXECUTION
OF THE ONGOING
TRANSFORMATIONAL
PROGRAMMES THAT ARE
CHANGING GALP ENERGIA'S
PROFILE.

15%

IBERIAN MARKET SHARE

- Galp Energia Iberian footprint was enlarged by the recent acquisitions of petroleum products and natural gas distribution networks.

- Buildup of a production capacity of 150 thousand barrels per day of oil equivalent:** our exploration activities, particularly in Brazil, raised our contingent resources to 3.1 billion barrels; we command a resource base that lets us think of a production goal in excess of what we have targeted; the projects for developing these resources in Angola and Brazil are progressing with the success described in the E&P section of this report;
- Participation in midstream LNG projects:** ongoing projects in Venezuela, Angola and Equatorial Guinea have progressed in accordance with the programmes agreed with the relevant consortia; the floating LNG project mentioned above is another opportunity for our participation in midstream natural gas projects;
- Upgrade of the Sines and Matosinhos refineries:** the projects for converting the refineries and improving their energy efficiency are progressing according to the announced schedule, whereby these key investments for the future of our refining activity are expected to be completed by the second half of 2011;
- Achievement of a capacity to market oil products in the Iberian Peninsula which is equivalent to the refining capacity:** integration of the Iberian operations acquired from ExxonMobil and Agip is virtually completed without loss of market share and with synergies captured in excess of our own expectations;
- Development of the ability to distribute and market natural gas in a competitive Iberian environment:** the path towards a completely liberalised Portuguese market has followed a pattern whose results have significantly impacted the industrial segment; a firm foothold has been established in the Spanish market for natural gas;
- Development of our ability to produce or market electricity as a complement to our offer of natural gas and oil products:** the start-up of the Sines cogeneration plant (80 MW), the construction start of an equivalent unit in Matosinhos, the preparation for the award of the combined-cycle plant at Sines (800 MW), the start of the construction of the first wind farm and the start of marketing activities for electricity in Portugal were significant milestones in 2009 that testify to the significant progress of this programme. With this asset base and our access to the wholesale electricity market, we have started implementing our strategy for developing our ability to offer all energy forms in an integrated fashion.

In addition to these six programmes, our Company has two other projects under way: the first one is focused on the production of vegetable oil in Brazil and Mozambique as well as the production of hydrogenated biodiesel; the second one is centred on raising the efficiency and scale of our marketing operations in Africa. The progress achieved by both projects confirms the value-creating potential of these two initiatives.

To support the completion of these programmes and projects and ensure their operational success, we are developing an innovative human resources initiative. We will create a Galp Energia Academy in partnership with post-graduate, higher-learning institutions, in order to structure and accelerate the development of the functional skills of top and middle managers across the organisation. We are aware that we will not be able to successfully complete our transformational process unless we can count on motivated and skilled staff whose aspirations are closely aligned with the broader goals of our Company. This is the reason we wish, at this stage, to devote a very special effort to the training and development of our people.

Years 2010 and 2011 will close a development cycle at Galp Energia that started in 2006 with the initial public offering of shares in the Company. From 2012 onwards, our growing investments in exploration and production will be supported by production from block 14 in Angola and by the first commercial operation of block BM-S-11 in Brazil, on top of the results from an efficient and competitive refining and marketing operation in the Iberian Peninsula, covering the marketing of both oil products and natural gas.

The large projects extending into the next two years will demand a culture of stringency and a sharp focus on execution. We are aware of the financial effort these projects will entail; however, we are persuaded that by pursuing these investments we are taking our Company to a new level of results that will motivate us all. The fact that equity markets have already priced in a substantial part of the value we are creating requires us to go to any lengths to minimise execution risk.

Finally, my thanks to those who offered their work and talent to our Group in 2009. I thank our clients and suppliers for their trust in us. I extend my thanks to the members of Galp Energia's governing bodies for the support they offered me throughout a difficult year. I thank our shareholders for their trust and support and by encouraging us to successfully complete our ongoing transformational project.



Manuel Ferreira De Oliveira

Chief executive officer

Galp Energia



IN SPITE OF THE
EXTREMELY DIFFICULT
EXOGENOUS ENVIRONMENT
THROUGHOUT 2009
OUR SHARE PRICE GAINED
68% IN THE YEAR – WELL
ABOVE THE PERFORMANCE
OF THE EUROPEAN OIL
AND GAS SECTOR OR
THE PORTUGUESE
STOCK MARKET.



Tômbua-Lândana field's CPT in block 14 in Angola.

STRATEGY

Galp Energia's strategy is to develop its potential as an integrated energy operator, thereby creating long-term value for its shareholders, subject to environmental, economic and social constraints. To this end, Galp Energia aims to grow its businesses and, through increasing integration of its activities, capitalise on the vast opportunities afforded by its diversified portfolio of assets and projects.



BY 2011
BOTH SINES AND
MATOSINHOS REFINERIES
WILL HAVE BEEN
CONVERTED.

Galp Energia seeks continued growth in exploration and production (E&P), supported by a solid Iberian energy marketing operation.

Recent expansion of the downstream business in the Iberian Peninsula is a good example of Galp Energia's strengthened position in markets where it has a competitive edge. The size of the exploration and production projects to which the Company is committed in the Brazilian offshore testifies to how opportunities in areas of great potential have been seized and developed.

The schedule is an ambitious one: by 2011, the refineries will have been converted, meaning a closer integra-

tion of the two existing plants and a higher refining margin, the operations acquired from Agip and ExxonMobil in the Iberian Peninsula will have been integrated into the pre-existing network and Galp Energia's position as the second-largest Iberian natural gas operator will have been consolidated. All the projects will run in parallel with the development of reserves in the pre-salt of the Santos basin, a project that will definitely transform the Company's profile.

After 2011, capital expenditure will focus on the upstream business, particularly in Brazil, where the cash flow generated by the robust operation for marketing energy in the Iberian Peninsula will be deployed.

Exploration & Production

Galp Energia's strategy for this business segment aims for a sustained long-run production of 150 thousand barrels of oil equivalent per day (kboepd), that is, half of the Company's refining capacity.

To attain this production level, the Company has centred its E&P activity on the Atlantic axis – Angola and Brazil – where the size of reserves has the potential to turn it into a relevant operator in the oil and gas upstream, thereby converting the region into the pillar of its long-run strategy in this segment.

Although oil exploration projects will tend to locate in deep water, diversification will continue to be an instrument for minimising both technical and geological risks. Rather than dri-

ven by reserves acquisition, growth will be primarily organic or, at most, accelerated by seizing farm-in opportunities in high-potential exploration projects.

At the end of 2009, Galp Energia had around 50 projects under way in several parts of the globe and its reserves and contingent resources amounted to 3.1 billion barrels.

3.1

BILLION BARRELS

- Galp Energia's reserves and contingent resources base.

Refining & Marketing

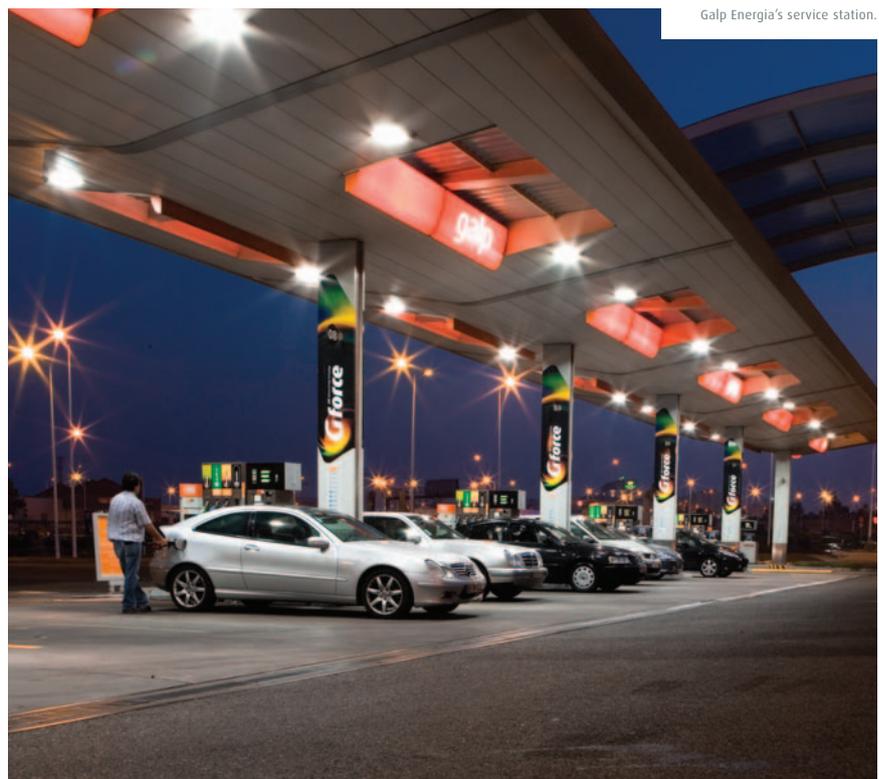
The strategy for this business segment is to streamline operations in order to attain higher levels of profitability, efficiency and safety.

To reach this goal, both refineries, in Matosinhos and Sines, are currently under conversion, which will lead to further integration of their operations and a better alignment of the production profile with the relative increase in the demand for diesel. In marketing, the priority is to consolidate the enlarged network after the acquisition of the Agip and ExxonMobil operations in the Iberian Peninsula. These acquisitions will not only raise the coverage ratio of refining by marketing under the Company's own brand but will also lead to significant economies of scale and further organic growth.

Although it has so far had a limited impact on Galp Energia's portfolio of oil products marketing, the entry into Africa has levered new marketing opportunities in countries that are at a crucial stage of their economic development. This presence also capitalises on the good relations the Company enjoys in its exploration and production activities and enhances its investment in the biofuel business. The strategy for this business is to achieve integrated production, although legislation is yet to be published on the mandatory addition of this product in Portugal.



NETWORK EXPANSION
WILL ALLOW TO RAISE
THE COVERAGE RATIO OF
REFINING BY MARKETING
UNDER THE COMPANY'S
OWN BRAND.



Galp Energia's service station.



Sines' refinery cogeneration plant that started operations in October 2009.

Gas & Power

Galp Energia's strategy for this business segment is to develop an integrated portfolio of projects of natural gas and generation of electrical and thermal power, leading to higher long-run sales of natural gas and the expansion of a balanced power mix.

In marketing of natural gas in the Iberian Peninsula, Spain – whose industrial segment is ten times as large as its Portuguese counterpart – is a priority. The recent acquisition from Gas Natural of a client portfolio in the Madrid region accounting for 0.4 billion cubic metres per year testifies to this strategy.

To go after the Iberian market's potential, Galp Energia aims to raise its supply capacity and diversify its sources by entering into the LNG upstream

and midstream business, namely in Angola and Brazil's Santos basin.

In Power, the strategy is to expand the portfolio by adding new cogenerations, CCGT generation capacity and renewable energy. An important goal here is the absorption of a significant share of the natural gas purchased by the increased power generation capacity, which will optimise the business segment's margin by means of a dual-offer proposition.



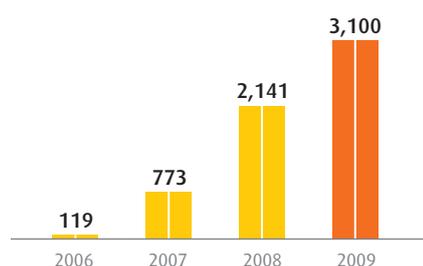
THE RAISE OF GALP ENERGIA'S CURRENT NATURAL GAS SUPPLY CAPACITY WILL BE VITAL TO GO AFTER THE IBERIAN MARKET'S POTENTIAL.

Operating indicators

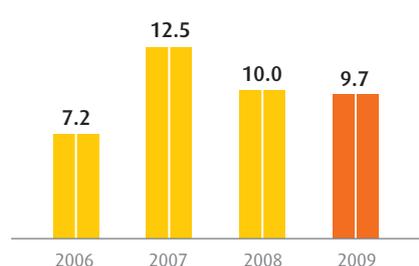
	2006	2007	2008	2009
Exploration & Production				
Proved and probable reserves 2P (Mbbbl)	50	31	28	35
Contingent resources 3C (Mbbbl)	68	742	2,113	3,065
Average working interest production (kbopd)	9.5	17.0	15.1	14.7
Average net entitlement production (kbopd)	7.2	12.5	10.0	9.7
Average sale price (Usd/bbl)	56.3	70.0	96.9	59.8
Refining & Marketing				
Raw materials processed (Mton)	14.7	13.8	13.1	11.5
Refined products sales (Mton)	16.2	16.0	16.0	16.7
Sales to direct clients (Mton)	9.0	9.4	9.6	11.1
Refining coverage	69%	72%	75%	95%
Gas & Power				
Natural gas sales (Mm ³)	4,596	5,377	5,638	4,680
Natural gas distribution network (Km)	9,014	9,758	10,462	11,028
Number of natural gas clients ('000)	757	816	868	915
Electrical power generation (GWh)	577	594	489	721

Note: Refining coverage ratio based on average production of the last three years.

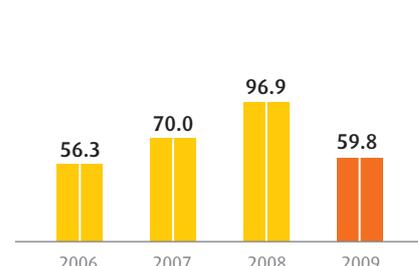
Reserves and contingent resources (Mboe)
2009: 3,100



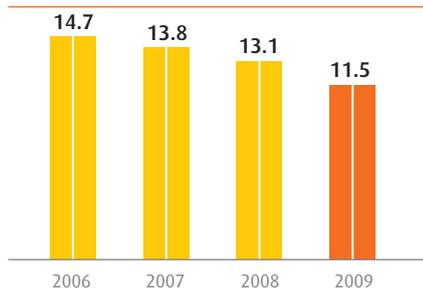
Average net entitlement production (kbopd)
2009: 9.7



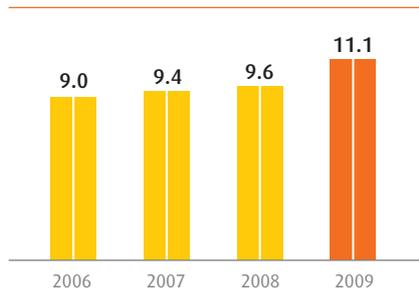
Average sale price (Usd/bbl)
2009: 59.8



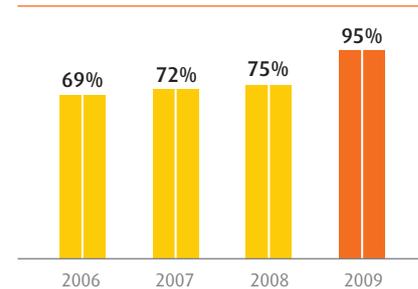
Raw materials processed (Mton)
2009: 11.5



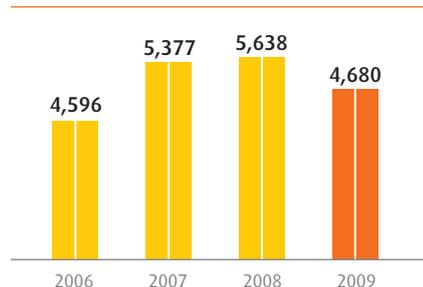
Sales to direct clients (Mton)
2009: 11.1



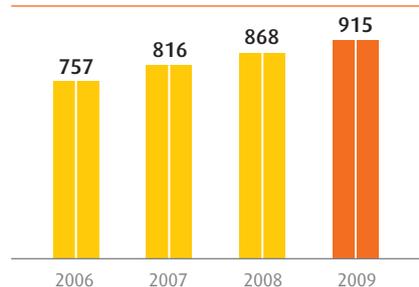
Refining coverage
2009: 95%



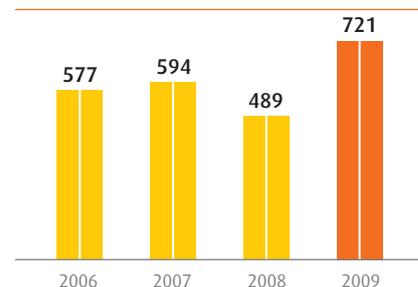
Natural gas sales (Mm³)
2009: 4,680



Number of natural gas clients ('000)
2009: 915



Electrical power generation (GWh)
2009: 721



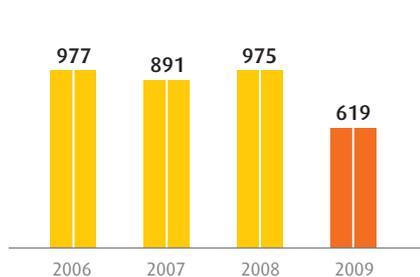
Financial indicators

Million euros (except otherwise noted)	2006	2007	2008	2009
Turnover RCA	12,090	12,557	15,062	11,960
EBITDA IFRS	1,260	1,213	449	819
EBITDA RCA	977	891	975	619
Operating profit IFRS	968	936	167	459
Operating profit RCA	686	620	693	287
Financial results IFRS	(28)	(43)	(61)	(76)
Net profit IFRS	755	720	117	347
Net profit RCA	468	418	478	213
Free cash flow	305	153	(1,129)	(63)
Investment	349	466	1,560	730
Shareholders' equity	2,037	2,370	2,219	2,389
Net debt	887	734	1,864	1,927
Net debt to equity	44%	31%	84%	81%
EBITDA margin RCA	10%	9%	8%	7%
ROACE RCA	17%	17%	13%	7%
Earnings per share RC (€/share)	0.54	0.53	0.57	0.22
Payout ratio	56%	60%	56%	89%
Dividend per share (€/share)	0.30	0.32	0.32	0.20
Market capitalisation at 31 December	5,755	15,250	5,954	10,017

RCA – Replacement cost adjusted. RC – Replacement cost.

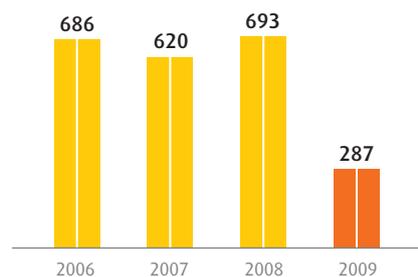
EBITDA RCA (M€)

2009: 619



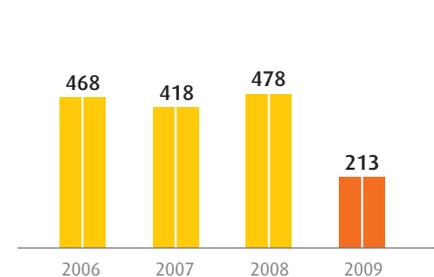
Operating profit RCA (M€)

2009: 287



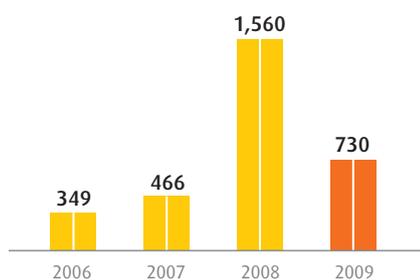
Net profit RCA (M€)

2009: 213



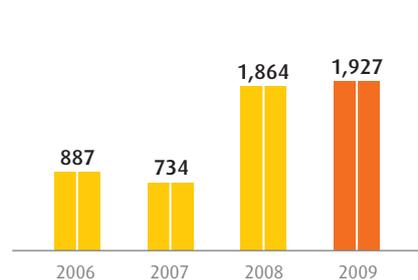
Capex (M€)

2009: 730



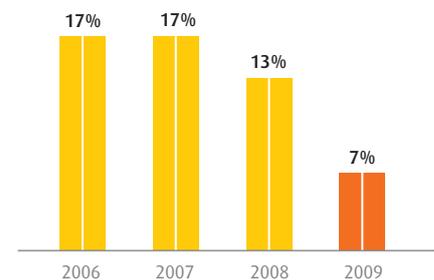
Net debt (M€)

2009: 1,927



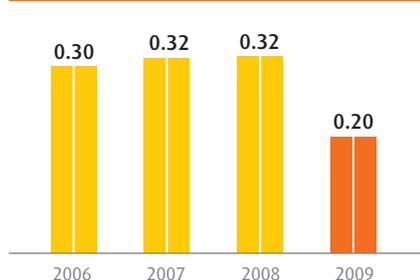
ROACE

2009: 7%



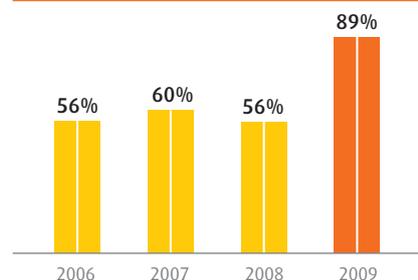
Dividend per share (€)

2009: 0.20



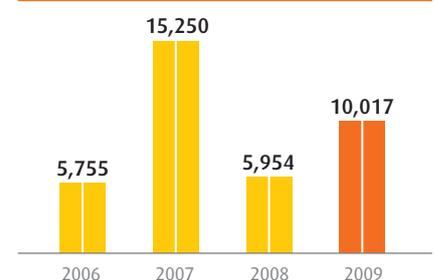
Payout ratio

2009: 89%



Market cap. at 31 Dec (M€)

2009: 10,017



Note: Results classed in this report as replacement cost adjusted (RCA) exclude gains and losses as a result of inventory effects as well as non recurrent items or, in the case of replacement cost (RC) results, the inventory effect only. These results have not been audited.

02

ACTIVITIES

THROUGHOUT THE YEAR, WE
PRESSED AHEAD WITH OUR
SIX TRANSFORMATIONAL
PROGRAMMES THAT WILL
CHANGE THE PROFILE
OF ALL OUR BUSINESS
SEGMENTS, WITH
SIGNIFICANT PROGRESS IN
ALL OF THEM.





MARKET ENVIRONMENT

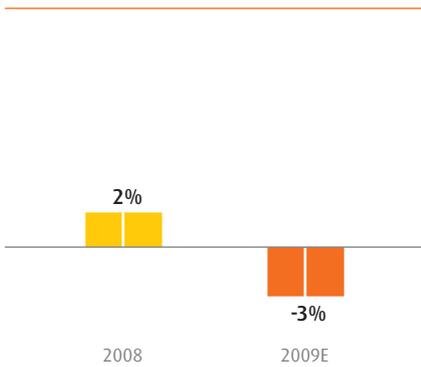
The performance of the oil and gas industry was influenced in 2009 by the following main factors:

- The world economic recession;
- The doubling of crude oil prices;
- The falling demand for oil products and natural gas;
- The collapse of refining margins;
- The appreciation of the euro against the US dollar.

Economic recession

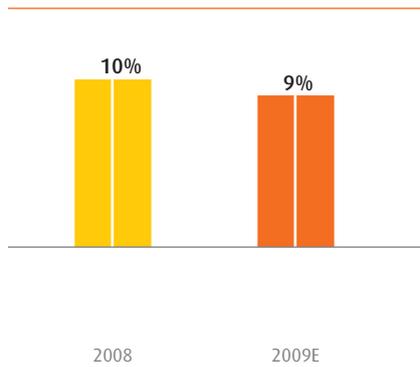
In 2009, the world economy posted negative growth of 3% as a 9% expansion of the chinese economy was not enough to offset the contraction in both developed (OECD: -3%) and emerging economies. In China, the economy benefited greatly from fiscal stimulus measures and a rebound in lending. In this overall recessive environment, world trade fell by 12%.

GDP Growth - World



Source: JP Morgan

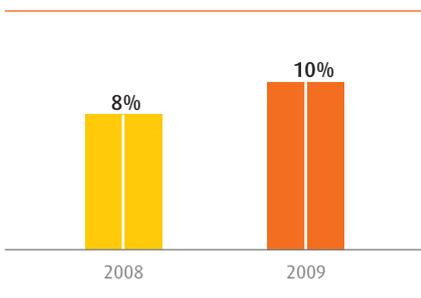
GDP Growth - China



Reflecting the economic slowdown, inflation rates in 2009 fell close to 0% in various economic zones, with Japan even posting negative inflation (-1%).

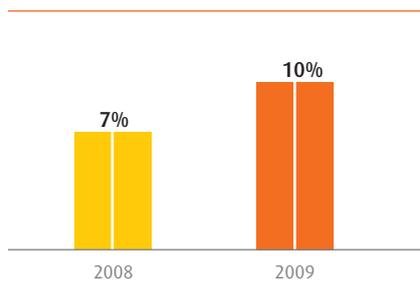
Unemployment rates remained high, particularly in the United States of America (US), 10%, and the euro zone, 10%, which affected consumer demand negatively.

Unemployment rates - Euro Zone



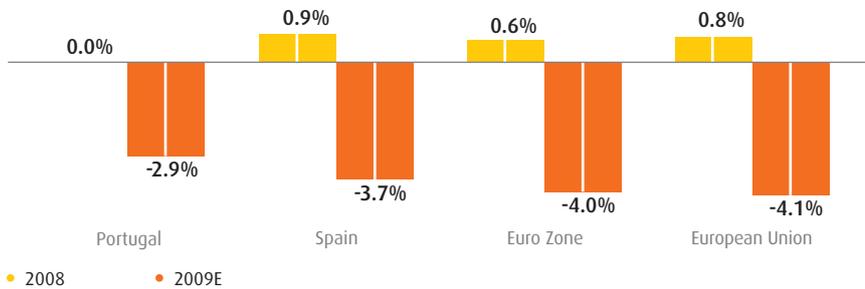
Source: Bloomberg

Unemployment rates - US



In the Iberian Peninsula, the Portuguese economy contracted 3% despite a strongly expansionary fiscal policy as this could not offset the shortfall in investment demand. In spite of fiscal stimuli, the Spanish economy contracted 4%, largely as a result of the crisis in the real estate sector.

GDP Growth



Source: Eurostat

Doubling of crude oil prices

In contrast to a year earlier, crude oil prices followed, except for short-term corrections, a rising path virtually throughout 2009, which resulted in the price of dated Brent more than doubling from Usd 36.55/bbl in January to Usd 77.67/bbl at 31 December, despite a 2% fall in world oil demand relative to 2008, to 84.9 million barrels per day.

In 2009, the demand for oil from outside the OECD rose 2%, from 38.6 million barrels per day in 2008 to 39.4 million barrels per day in 2009, whereas demand from OECD countries fell 4%, from 47.6 million barrels per day in 2008 to 45.5 million barrels per day in 2009.

The recovery in the price of dated Brent in 2009 was closely related to factors such as the positive sentiment about a pickup in the world economy on the basis of favourable economic data and the rising demand for oil, namely from China and the US.

Dated Brent in 2009 (Usd/bbl)



Source: Platts

Annual change in world oil demand (Mbopd)

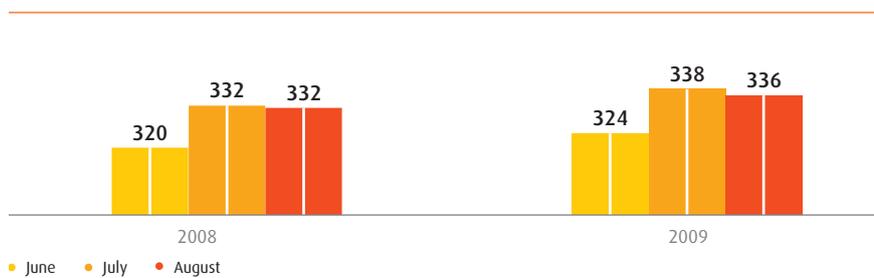


Source: IEA

Falling demand for oil products

In 2009, the demand for oil products from OECD countries fell 4%, with the demand for gasoline remaining stable relative to 2008 but the demand for diesel and fuel oil falling by 6% and 13%, respectively. In the US, the driving season – a period in summer when the demand for gasoline traditionally surges as leisure road traffic increases – picked up, although it stayed well below the average for this time of the year. This was mainly a consequence of the economic slowdown, which had a continued negative impact on the purchasing power of consumers.

US gasoline demand during the driving season (Mbbbl)



Source: IEA

In Portugal, the market for natural gas suffered from falling demand and contracted 8% in 2009 relative to 2008, to 4,235 million cubic metres. The shortfall in demand was mainly the result of lower demand by electricity producers, which used more hydro power to the detriment of natural gas as rainfall increased.

In Spain, the market for natural gas fell 11% in 2009 to 34 billion cubic metres as demand from the electrical segment contracted 14% as a consequence of higher hydro generation and lower demand for electricity in the wake of the economic slump. The adverse economic environment also had an impact on the demand for natural gas in the commercial and industrial segments, which contracted 8%.

The Portuguese market for oil products amounted to 10.6 million tonnes in 2009, which was in line with 2008 and evidenced the first signs of recovery in economic activity. The market for diesel rose 3% in comparison with 2008 whereas the market for gasoline fell 1%.

The Spanish market for oil products fell 6% to 59.6 million tonnes as the markets for diesel and gasoline fell 6% and 5%, respectively, relative to 2008. The markets for jet and fuel oil were even harder hit and fell 9% and 12%, respectively, due to the economic slowdown.



THE PORTUGUESE MARKET FOR OIL PRODUCTS WAS IN LINE WITH 2008 AND EVIDENCED THE FIRST SIGNS OF RECOVERY IN ECONOMIC ACTIVITY.

Collapsing refining margins

In 2009, both the hydroskimming and the cracking margins developed unfavourably relative to 2008. However, the fall in the cracking margin was steeper as the pricing gap between light and heavy crude narrowed in the wake of OPEC's cutbacks in the production of heavy oil.

In 2009, the hydroskimming margin shed Usd 0.1 per barrel to an average of Usd -1.3 per barrel; in the fourth quarter, it tumbled by Usd 5.6 per barrel year on year to Usd -2.4 per barrel as the price of dated Brent went up.

The cracking margin followed an unfavourable path in the year and fell by Usd 1.6 per barrel to Usd 1.0 per barrel as the crack spreads for both middle distillates and gasoline narrowed when inventories of these products remained high throughout 2009.

Quarterly path of the refining margins benchmark (Usd/bbl)



Source: Platts

Appreciation of the euro against the US dollar

In foreign exchange markets, the euro appreciated against the dollar in 2009. The average exchange rate for the year was 1.39, with a minimum of 1.25 in early March and a maximum of 1.51 in early December.

Between the opening rate (1.40) in January and the closing rate (1.43) in December, the change was around 3%.

In spite of this, the euro appreciated in the fourth quarter to an average of Usd 1.48, which was 12% ahead of the average for the third quarter. This upward movement in the single currency followed the signalling from the European Central Bank of a return to normal monetary conditions and the end of extraordinary liquidity injections.

Euro exchange rates in 2009



Source: Bloomberg



Geoscientist from Galp Energia's E&P team.

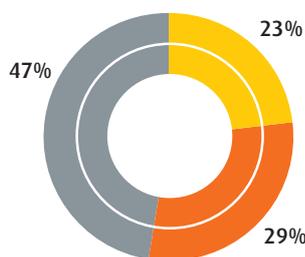
EXPLORATION & PRODUCTION

Galp Energia started operations in Angola in 1982, at Campo Safueiro. Several projects have since been added to the portfolio in the country and block 14 has been one among them. Beyond its high potential and its status as Galp Energia's main source of oil production, this block includes the Tômbua-Lândana field, where production with a Compliant Piled Tower (CPT) started in August 2009.

Besides Angola, Galp Energia is also in Brazil, which it entered in 1999 by taking part in the second bidding round for exploration rights. In exploration, Galp Energia is also present in Mozambique, Uruguay, Equatorial Guinea, Venezuela, East Timor and Portugal.

The focus of Galp Energia's exploration activities is currently Brazil, where the size of the discoveries in the Santos basin have catapulted the Company to the closely-held circle of oil operators with highly successful, high-impact exploration programmes.

Share of the E&P business segment in Galp Energia's RCA operating profit in 2009



- Exploration & Production
- Gas & Power
- Refining & Marketing

Main indicators

	2006	2007	2008	2009
Average working interest production (Kbopd)	9.5	17.0	15.1	14.7
Average net entitlement production (Kbopd)	7.2	12.5	10.0	9.7
Average sale price (Usd/bbl)	56.3	70.0	96.9	59.8
OPEX (Usd/bbl)	5.6	5.9	9.0	10.5
Amortisation (Usd/bbl)	11.4	15.8	24.0	17.3
EBITDA RCA (M€)	100	206	208	112
Operating profit RCA (M€)	66	150	141	67
Investment (M€)	106	193	196	193

Note: Operating expenses per barrel are calculated on the basis of net entitlement production. The average sale price takes into account actual sales as well as loans and borrowings.

The Galp Energia Exploration and Production portfolio



46
E&P PROJECTS

- Galp Energia's project portfolio that will support the production long term target.

Strategy

The strategy for the E&P business segment is to reach long-run sustained production of 150 thousand barrels of oil equivalent per day, that is, half of Galp Energia's refining capacity.

The expansion in E&P activities in the Atlantic axis – Angola and Brazil – aims to turn the Company into a relevant operator in the oil and gas upstream, with this region becoming the pillar of the Company's long-run strategy for E&P.

Although the most recent oil exploration projects tend to locate in increasingly deeper water, diversification will still be an instrument for minimizing technical and geological risks. Rather than driven by reserves acquisition, growth will be primarily organic or through farm-in opportunities in projects with relevant exploration potential.

MAIN EVENTS IN 2009

- Production starts, by an extended well test (EWT), at the Tupi field, in block BM-S-11, in the pre-salt of the Santos basin;
- Formation tests for the Iara well in the pre-salt of the Santos basin confirm an estimate of 3 to 4 billion recoverable barrels of oil and natural gas;
- Drilling of exploration wells Iracema and Tupi NE supports estimates of 5 to 8 billion recoverable barrels of oil and natural gas in block BM-S-11;
- Tômbua-Lândana field's CPT comes into operation in Angola's block 14;
- Reserves and contingent resources (3C) reach 3.1 billion barrels of oil and natural gas at the end of 2009.

Angola

Oil concessions in Angola



In Angola, Galp Energia participates in four offshore blocks – block 14, block 14K-A-IMI, block 32 and block 33 – for the exploration and production of oil and an integrated project with local company Sonagás for offshore exploration and production of natural gas.

MAIN EVENTS

- Galp Energia entered Angola in 1982 through its participation in the consortium for block 1/82, which yielded the Safueiro discovery;
- Participation in five projects – four offshore blocks and a project, Angola LNG II, combining exploration and gas production – in partnership with Chevron, Eni, Sonangol and Total, among others;
- Total block area: 14,806 square kilometres;
- Over 25 discoveries in Angola, of which 11 in block 14 and 14 in block 32;
- Participation in the consortium that pioneered development in Angola’s deep water, in the Kuito field, which was discovered in 1997;
- Start-up in 2009 of the CPT in the Tômbua-Lândana field, in block 14;
- Accumulated working-interest production, since 1991, of 33 million barrels;
- Accumulated investment: €759 million.

Production

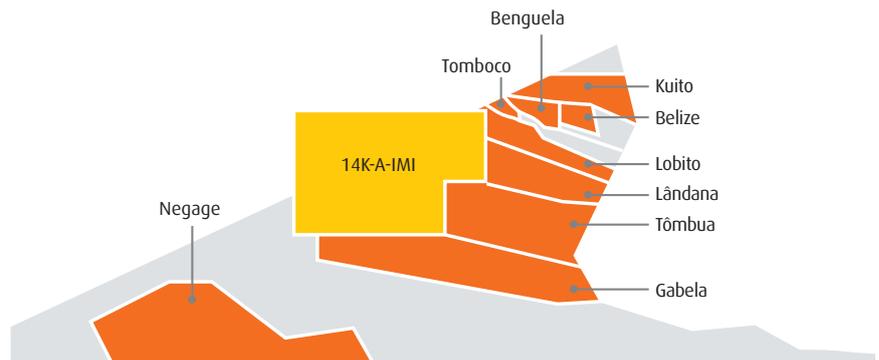
Prior to the start of production of the extended well test in Brazil’s Tupi field in 2009, block 14 was Galp Energia’s

sole production asset in a portfolio of around 50 concessions across four continents.



GALP ENERGIA’S ACCUMULATED INVESTMENT AT THE END OF 2009 AMOUNTED TO €759 MILLION.

Blocks 14 and 14K-A-IMI

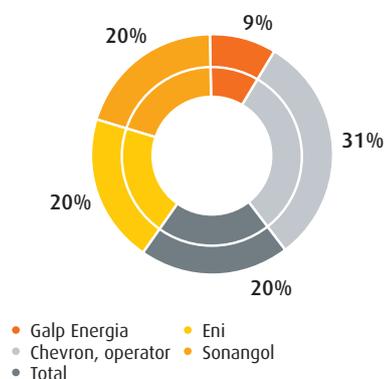


• Development areas

Block 14, where Galp Energia has produced oil since December 1999, has five development areas: Kuito, Benguela-Belize-Lobito-Tomboco (BBLT), Tômbua-Lândana (TL), Nega-ge and Gabela. The fields currently in production are located in the first three areas.

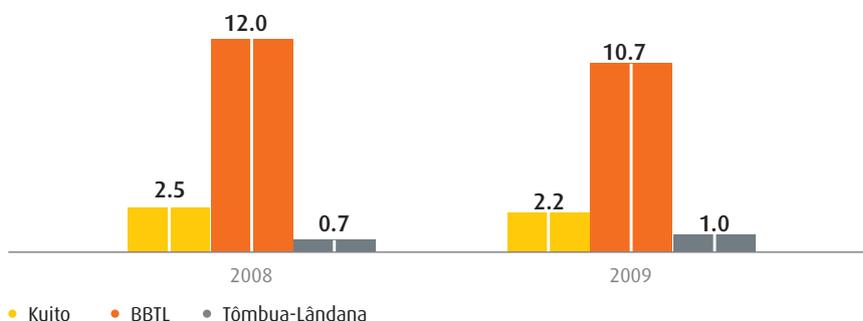
Since February 2009, Galp Energia's production in Angola has been hampered by OPEC cutbacks. As a result, average working-interest production in 2009 was 13.9 thousand barrels a day, down 8% from a year earlier, although the CPT came into operation in the TL field in August.

Consortium for block 14



Working-interest production in 2009 was also affected by delays in the drilling campaign in the BBLT field. Due to a lack of rigs and the drilling of highly deviated wells, a lower number of development wells were drilled in 2009 than originally planned. The BBLT field continued to have the largest share, with 77% of total production in block 14 and a daily production of 10.7 thousand barrels of oil. In 2009, production started also in the Belize Norte area. The

Working interest production by field (Kbopd)

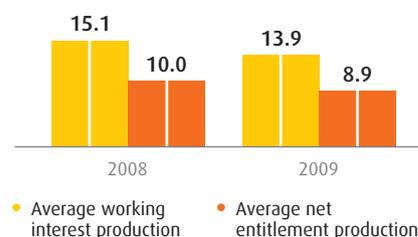


wells that have been planned for this area are currently linked to the Kuito development area.

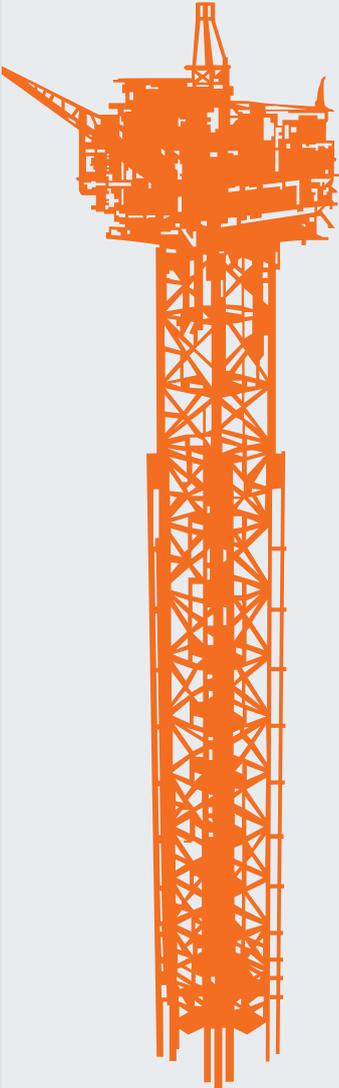
Average net-entitlement production, which reached 8.9 thousand barrels per day in 2009, fell relative to 2008 in line with the decrease in working interest production.

In the Kuito field, engineering studies proceeded during the year to identify the best solution for extending the life of the field; in addition, work was developed to keep level of production at the wells. As the contract for the floating production, storage and offloading (FPSO) unit was scheduled to expire in December, the possibility was pondered to either buy the equipment or renew the long-term lease. At the end of 2009, the decision was made to renew the lease for another year and keep options under review for subsequent periods.

Production (Kbopd)



Tômbua-Lândana's CPT



- At 474 metres, one of the tallest infrastructures in the world;
- 46 production and injection wells;
- Capacity to produce 130 thousand barrels of oil per day;
- Capacity to compress 210 million cubic feet of natural gas per day;
- Capacity to inject 310 thousand barrels of water per day;
- Export pipeline:
 - 26.2 kilometres long;
 - Internal diameter of 45.72 centimetres;
 - Connection to BBLT's export pipeline, which has a diameter of 50.8 centimetres;
- Export gas pipeline:
 - 30.5 kilometres long;
 - Internal diameter of 35.56 centimetres;
 - Connection to BBLT's export gas pipeline, which has a diameter of 40.64 centimetres;
- Second CPT in Angola's block 14 and fourth in the world.

THE TÔMBUA-LÂNDANA PROJECT

Activities in the TL field started with the development of reservoir Lândana Norte in 2006 and extended into 2007 with the preparatory work for drilling the central reservoirs in Tômbua and Lândana. In late 2008, a CPT was set up to support a drilling and production rig. This tower is the second of its kind in Angola and one of the tallest structures ever built.

Fields Tômbua and Lândana, which were discovered in 1997 and 2001 by wells 14-6X/6XST1 and Tômbua-1, respectively, are located in the eastern part of block 14. They cover an area of 425 square kilometres and are between 274 and 518 metres deep. Geographically, they are located south of the Lobito field and north of the oil discoveries at Gabela.

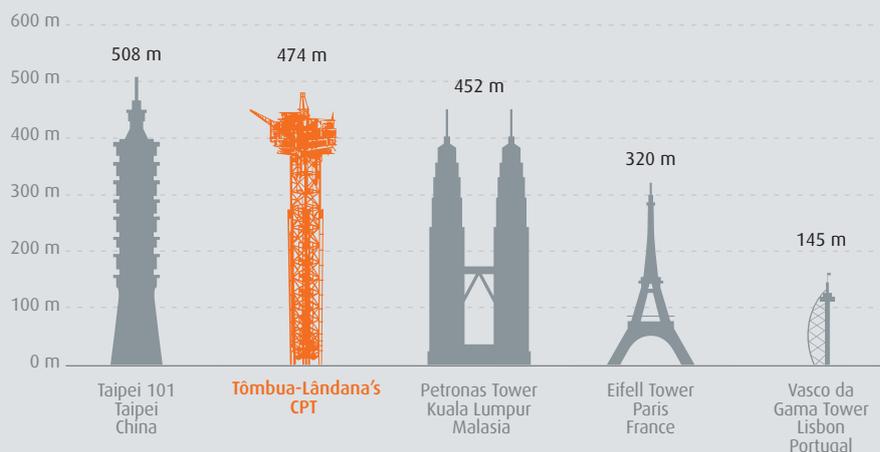
The Tômbua and Lândana reservoirs consist of good-quality sand and are located in deep water. The identified resource base contains oil in place of over 1 billion barrels, in a

combination of structural and stratigraphic traps. The development plan for this field has been devised to manage the complexity of the reservoir, the uncertainty of resources as well as challenging technological issues. There are 11 reservoirs to be developed by the initial project.

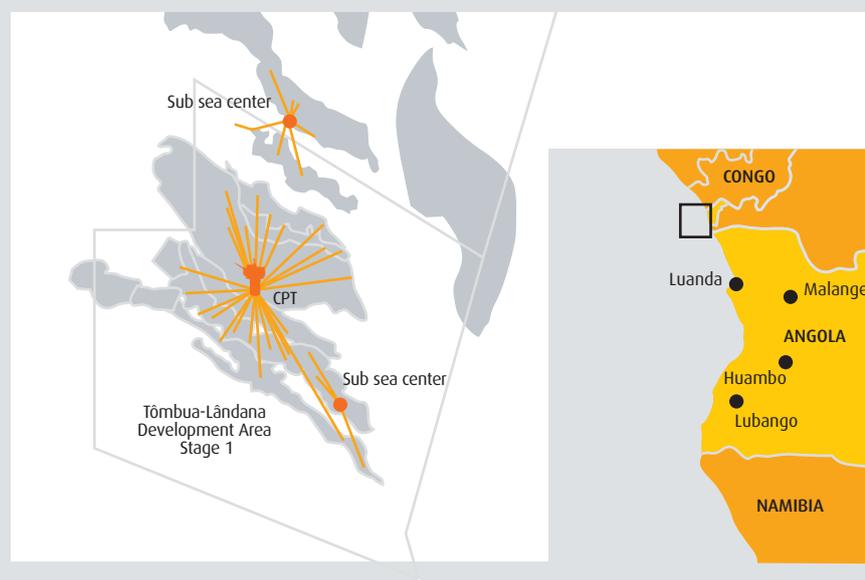
The development plan for the TL field led to the successful installation, for the first time, of a Tender-Assisted Drilling rig on a CPT. Production in well TOM-B05 started on 19 August with the help of this infrastructure.

This project is located approximately 80 kilometres off the coast, at 366 metres' depth, and its development entails capital expenditure of Usd 3.8 billion by the consortium.

The CPT, one of the tallest infrastructures in the world



The Tômbua-Lândana development area



Key dates for the Tômbua-Lândana project

	DATE
• Start of the technical planning (FEED)	January 2005
• End of the FEED	December 2005
• Project approval	July 2006
• Approval of the main contract by the concession holder	July 2006
• Start of the pre-drill	August 2007
• Installation of a Tension Buoyant Tower and its support	January 2008
• Installation of export pipelines	March 2008
• Installation of flowlines and manifolds	August 2008
• Installation of the tower and topsides	December 2008
• CPT's first oil	August 2009

Production is expected to peak at 100 thousand barrels per day in 2011 and the recoverable oil volume is estimated at 350 million barrels.

The project was designed not to allow the dumping of water produced into the sea or the burning of natural gas. This will be sent to the LNG project currently under construction in the Soyo area, in Angola, which will avert the emission of millions of tonnes of CO₂.

Procurement strategy

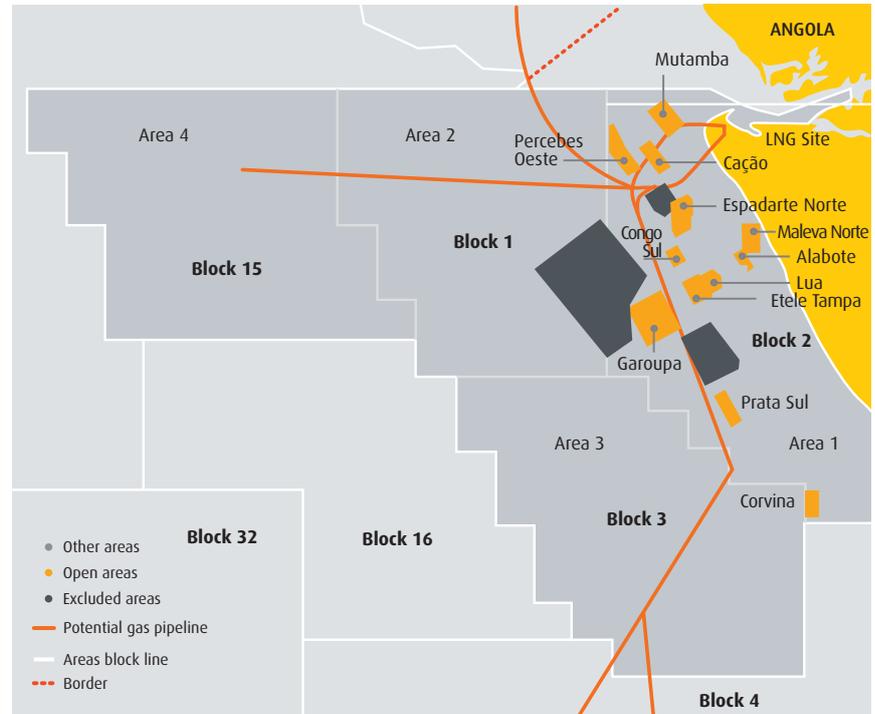
The procurement strategy for the TL project consisted of four engineering, procurement, construction and installation contracts for delivery of the rig, the underwater pipelines, the export pipelines and other underwater equipment. These contracts were awarded to the following four companies: Daewoo Shipbuilding & Marine Engineering Co. Ltd, Subsea 7 Installation Ltd., Acergy West Africa SASU and Vetco Gray UK.



PRODUCTION IS EXPECTED
TO PEAK AT
100 THOUSAND BARRELS
PER DAY IN 2011.

Integrated gas project in Angola

Free areas and other areas

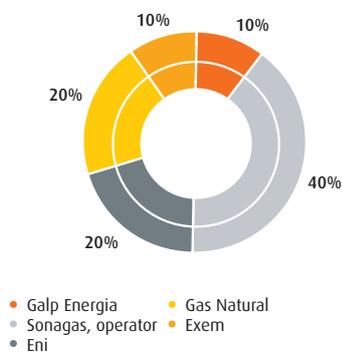


THE MAIN PURPOSE OF THE ANGOLA LNG II PROJECT IS THE EXPLORATION, RESEARCH AND ENSUING CERTIFICATION OF NATURAL GAS RESERVES.

Galp Energia has participated since late 2007 in the consortium for the development of the first integrated natural gas project in Angola – Angola LNG II.

appraised, the construction of an LNG terminal will be pondered in case the volumes found ensure the project’s feasibility.

Consortium for the Angola LNG II project



In 2009, seismic acquisition and processing was conducted in block 2 in the Garoupa, Cefo and Etele Tampa areas, followed by interpretation of gathered data. Preparations were also made of the drilling programme at Garoupa 2, the procurement of equipment with long-lead time and the procurement of a drilling rig.

In 2010, the 3D seismic acquisition and processing will proceed in block 01/06. In the second half, exploration well Garoupa 2 will be drilled in block 2.

The main purpose of this project is the exploration, research and ensuing certification of natural gas reserves. After this stage, and after results have been



BBLT platform in block 14 in Angola.

Other development areas

At Lucapa, studies proceeded for the selection of the best development concept for the field. The drilling of an additional appraisal well and the start of preparatory studies for the FEED are planned for 2010. In case work develops according to plan, the first production is expected in 2016.

At Malange, which is one of the development areas in block 14, technical appraisal of the potential of the discovery in well Malange 2 is under way and new drilling is planned in 2010.

In the Negage and Gabela fields, the technical appraisal proceeded in 2009 to find an economically viable solution. To this end, Chevron, the ope-



GALP ENERGIA IS PRESENT IN EXPLORATION AND DEVELOPMENT OPERATIONS IN SEVERAL FIELDS IN BLOCK 14, LOCATED NEAR ITS BOUNDARIES, BUT WHICH RELEVANCE IS EQUIVALENT TO THE ALREADY PRODUCING AREAS.

Block 14 exploration areas



11

DISCOVERIES IN BLOCK 14

- Block 14 is producing since 1997 with the development of the Kuito field.

rator of block 14, filed a request with the concession holder to merge the development area of Gabela with that of TL, which is under review. The possibility was considered to tie back Gabela with the TL infra-structure, which is 15 to 20 kilometres away, for the production of heavy oil, and with the Lucapa infrastructure, for the production of light oil.

As for the Negage field, a clarification is expected regarding its location on the border between the Republic of Congo and Angola, that is, in a common-interest zone, with its implica-

tions in terms of tax, legal and political uncertainties.

Regarding the discovery by the Menongue well, located in the common-interest zone, a clarification is expected of the area's contractual framework.

Tómbua-Lândana's CPT operating since August 2009, in block 14 in Angola.

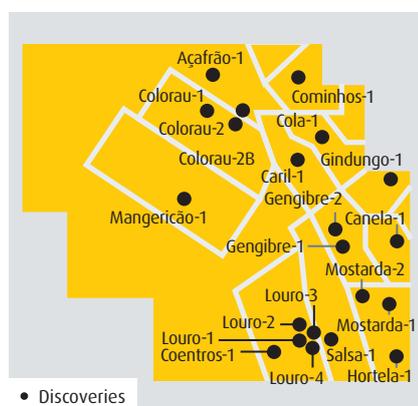


THE DEVELOPMENT PLAN FOR THE LIANZI DISCOVERY CONTINUED IN 2009.

In block 14K-A-IMI, where Galp Energia has a participation of 4.5%, the development plan for the Lianzi discovery and its execution and procurement project continued in 2009, whereas the FEED for the construction project approached completion.

With a view to changing marketing terms, a request was filed with the concession holder for an update of the production-sharing agreement (PSA) for block 14K-A-IMI. To reduce marketing and tax uncertainties, negotiations were established with the Republic of Congo.

Block 32



Galp Energia has a participation of 5% in the consortium for block 32, in which the other participants are Total, the operator, with 30%, Marathon Oil, with 30%, Sonangol, with 20%, and Exxon-Mobil, with 15%. In 2009, Sonangol, in its capacity as a participant in the block, exercised its preference right and bought 20% from Marathon Oil, which led to Marathon Oil holding 10% and Sonangol 40% of block 32.

In 2009, wells Colorau 2 and 2A started to be drilled to determine the size of the reservoir in the southeastern region of the development area, to test the existence and the quality of other reservoirs and to check direct seismic indications of the oil-water flat spot. These activities were undertaken because the field discovered by the Colorau-1 well proved to be an oil accumulation of great geological complexity but, owing to its size, very relevant for the consortium exploring block 32.

In parallel with the second update of the development concept for the Center South East area, review of the information gathered using advanced 3D seismic processing technology was completed in the year.

In 2009, preliminary studies were undertaken to determine a new production pole, independent of the block's central area; called Center North East, this pole encompasses discoveries Colorau and Manjericão. A possibility to tie back discoveries Alhos and Cominhos to a production pole in a block next to block 32 was also reviewed.

In block 33, where Galp Energia has a participation of 5%, geological and seismic reprocessing studies were performed in 2009 to support seismic acquisition planned for 2010. Depending on the conclusions and prospects for the Calulú area, a decision may be made to execute a new well, which would secure exploration rights for another year.



IN 2009, PRELIMINARY STUDIES WERE UNDERTAKEN TO DETERMINE A NEW PRODUCTION POLE IN THE CENTRAL AREA OF BLOCK 32, CALLED CENTER NORTH EAST.



Tupi's first production ceremony. From left to right: Manuel Ferreira De Oliveira, Edison Lobão and Fernando Gomes.

Brazil

In Brazil, Galp Energia is present in seven sedimentary basins: Santos, Espírito Santo, Potiguar, Sergipe/Alagoas, Pernambuco, Campos and Amazonas.

In late 2009, Galp Energia participated, not as the operator, in 25 exploration and production blocks in Brazil, of which eight onshore and 17 in deep and ultra-deep water, in partnership with Petrobras. As the operator, Galp Energia participated in 11 onshore blocks.

Galp Energia's partners in Brazil include companies such as the BG Group, Shell and Petrobras. The Brazilian company participates in all consortia where Galp Energia is present.



TUPI FIELD PRODUCTION STARTED AT THE BEGINNING OF MAY 2009.

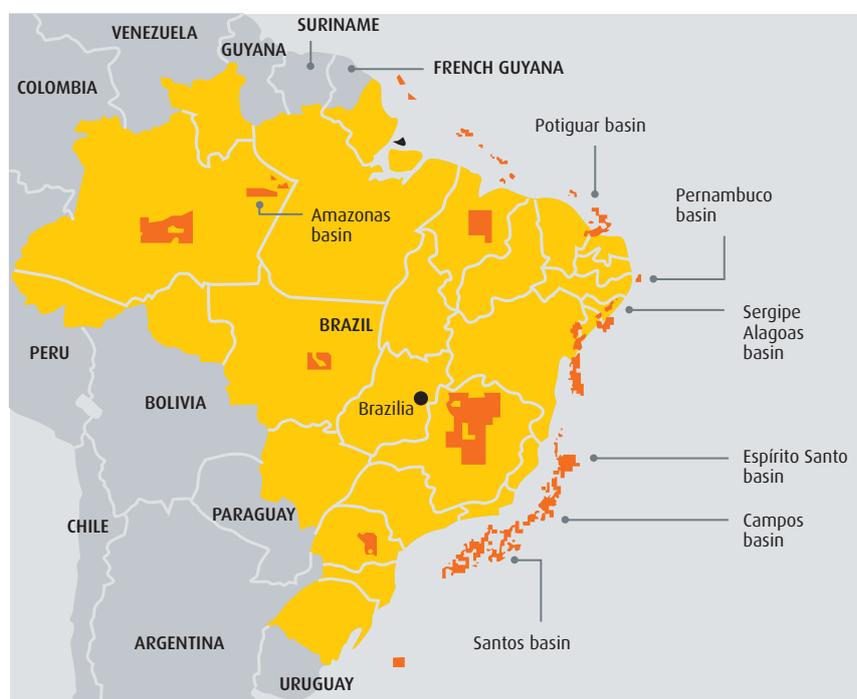
MAIN EVENTS

- Presence since 1999, through its participation in the second bidding round for the award of exploration rights;
- Participation in 22 projects, 17 offshore and five onshore, in partnership with Petrobras, out of a total of 36 blocks spread over seven basins;
- Total block area: 20,326 square kilometres;
- Participation in five out of ten discoveries in the Santos basin, an area of high exploration success;
- Production start in 2009 at the Tupi field, in block BM-S-11, by means of an extended well test;
- Accumulated investment: €261 million.

Proposed new regulatory regime in Brazil

In August 2009, new legislation was proposed in Brazil for an updated regulatory model of oil exploration and production. The model introduces a new contractual regime for the oil sector, known as a production-sharing agreement regime. Already in use in a few other countries such as Angola, where Galp Energia is also present, the PSA introduces for the first time in Brazil the concepts of profit oil and cost oil. The profit oil, which is shared between the consortium and the concession holder, equates to a field's total production after deduction of the costs incurred by the consortium – the cost oil.

Galp Energia's basins identification



The proposed legislation also provides that:

- (i) Petrobras shall operate all blocks explored under the new regime;
- (ii) Petrobras may be awarded exclusive rights in the exploration of these areas and a bidding process may be organized where other companies may participate freely, although Petrobras shall always have a minimum participation of 30%;
- (iii) The winning bid shall be the one offering the highest percentage of profit oil;
- (iv) The signing bonus shall be determined by the government's Conselho Nacional de Política Energética (CNPE) and royalties shall be in accordance with the legislation in force, that is, 10% of revenues.

This legislation will govern the exploration and production of oil and natural gas in pre-salt areas and other areas that may be declared by the CNPE as strategic areas. However, the legislation is not applicable to areas that have already been awarded, including in the pre-salt area. This means that current operations as well as the blocks awarded to Galp Energia for exploration and production activities in Brazil will not be affected by the new legislation and will be governed by the concession regime. This provides for the payment of a signing bonus, royalties of 10% and a special participation levy of between 0% and 40%, depending on the production level. Whereas the rate for the royalties applies to revenues, the rate for the levy applies to the operating result.

The new legislative proposal has yet to be approved by Brazil's Congress, which is expected to occur in 2010.



IF APPROVED, THE PROPOSAL FOR A NEW REGULATORY REGIME IN BRAZIL WILL NOT AFFECT GALP ENERGIA'S CURRENT CONCESSIONS IN THE COUNTRY.

5 DISCOVERIES

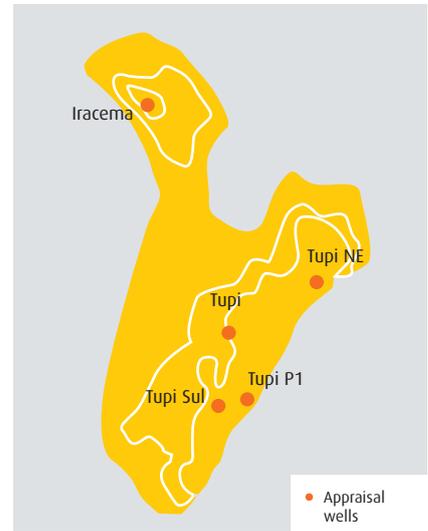
- Participation in five out of ten discoveries in the Santos basin, an area of high exploration success.

The Santos basin

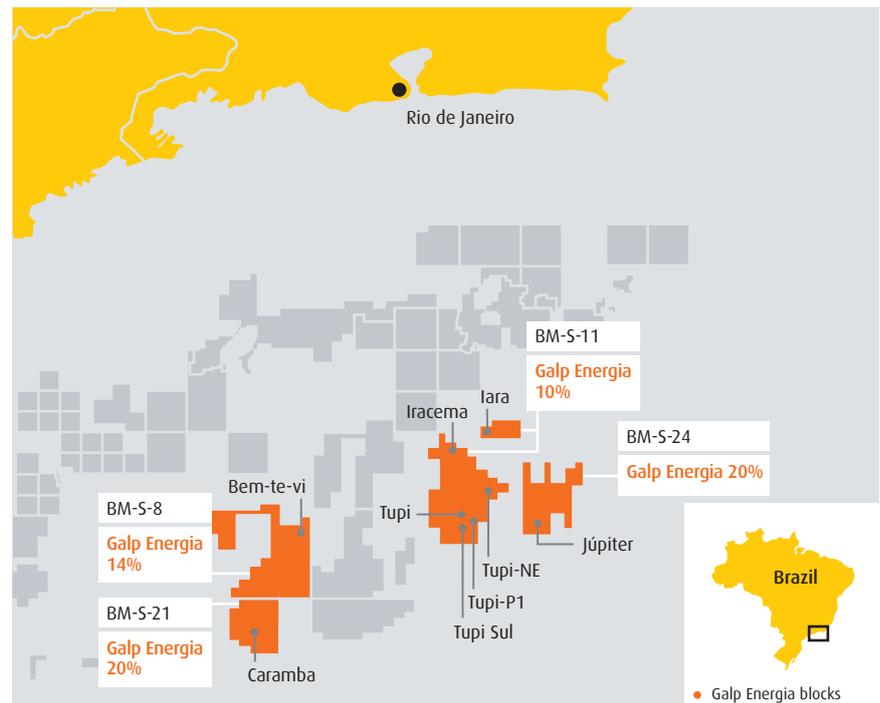
In this basin off the Brazilian coast, Galp Energia is present in four blocks in ultra-deep water, with areas ranging from 2,075 to 5,229 square kilometres and water depths between 1,600 and 2,500 metres.

The exploration of these blocks is focused on the pre-salt, that is, the accumulations of hydrocarbons that are located beneath a layer of salt which is approximately two kilometres thick.

Block BM-S-11



Santos sea basin



Recent discoveries in the Santos basin – such as the Tupi, the Lara, the Iracema and the Tupi NE in block BM-S-11, the Júpiter in block BM-S-24, the Bem-te-vi in block BM-S-8 and the Caramba in BM-S-21 – have turned this region into the pillar of Galp Energia’s long-term strategy for its E&P business segment.

The Tupi well confirmed the pre-salt’s hydrocarbon potential. On the basis of the well’s findings and existing geological and seismic data, it is estimated that between 5 and 8 billion barrels of oil and natural gas can be recovered.



IRACEMA AND TUPI NE DISCOVERIES BORE OUT PREVIOUS ASSUMPTIONS AND IMPROVED KNOWLEDGE OF THE TUPI FIELD.

The oil accumulation is located between 5,000 and 5,500 metres below the average sea surface, beneath a water depth of between 2,100 and 2,200 metres.

In the Tupi area, 3D seismic acquisition started in 2003 and the discovery well was drilled in 2006. The drilling of well Tupi Sul in 2007 confirmed the size of the reservoir.

The consortium exploring block BM-S-11 completed in June 2009 the drilling of a well called Iracema, located 33 kilometres away from pioneering well Tupi, which confirmed the existence of good-quality reservoirs with oil similar to Tupi's. Towards the end of the year, the consortium completed two formation tests in the Iracema well, in the Tupi appraisal area, which found the high productivity of existing pre-salt reservoirs. In each one of the tests, fluid flow was measured as 5,500 barrels per day of light oil – around 32° API – limited by the capacity of the equipment used in the test. Initial production from this well is estimated at up to 50,000 barrels of oil per day, which testifies to the Tupi area's high potential for the production of light oil.

In November 2009, the drilling of a fourth well, informally known as Tupi NE, was completed in the area for the Tupi appraisal plan. The drilling of this well crossed a 250-metre thick layer of reservoirs bearing light oil with around 28° API. The formation tests currently under way in this well are scheduled for completion in early 2010.

These two discoveries – Iracema and Tupi NE – bore out previous assumptions and improved knowledge of the Tupi field.

In late 2009, the consortium exploring block BM-S-11 performed part of the formation tests in the well known as Iara. The tests confirmed the exploration potential of the area with the production of light oil of around 28° API; they also supported the estimate announced after the drilling was completed in September 2008 of 3 to 4 billion barrels of recoverable light oil and natural gas in the Iara area. Although the tests could not be totally completed through lack of a probe, the drilling of another appraisal well in the same area is scheduled for 2010. Given the need for better-quality seismic data, new 3D seismic acquisition is under way involving a grid and parameters which are better suited to the depth of the targets. This modelling will provide the starting basis for the 4D seismic acquisition that is required for the future management of the reservoirs.

THE EXTENDED WELL TEST AT TUPÍ

On 1 May 2009, an EWT scheduled to last for 15 months started at Tupi.

The production process uses FPSO BW Cidade de São Vicente, a unit with the capacity to process 30 thousand barrels of oil per day that is moored in 2,170-metre deep water, 280 kilometres off the coast of Rio de Janeiro.

As a result of the ceiling imposed by the Brazilian energy regulator on the amount of gas that may be burnt daily during the EWT, production by the FPSO BW Cidade de São Vicente did not surpass 20,000 barrels per day of light oil (between 28° and 30° API). When production conditions stabilise in the future, the gas will be transferred to land through a pipeline to be marketed or it may be re-injected in the reservoir so as to maximise oil recovery.

15
MONTHS

- Duration of Tupi's extended well test at Santos basin.

FPSO BW Cidade de São Vicente operating at Tupi's extended well test.



On 6 July 2009, a problem was found in the underwater equipment designed to control well flow – a so-called wet Christmas tree. Because this equipment was similar to the one used in the Tupi EWT and although no fault was found in the EWT equipment after an underwater survey, the precautionary step was taken to replace the equipment, which led to the closure of the well for a two-month overhaul.

On 5 September, normal production of oil and natural gas resumed in the Tupi area's EWT. The gathering of important data could thus proceed to gain knowledge of the long-term dynamic behaviour of the reservoirs under production, and the behaviour of fluids during production and underwater flow – crucial data for preparation of a development plan for this basin's pre-salt area as a way of streamlining both the planning and execution of the pilot project. Following an agreement with the ANP, the Brazilian energy regulator, both the approval of the development plan for the Tupi field and the declaration of commerciality are expected by December 2010.

In July 2009, the first oil was exported from the Tupi field. A cargo of 315 thousand barrels was offloaded from the FPSO BW Cidade de São Vicente to tanker Nordic Spirit, which shipped it to the harbour of S. Sebastião, in Brazil's state of São Paulo.

In 2009, Galp Energia produced a total of 283 thousand barrels of oil from the EWT.

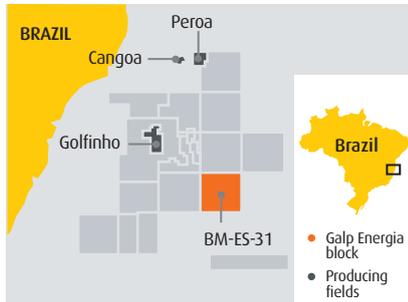
Upon completion of the EWT, which is scheduled for late 2010, a pilot project is set to start. The FPSO to be used at this stage will have a daily production capacity of 80 to 100 thousand barrels of oil and 5 million cubic metres of gas. The investment of Usd 3.7 billion in the first phase of this project does not include the cost of leasing the FPSO but covers the cost of a gas pipeline for recovering the natural gas produced.

Drilling started in 2009 of the pilot project's first production well. In addition, all equipment considered critical for the project's execution was ordered. In 2010, the FPSO and the gas pipeline that will connect the FPSO with the Mexilhão rig are scheduled to be installed and come into operation. At the same time, the production and injection wells, whose number is estimated at five and three, respectively, will continue to be drilled.



IN 2009 GALP ENERGIA'S PRODUCTION ASSOCIATED WITH THE EXTENDED WELL TEST REACHED 283 THOUSAND BARRELS OF OIL.

Espírito Santo sea basin



Seismic data for blocks BM-S-8, BM-S-21 and BM-S-24 were processed in 2009 and the drilling of one exploration well in each one of these blocks is planned for 2010.

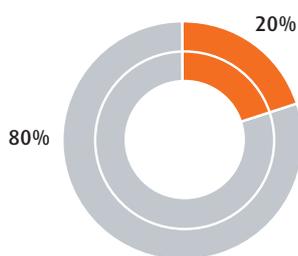
Project for liquefying natural gas in the Santos basin

Galp Energia entered in 2009, with a stake of 16.3%, into a joint venture by Petrobras, the BG Group and Repsol for the development of three FEED projects for a floating LNG (FLNG) unit. This will operate in the Santos basin's pre-salt to recover the natural gas produced in the area.

Galp Energia's presence in the Santos basin, namely in the pre-salt blocks, and the future production of gas in these blocks prompted the study of several options to monetise gas reserves by securing new sources of supply of natural gas and exporting to global markets, thereby implementing its long-term strategy of growing a business to market natural gas.

In 2011, the best option for recovering the gas from the Santos basin's pre-salt will be selected. Prior to this, however, FEED findings of technical and economical feasibility to be presented for the FLNG unit and other alternative solutions such as the installation of new undersea gas pipelines will be analysed. In case it becomes the chosen solution, the FLNG unit is scheduled to be completed by the third quarter of 2015.

Consortium for block BM-ES-31



● Galp Energia ● Petrobras, operator

The Espírito Santo offshore basin

Galp Energia is, with a 20% stake, operator Petrobras' partner in an offshore block located in the Espírito Santo basin. This block has an area of 722 square kilometres and is located at a water depth of between 2,000 and 2,200 metres.

At the end of 2009, the drilling of Am-brosia, the first exploration well, was being prepared and its start was scheduled for 2010.

Other offshore projects

In the Campos basin, Galp Energia has a stake of 15% in offshore block C-M-593, with an area of 84.64 square kilometres and acquired in ANP's ninth bidding round. This block, which is close to several discovered fields, was the subject of 3D seismic acquisition and processing in 2009 and the gathered data is currently under analysis.

In the Pernambuco basin, where Galp Energia has 20% in three blocks in a partnership with Petrobras, activities in 2009 focused primarily on the analysis and 2D seismic reprocessing and studies to prepare for the 3D seismic programme that started in early November and is expected to be completed in the first quarter of 2010.

Galp Energia has a 20% stake in two consortia with interests in five deep-water, Petrobras-operated blocks in the Potiguar basin. In 2009, work centred on seismic reprocessing and reinterpretation.

In the Santos basin's shallow water, where Galp Energia has a 20% stake in three blocks in partnership with Petrobras and Q. Galvão, work consisted of seismic and geological studies as preparation for the drilling of the first exploration wells in 2010.



Exploration activities at the onshore basin of Potiguar.

Onshore projects

In onshore projects, Galp Energia is present in three basins, Sergipe/Alagoas, Potiguar and Amazonas, where it is in partnership with Petrobras.

In the Espírito Santo basin, a well called Castelão was drilled in 2009 and seismic data was interpreted. As exploration success did not materialise, the last three blocks still held by Galp Energia in this basin were returned to ANP in 2009.

In the Potiguar basin, eight appraisal wells were drilled in 2009, which confirmed the discoveries of light oil in wells 1-GALP-1RN and 1-FAC-2-RN. Following completion of the appraisal plans, the discoveries were awarded a declaration of commerciality, although work remains to be done to confirm their economic viability. Discovery 1-GALP-2-RN also received a declaration of commerciality to obtain additional time for evaluating its viability.

In the Sergipe/Alagoas basin, four exploration wells - Ananda, Krishna, Sati and Maya - and one appraisal well, the Svava, were drilled, with the Ananda and the Krishna yielding two discoveries. An appraisal plan has been filed with the ANP and the studies relating to this appraisal are

Summary of onshore stakes at the end of 2009

BASIN	NUMBER OF BLOCKS	NUMBER OF OPERATED BLOCKS	% GALP ENERGIA
Sergipe/Alagoas	2	2	50%
Potiguar	14	9	50%
Amazonas	3	-	40%

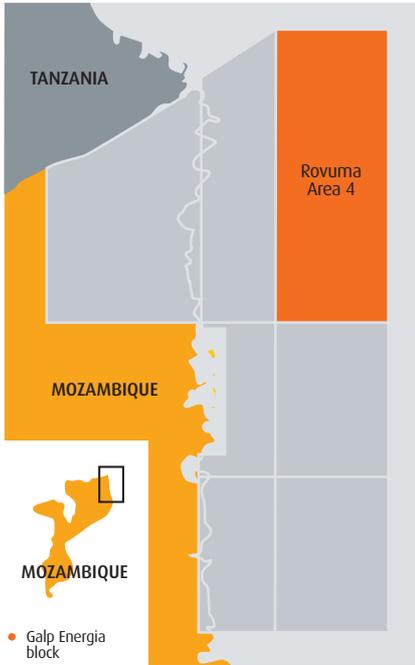
Total contingent resources (3C) at the end of 2009: 5.3 Mboe

currently under way. In this basin, block SEAL-T-456 was returned to ANP in 2009. In addition to the exploration wells, preparations started for extended well tests in the two blocks still held by the consortium but, for weather reasons, their execution was postponed to 2010.

Although onshore operations are not comparable in size with those of the Brazilian offshore, Galp Energia sees its participation not only as a way of gaining experience as an operator but also as a way of raising production levels in Brazil. The contribution of these projects to production is expected to materialise as early as in 2010 from the Potiguar and the Sergipe/Alagoas basins.

Mozambique

The Rovuma basin



This area is located approximately 40 kilometres off the coast, at a water depth of between 1,500 and 2,500 metres.

Galp Energia entered in early 2007, through a farm-in agreement, into a consortium that had been set up to explore area 4 in the Rovuma basin.

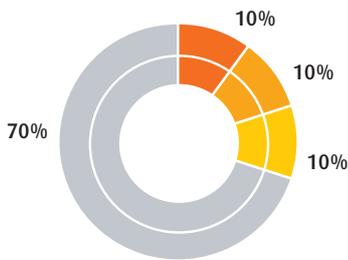
The exploration term for this area is divided up into three periods and is scheduled to expire in February 2015.

The obligations undertaken for the first exploration phase were totally fulfilled, whereby 1,047 square kilometers of 3D seismic acquisition and 2,320 kilometres of 2D were completed.

In 2009, 2D seismic processing and 2D studies were completed in addition to 3D processing and studies.

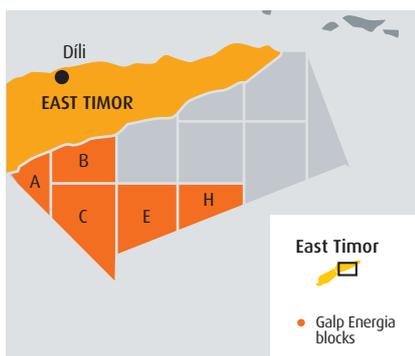
As for the exploration wells, the findings from the seismic interpretation covering the whole area 4 revealed several prospects with a potential in excess of initial predictions. These findings warranted the planning of another 3D seismic campaign (1,200 square kilometres), to be performed in 2010. This seismic campaign will cover an area located north of where another one was performed in 2008 and its goal is to improve the definition of a few leads identified with existing data. The timetable for drilling the wells, the first of which is scheduled to be drilled in 2011, will depend on the availability of a probe as no environmental or other restrictions exist that will affect drilling.

Consortium for area 4 in Mozambique



- Galp Energia
- ENH
- Kogas
- Eni, operator

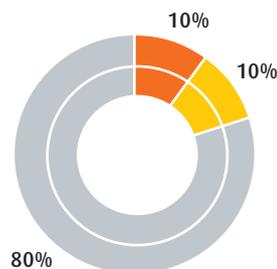
The East Timor blocks



East Timor

Galp Energia's participation in exploration and production activities in East Timor dates back to 2007.

Consortium for the East Timor blocks



- Galp Energia
- Kogas
- Eni, operator

The exploration period was divided up, like in Mozambique, into three phases and is expected to end in November 2013.

In the first exploration phase, 2D seismic acquisition was performed for blocks A, B and H and gravimetric and magnetic data were also acquired.

3D seismic acquisition and processing was conducted for blocks B, C, E and H.

bed cores as well as 2D and 3D seismic interpretation.

Several geological studies were performed with samples collected from sea-

The first exploration well in block C is scheduled for 2010, subject to the availability of a probe.

Portugal

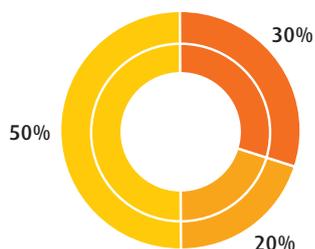
Galp Energia resumed its exploration and production activities in Portugal in 2007 when it signed two concession contracts with the Portuguese state. These contracts cover exploration in seven blocks with a total area of 21,258 square kilometres, divided up into two basins: Peniche basin and Alentejo basin.

In the Peniche basin, data processing and interpretation of data from a 2D acquisition campaign in 2008 was performed in 2009. For 2010 a new seismic campaign with acquisition of 3D data is planned in the four Peniche offshore blocks. This will obtain greater detail over the most interesting areas detected in the 2D campaign.

search that is usually used by the oil and gas industry.

A decision on drilling the exploration wells that are scheduled for 2011 according to the contract is not expected until the processing and interpretation of data from the 3D campaigns to be performed in both basins.

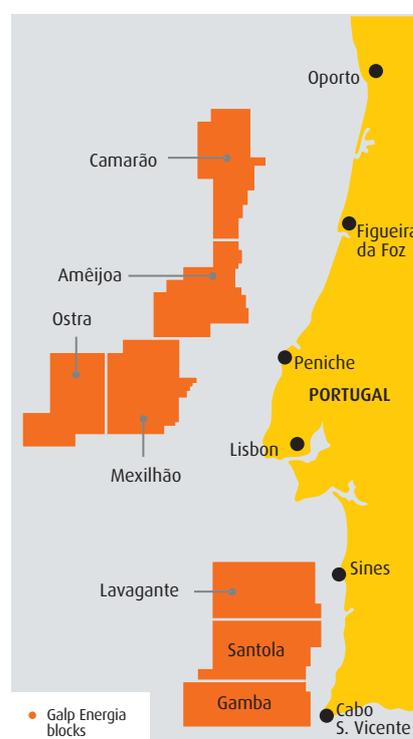
Consortium for the Peniche basin



• Galp Energia • Partex • Petrobras, operator

In the Alentejo basin's three offshore blocks (operator Tullow Oil 80%, Galp Energia 10% and Partex 10%), a 3D campaign is planned for 2010 following the results of data processing and interpretation from the 2D acquisition campaign in 2008, in a sequence that follows the logic of exploration and re-

Blocks in Portugal



Venezuela

Galp Energia kept in 2009 its partnership with Venezuela's state-owned oil company PDVSA. This cooperation covered the project for certification of reserves in block Boyacá 6, in the Orinoco oil belt, and the LNG projects that will draw on the natural gas from the exploration fields on the Deltana and Mariscal Sucre platforms. The final decision to invest in these projects is scheduled for late 2011.



IN 2009, WE ADDED NEW PROJECTS TO OUR EXPLORATION AND PRODUCTION PORTFOLIO IN URUGUAY AND EQUATORIAL GUINEA.

New projects

Uruguay

Galp Energia participated in 2009 in the first round of bidding for offshore licences in Uruguay.

The consortia where Galp Energia participates were awarded two areas, 3 and 4, in the Punta del Este basin.

Galp Energia has a 20% stake in the consortium, jointly with Petrobras (40%) and Repsol YPF (40%). Petrobras operates block 4 and Repsol YPF operates block 3.

Licences were obtained without the payment of signing bonuses. Uruguay's national oil company ANCAP has a preference in the purchase of rights over production for domestic deliveries at market prices. In the case of gas production, the price shall be negotiated between the parties.

In 2009, 2D seismic studies were carried out that anticipated the first phase of the exploration period, which is scheduled to extend into 2017 and may include the

drilling of two exploration wells.

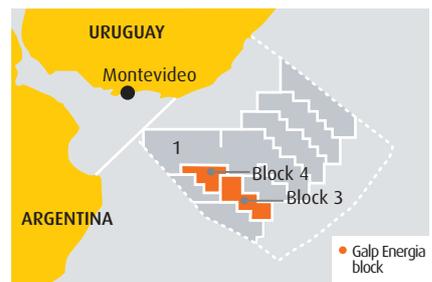
In case the exploration period is successful, the first oil is expected in 2021.

Equatorial Guinea

In early 2009, Galp Energia signed an agreement for the development of an LNG project in Equatorial Guinea. The purpose of this project is the construction of a second train for liquefying gas in the country in case sufficient volumes of natural gas are certified that will make the construction viable while benefiting from the existing infrastructure for the first train.

The consortium for the development of this project is composed of Sonagás, the national oil company (50%), E.ON Ruhrgas (25%), Union Fenosa Gas (5%) and the government of Equatorial Guinea (15%). Galp Energia has a stake of 5%.

Blocks in Uruguay



Block 3 has an area of 5,500 square kilometres and is located in the offshore of the Eastern Republic of Uruguay, around 200 km south of Punta del Este, in a water depth of between 1,000 and 2,000 metres.

Block 4 has an area of 3,000 square kilometres and is located in the offshore of the Eastern Republic of Uruguay, around 150 kilometres south of Punta del Este, in a water depth of between 50 and 200 metres.

Reserves and contingent resources

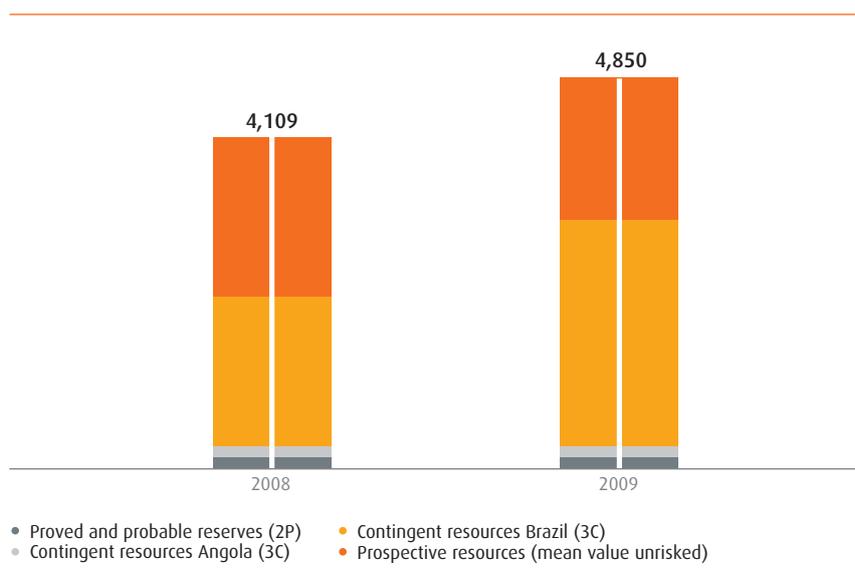
The petroleum reserves and resources in Galp Energia's exploration and production portfolio have been independently reviewed by DeGolyer and MacNaughton (DeMac).

Year 2009 evidenced a sharper focus on exploration activities in Brazil's Santos basin. In this region, activities led to the rise in contingent resources (3C), namely in block BM-S-11, which resulted in total contingent resources (3C) rising by around one billion barrels. Contingent resources (3C) in Angola and Brazil by the end of 2009 were estimated at three billion barrels of oil and natural gas.

Although exploration results in 2009 raised estimates, Brazilian resources could not be converted into reserves for lack of a development plan approved by ANP for block BM-S-11.

In contrast to other years, the volume of proved and probable reserves (2P) on a net-entitlement basis rose in Angola to 35 million barrels of oil. This was the result, on the one hand, of the fall in the price of oil relative to 2008 coupled with the PSA terms and the method for calculating reserves, and, on the other hand, the start of development activities in the TL field, which allowed the certification of a larger volume of reserves.

Galp Energia's reserves and resources (Mboe)



Source: DeMac

Main definitions

Proved reserves (1P)

According to the definitions approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Council (WPC), proved reserves are those quantities of petroleum that can, by analysis of geological and engineering data, with reasonable certainty be estimated, from a certain date onwards, to be commercially recoverable from known reservoirs and under current economic conditions, operational methods and government regulations. If probabilistic methods are used, there should be a minimum 90% probability that actual recovered quantities will equal or exceed the estimate. The definition of current economic conditions shall include historical oil prices and attendant costs. In general, reserves are considered to be proved if the reservoir's production capacity is supported by actual production or formation tests. Reserves may be classed as proved if facilities to process as well as transport those reserves to market are in operation at the time of the estimate or if there is a reasonable expectation that such facilities will be built.

Probable reserves (2P)

According to the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data which are similar to those used in the calculation of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classed as proved.

Contingent resources (3C)

Contingent resources refer to quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from known reservoirs but are not commercially recoverable yet. This may be the case for several reasons such as, for instance, those related to the maturity of the project (the discovery needs further appraisal in order to provide support for the development plan), those of a technical nature (new technology needs to be developed and tested in order to commercially exploit the estimated quantities) or those related to the market (the sales contracts are not yet in place or the infrastructure needs to be built in order to take the product to the clients). The quantities classed in this category may not be considered as reserves.

Prospective resources

Prospective resources refer to amounts of petroleum that are estimated, at a certain date, as potentially recoverable from unknown reservoirs by applying future development projects. The estimation of volumes from a certain prospect is subject to commercial and technological uncertainties. Amounts classed in this category may not be considered as reserves or contingent resources.

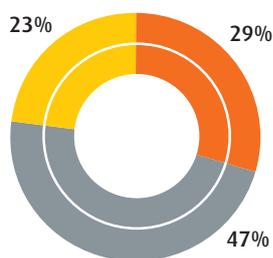


Galp Energia's employee at the utilities unit of the Sines refinery.

REFINING & MARKETING

The Refining & Marketing (R&M) business segment has two refineries – in Sines and Matosinhos – whose refined products are marketed by the Galp Energia network of service stations, primarily in the Iberian Peninsula but also in Africa, to direct clients, with the remainder being exported to several European countries and North America.

Share of the R&M business segment in Galp Energia's RCA operating profit in 2009



- Refining & Marketing
- Gas & Power
- Exploration & Production

Main indicators

	2006	2007	2008	2009
Crude processed (kbopd)	270	252	245	213
Galp Energia refining margin (Usd/bbl)	5.4	5.5	4.4	1.5
Refined products sales (Mton)	16.2	16.0	16.0	16.7
Refineries net operating costs (€/bbl)	1.3	1.5	1.5	1.5
Sales to direct clients (Mton)	9.0	9.4	9.6	11.1
Number of service stations	1,045	1,038	1,509	1,451
Throughput per site ('000 m ³)	3.0	2.9	2.8	2.7
Number of convenience stores	201	210	428	467
EBITDA RCA (M€)	557	435	540	293
Operating profit RCA (M€)	356	261	373	79
Investment (M€)	131	168	1,245	456

MAIN EVENTS IN 2009

- Incident in Sines refinery forces the refinery to stop for a period of approximately six weeks;
- A Lump Sum Turn Key contract is signed for the conversion project of the Sines refinery;
- First year for full integration of the former Iberian Agip and ExxonMobil subsidiaries.

Strategy

The primary goal of this business segment is to streamline operating conditions to attain superior levels of profitability, efficiency and safety.

To reach this goal, the Matosinhos and Sines refineries are currently under conversion, whose purpose is to further integrate their activities and better align production with the relative increase in the demand for diesel; in addition, the marketing network is under consolidation after

it was enlarged by the acquisition of the Agip and ExxonMobil operations in the Iberian Peninsula. This acquisition's double aim was to raise the coverage ratio of refining by own-brand marketing and to achieve economies of scale.



AS THE CONVERTED SINES AND MATOSINHOS REFINERIES START UP IN 2011, CRUDE NEEDS ARE EXPECTED TO RISE IN AMOUNT AND CHANGE IN COMPOSITION, WITH A RISE IN MEDIUM AND HEAVY SWEET CRUDE.

Refining, Supply and Logistics

Galp Energia has a modern refining base in the Iberian Peninsula, complemented by an efficient logistic network with the ability to supply mainland Portugal and the Azores and Madeira archipelagos in addition to Spain.

With a combined capacity of 310 thousand barrels per day, the Sines and Matosinhos refineries process crude oil from over 15 countries to obtain a diversified range of products, primarily gasoline and middle distillates.

The refined products are not only sold in the Portuguese and Spanish markets; they are also exported, particularly to the US.

SUPPLY

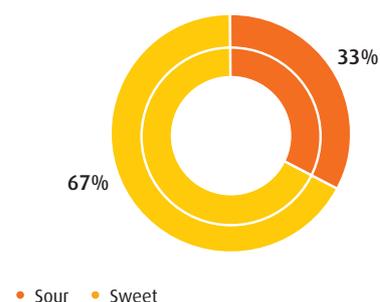
In 2009, Galp Energia bought close to 10 million tonnes of crude oil to supply the Sines and Matosinhos refineries. Sweet crude, with lower sulphur content, accounted for

approximately 67% of the total. This followed from the production optimization model that calculates monthly the crude mix that maximises the refining margin.

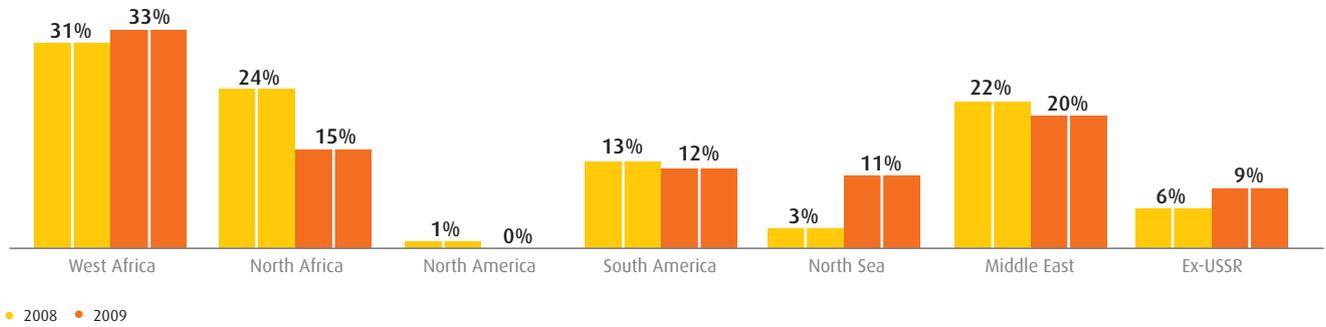
By origin, the African west coast kept its leadership and supplied more than 30% of raw materials from Angola, Nigeria, Equatorial Guinea and Cameroon.

As the converted Sines and Matosinhos refineries start up in 2011, crude needs are expected to rise in amount and change in composition, with a rise in medium and heavy sweet crude. To meet these changes, Galp Energia is currently

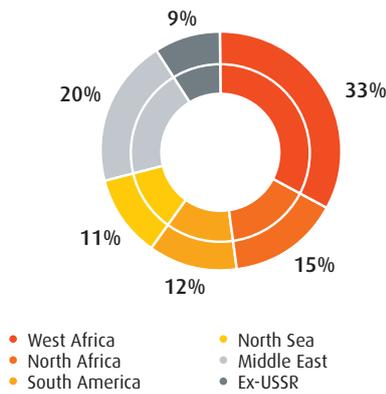
Types of crude oil bought in 2009



Origin of crude oil



Origin of crude oil in 2009



The incident in the Sines refinery’s utilities factory in January 2009 discontinued the normal processing of raw materials for a period of approximately six weeks. Following lower production from the refinery, Galp Energia was forced to raise imports of refined products to meet demand.

REFINING

Year 2009 was marked by swift progress in the refinery conversion project, the start-up of the Sines refinery’s cogeneration plant and the incident in the utilities factory in Sines.

This incident, on 17 January, led to a 38-day stop and, consequently, the loss of both production and margin. The Fluid Catalytic Cracking (FCC) and the alkylation units remained closed until March, meaning a stop of 73 days. To minimise the consequences of this stop, a contingency plan was launched for the installation of provisional solutions that cut short the unavailability period.

adjusting its procurement strategy in order to secure the supply of these types of crude in the future. In comparison with 2009, the share of medium and heavy crude is expected to rise from around 50% to over 70%, which will bring cost benefits given the price difference between heavy and light oil.

Achieving a balance between Galp Energia’s supply of refined products and the demand profile from its natural markets requires the import and export of oil products. The most important among these are the export of gasoline and components from the Sines refinery and of fuel oil from the Matosinhos refinery, and the import of diesel.



THE AFRICAN WEST COAST KEPT ITS LEADERSHIP AND SUPPLIED MORE THAN 30% OF RAW MATERIALS FROM ANGOLA, NIGERIA, EQUATORIAL GUINEA AND CAMEROON.

Main refining assets

SINES REFINERY



- Start of operations in 1979
- Refining capacity of 220 thousand barrels of oil per day
- Typology: Cracking
- One of Europe's most modern refineries
- Includes two vacuum distillation units, an FCC, a Visbreaker and two units for diesel hydrodesulphuring
- Produces reformulated gasoline since the nineties for export to the North American market
- Complexity indices: Nelson 6.3 and Solomon 7.8
- Storage capacity: 3,031 thousand cubic metres
- Number of staff: 477
- General maintenance scheduled for 2013

MATOSINHOS REFINERY



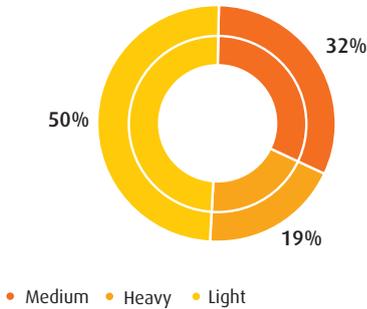
- Start of operations in 1969
- Capacity of 90 thousand barrels of oil per day
- Typology: Hydroskimming
- Includes a fuel factory, an aromatics factory, a factory of base oils and a unit for mixing lubricants
- Production of paraxylene, orthoxylene, toluene and benzene for the domestic and export markets
- Complexity indices: Nelson 9.4 and Solomon 8.0
- Storage capacity: 1,986 thousand cubic metres
- Number of staff: 461
- General maintenance scheduled for 2010

RAISING THE REFINERIES' ENERGY EFFICIENCY

Galp Energia completed in 2009 the construction of a cogeneration plant in the Sines refinery to cover the refinery's steam needs. This cogeneration plant, which started operations in October, will avoid domestic emissions of close to 500 thousand tonnes per year of CO₂ and contribute to a 23% cut in the consumption of primary energy by the refinery.

Likewise, Galp Energia will install a similar cogeneration plant in the Matosinhos refinery. Construction of this plant progressed in 2009 and its start of operations is scheduled for 2011.

Types of crude oil processed in 2009



Activities

In 2009, Galp Energia processed 77.6 million barrels, which equated to a 69% utilisation of its distillation capacity. The declining utilisation rate in recent years has been related to the stops for maintenance in the Matosinhos refinery in 2007 and the Sines refinery in 2008, the incident in the Sines refinery in 2009 and the policy for optimising refinery production as a result of observed refining margins during the year. This utilisation rate is expected to rise after the conversion projects have been completed as these will raise the complexity of the refining base and, consequently, its conversion and processing capacity.

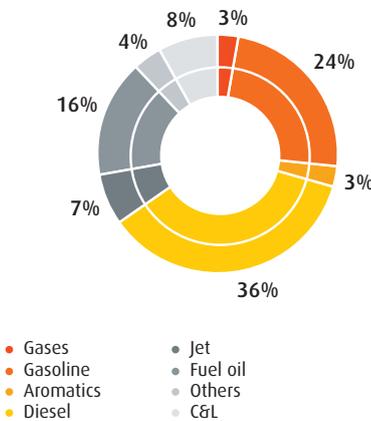
In 2009, the share of medium crude in total crude oil processed increased to 32%, up from 27% in 2008, in replacement for both light and heavy crude.

In addition to crude oil, which accounted for 90% of the 11.5 million tonnes of raw materials processed in 2009, Galp Energia processed 1.1 million tonnes of other products, mostly naphtha and heavy diesel oil.

Diesel, gasoline and fuel oil dominated the production structure with over 75% of the total.

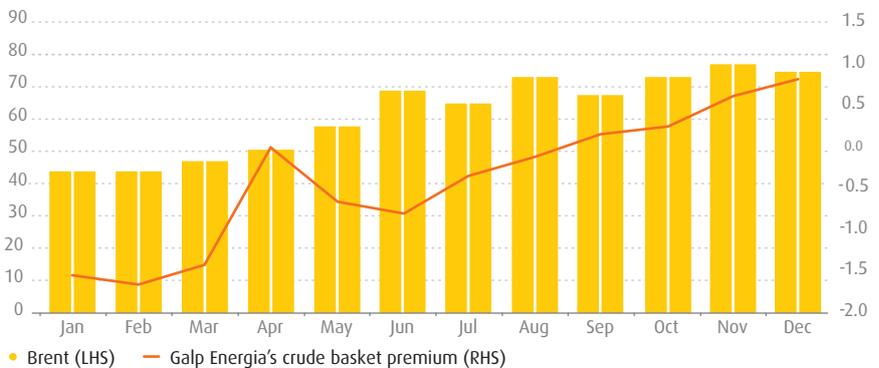
The coming into operation of the Sines cogeneration plant led to a slight decline in the weight of consumption and losses, compared with a year earlier, and accounted for 7.8% of raw materials processed. The start of operations of the cogeneration plants is expected to curb consumption and losses in both refineries.

Production profile in 2009



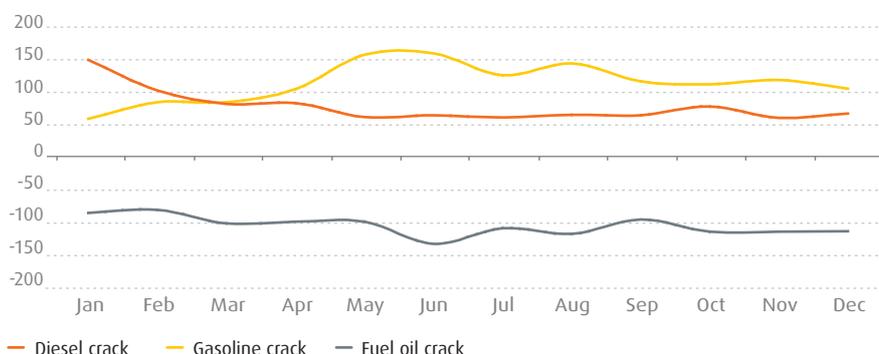
Analysis of the market in 2009

Crude oil price (Usd/bbl)



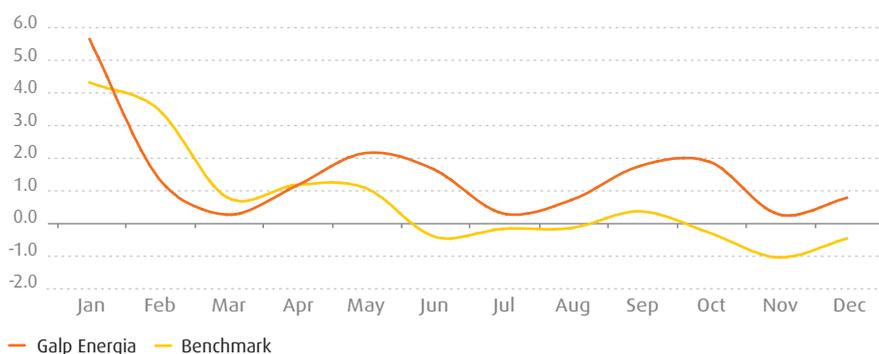
The price of Galp Energia's basket of crude oil kept its discount to the dated Brent, which is a lighter grade of crude oil. Galp Energia's basket has an API of 35.9°, whereas the dated Brent has an API of 38.9°.

Crack spreads for selected oil products (Usd/ton)



In 2009, crack spreads for oil products evidenced different patterns. Gasoline developed positively against the dated Brent in annual terms as refinery utilisation and, consequently, supply fell. The trend for diesel was the opposite when the price difference against the dated Brent narrowed considerably as world demand – namely from the industrial and transportation sectors – fell, which led to a rise in inventories.

Refining margins (Usd/bbl)



Galp Energia's refining margin stayed above the Rotterdam benchmark for most of 2009, with an average premium of Usd 0.8/bbl, except for the first quarter, following the incident in the Sines refinery.



GALP ENERGIA'S SIZE PERMITS SHORT-TERM ADJUSTMENTS TO THE REFINING SYSTEM, NAMELY IN TERMS OF OPTIMISATION AND INTEGRATED MARGIN MANAGEMENT.

Year 2009, a difficult one for the refining industry

Against a backdrop of extremely low refining margins in 2009, the strategy for operating the refineries centred on:

- Lowering the amounts of crude processed and stopping selected producing units during the year;
- Substituting sweet for sour crudes in the Sines refinery to take advantage of the lower price of the former.

Galp Energia's size permits short-term adjustments, namely in terms of optimisation and integrated margin management. In a year such as 2009, with great volatility and a difficult economic environment, this flexibility was particularly beneficial.

€1,350
MILLION
INVESTMENT IN
CONVERSION PROJECT

- Upon conversion of its refineries, Galp Energia will have an upgraded refining system, which will be safer, more reliable and competitive.



Conversion project construction works at Matosinhos refinery.

The new refinery units (capacities)

Vacuum visbreaker (40 kbopd)

The number of vacuum distillation and visbreaker units to be built in the Matosinhos refinery will be geared to the processing of 40 thousand barrels of oil per day of atmospheric residue produced in the refinery. This corresponds to production of 975 thousand tonnes per year of heavy diesel for hydrocracking and 725 thousand tonnes per year of fuel oil component.

Hydrocraker (43 kbopd)

The hydrocracking unit to be installed in the Sines refinery will use vacuum diesel and heavy visbreaking diesel produced in the Matosinhos and Sines refineries as raw materials. The unit will have the capacity to process close to 43 thousand barrels of oil per day, corresponding to the use of 3.2 million tonnes per year of atmospheric residue as the primary raw material.

Steam reformer (90 kNm³/h)

The steam reforming unit uses natural gas or naphtha as raw material to produce the hydrogen required for the hydrocracking process that will be installed in the Sines refinery.

THE REFINERY CONVERSION PROJECT

The refinery conversion project progressed in 2009 according to plan: the construction started up, the pipe racks were installed, the piping started to be pre-manufactured and equipment such as the hydrocracker fractionator column for the Sines refinery and the visbreaker and vacuum columns for the Matosinhos refinery started to arrive.

Towards the end of the year, the Engineering, Procurement, Construction and Management (EPCM) contract previously signed with Tecnicas Reunidas was superseded by a Lump Sum Turnkey contract with this Spanish contractor. Besides covering the conversion project, the contract – whose final amount is close to one billion euros – also included energy efficiency, reliability and environmental projects. Completion of the project for converting the Sines refinery is

scheduled for the third quarter 2011.

The contract for conversion of the Matosinhos refinery, which is scheduled to be completed by the second quarter of 2011, was not changed and will remain an EPCM contract. Total estimated capital expenditure for this project is around €350 million.

Upon conversion of its refineries, Galp Energia will have an upgraded refining system, which will be safer, more reliable and competitive in European terms. This will boost diesel-producing capabilities, provide more flexibility in the choice of crude oil, raise energy efficiency, achieve more competitive operating costs and secure more reliable and available equipment.

Logistics

The need to integrate the Spanish market following the acquisition of the Iberian Agip and ExxonMobil operations called for a new logic of integrated procurement in Galp Energia's natural market. This led to the set-up of new logistic hubs in Spain, namely Gijón, Barcelona and Huelva, close to the entry points into the system of Compañía Logística de Hidrocarburos, S.A. (CLH), the Spanish logistics company.

In 2009, the logistic platform was adapted to a difficult market environment in terms of sold volumes in the industrial and commercial segments, in a restructuring process that lowered both costs and capital employed.

To reduce costs, transportation contracts, namely regarding the calculation of fixed and variable terms, and other contracts with service providers were revised and renegotiated. This achieved significant cost savings, with average unit transportation costs, for instance, declining around 7% against 2008.

To reduce capital employed in the business, the Leixões oil terminal was redesigned; this will, together with the steps taken to streamline the liquid bulk terminal at Sines, boost the reliability and safety of operating the refineries.

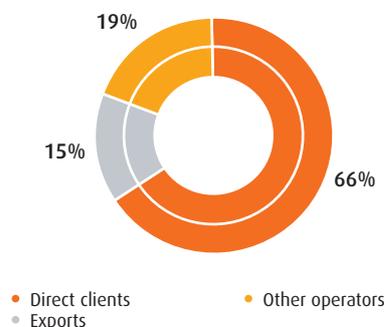
Sale of oil products

In 2009, 16.7 million tonnes of refined products were sold, up 4% from a year earlier mainly as a result of the acquisition of Agip's and ExxonMobil's Iberian operations. Direct clients accounted for the largest share, with 66% of the volume of refined products sold. This was also the segment where volumes changed the most compared with a year earlier – plus 1.5 million tonnes – as a consequence of the mentioned acquisition.

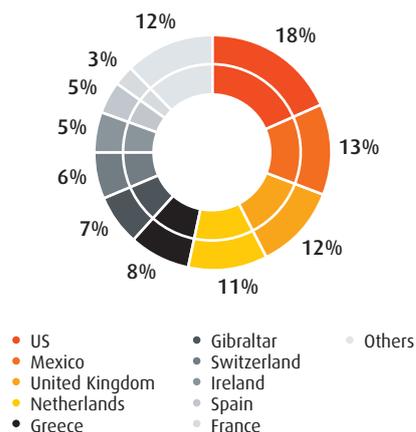
Exports declined 3% compared with 2008, to 2.4 million tonnes, and the most exported products were gasoline (34%) and fuel oil (27%).

In 2009, RBOB and conventional gasoline, with components, continued to be welcome in the United States. At the same time, Central America, the Far East and the Persian Gulf became strategic markets where Galp Energia has been consolidating its position. Gasoline exports went up by 9% in 2009.

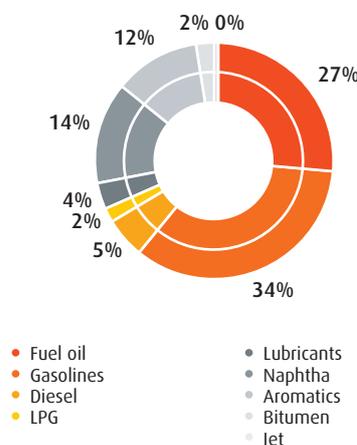
Sale of refined products by segment in 2009



Exports by country in 2009



Exports by product in 2009



Biofuels

Year 2009 was a turning point in the biofuel sector in both Portugal and Spain as the addition of biofuels to road fuel became mandatory. In anticipation of this legal requirement, Galp Energia had already introduced these renewable-origin products to motorists' day-to-day routines. This turned it into a pioneering company in fostering sustainability in road transportation.

Addition of FAME

In April 2009, Galp Energia began to add around 5% of FAME, a first-generation biodiesel, to road diesel marketed in Portugal. In August, this percentage rose to around 6% as the maximum permitted by law was raised. In Spain, following legislative changes in the year, Galp Energia replaced 3.4% of fossil energy in the transportation sector by renewable energy, with biofuels serving as substitutes for road diesel and gasoline.

Focus on green diesel

Galp Energia reasserted in the year its goal of becoming an integrated producer of second-generation biodiesel (green diesel) to be added to the road diesel it offers on the market. Studies carried out in 2009 proved the superiority of green diesel against road diesel – or even the FAME sort that is available in the Portuguese market – in curbing emissions of greenhouse gases (GHG). These studies also documented the benefits of introducing in the Portuguese market a product that, contrary to FAME, has no technical limitations in respect of its use.

Production of vegetable oil

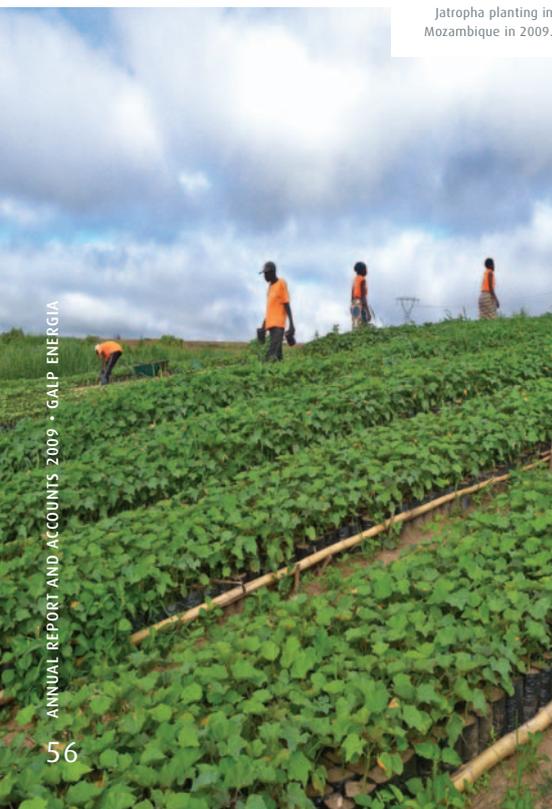
Galp Energia's biofuel project achieved significant progress in 2009 as the first experimental rows of *Jatropha Curcas Linn* (JCL) were grown in Mozambique and a

project for the production of palm oil started up in Belém, in Brazil. So far, over 640 thousand JCL plants have been planted in Mozambique on an area of close to 500 hectare. In Brazil, over 1.1 million plants have been grown in nurseries and their planned planting in 2010 will cover an area of around 6,500 hectare.

Both projects rest on environmental sustainability principles that have determined planting sites. These principles have kept plantations away from soils either with high farming potential or where forest or biodiversity-rich areas could be disrupted.

Galp Energia's local technical teams ensured that best farming practice was implemented, thereby contributing to perfecting methods by installing experimental devices and working towards the sharing of knowledge with local university centres. Improved practice translated into lower GHG emissions, the minimization of production factors and almost no earth moving.

Jatropha planting in Mozambique in 2009.



Marketing of oil products

In this activity, Galp Energia's main goal is to market oil products under its own brand and maximise returns by means of efficiency gains and operational synergies.

In 2009, which was the first full year with the integrated Agip and ExxonMobil operations, the cover of refined volumes by volumes marketed to direct clients rose to 95%, which was above initial predictions. This was the result of partly increasing sales in the Spanish market, from 3.4 million tonnes in 2008 to 5.0 million tonnes in 2009, partly the decline in refining activities.

The volume of oil products marketed to direct clients in the Iberian Peninsula grew 16% relative to 2008, to 11.1 million tonnes. The strategy for growth in Spain was enhanced in 2009 by the Agip and ExxonMobil acquisitions a year earlier, which made a decisive contribution to Galp Energia's broadening presence in the Iberian Peninsula, where its market share now is 15%.

As a result, whereas sales in Portugal remained stable, in line with the market, sales in Spain went up by 46% in the wake of the mentioned acquisitions, which raised to 45% the weight of Spanish sales in total sales in 2009.

For the whole Iberian market, the wholesale segment continued to dominate sales by Galp Energia.

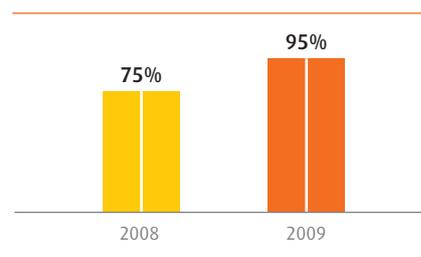
Retail

Following the Agip and ExxonMobil acquisitions, which broadened, particularly in Spain, the geographical spread of Galp Energia's Iberian marketing network, retail sales across the peninsula went up by 35% in 2009 relative to 2008, to 3.6 million tonnes.

In 2009, Galp Energia kept its leadership position in the fuel retail market, with a share of 35% in Portugal. Main actions included the growing availability of premium products, improvements in convenience stores, improved customer service and, in a competitive market, increased discounting.

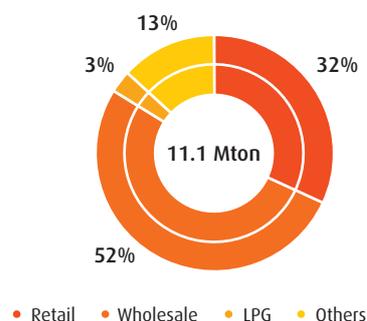
In 2009, Galp Energia consolidated its leadership in the offer of premium products, now available in 95% of its marketing network. Ever since the launch of its Gforce 95 gasoline in February 2007, Galp Energia has been the only company offering a full range of this class of products. In 2009, sales of premium products accounted for 10% of total sales, one of the highest penetration rates in Europe.

Refining by marketing coverage ratio

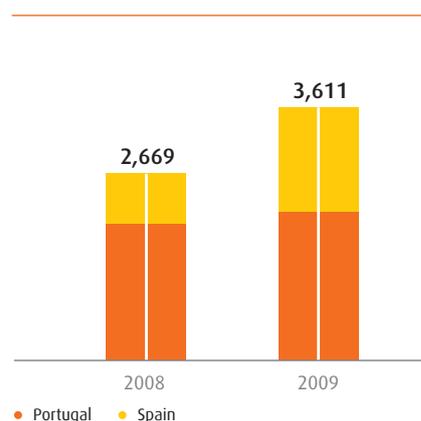


Note: The ratio is calculated on the basis of average production for the last three years.

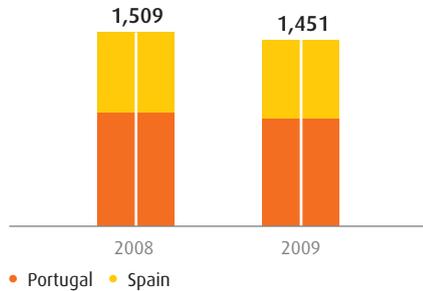
Sales by segment in 2009



Retail sales in the Iberian Peninsula (kton)



Number of service stations in the Iberian Peninsula



In Portugal, sales expanded by 9% as the economy started to recover and fuel prices became more stable after their steep rise in 2008. Another factor of market growth was the increasing penetration by unbranded and independent products.

Conversely, the anaemic state of the Spanish economy continued to affect the retail business and led to a new contraction in the demand for both gasoline and diesel.

The increase of over 100% in sales by Galp Energia in this segment in Spain, made possible by the Agip and Exxon-Mobil acquisitions, led to an increase in Spain's share of Galp Energia's total sales in the Iberian retail market from 27% in 2008 to 41% in 2009.

The steps taken in 2009 to streamline and raise the efficiency of operations as the newly-acquired networks were integrated led to the closure of 58 stations, 46 of which in Portugal.

Sales by station in Galp Energia's Portuguese network remained in 2009 above the market average and decreased from 2,707 cubic metres in 2008 to 2,570 cubic metres in 2009. In Spain, sales by station

amounted to 2,925 cubic metres.

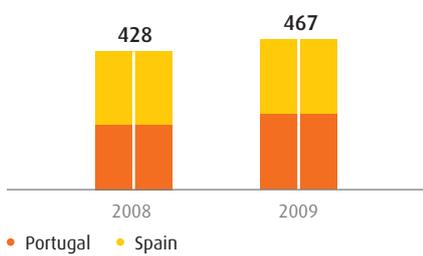
In 2009, the ownership and operating pattern of service stations remained stable. Outlets operated by resellers (DO), despite a few of them being owned by Galp Energia, accounted for 83% of service stations in Portugal and for 42% of stations in Spain. Stations operated by Galp Energia (CO) accounted for 47% of the total in Spain and 15% of the total in Portugal.

In 2009, six new service stations started to be operated under a franchise (FO). This operating model, already used in 88 stations in the Iberian Peninsula, tends to grow in the fuel retail market and is one of the levers for boosting profitability in this business.

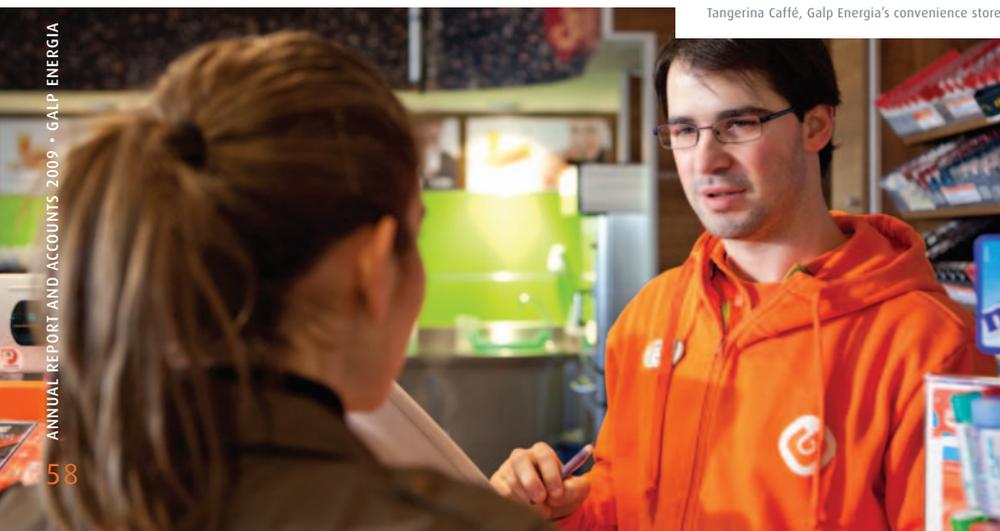
The 5% rise in Portuguese non-fuel sales to €73 million was followed by Spain only thanks to the acquisition-driven expansion of the network. Primarily for this reason, Galp Energia's non-fuel sales in Spain rose 182%, from €23 million in 2008 to €66 million in 2009. By litre of fuel sold, non-fuel sales declined 4% in Portugal while they rose 4% in Spain.

Several steps were taken in the year to mitigate the effects of weak demand in the fuel market. To this end, the offering of various services – such as repair and washing facilities, and restaurant and hotel services – was broadened and diversified.

Number of convenience stores in the Iberian Peninsula



Tangerina Caffé, Galp Energia's convenience store.



To renew the offering of convenience by the reseller network, the business model for Tangerina stores was redesigned. The main purpose for this was to make the stores more appealing to customers, thereby creating a new lever for service station profitability. The implemented changes, namely in terms of centralised product purchasing, led resellers to massively join the Tangerina concept, consolidated relationships between the Company and its resellers and raised customer satisfaction levels. In 2009, 25 new Tangerina stores were opened in the network operated by third parties, which raised the number of Tangerina stores in the reseller network to 100.

Wholesale

Sales in the Iberian wholesale segment rose 24%, with volumes sold rising in both countries – in Spain (+ 62%) as a result of the Agip and ExxonMobil acquisitions. The 2% rise in Portugal was due to a good sales performance amid a weak recovery in the demand for oil products.

In Portugal, sales in the marine, aviation and industrial sub-segments continued to dominate as they accounted for more than 75% of total sales in the wholesale segment.

Although sea trade retreated globally and in Portuguese ports in particular, the marine sub-segment raised sales by 7% relative to 2008 and had the largest share in the wholesale segment.

The aviation market also suffered the effects of declining air traffic as airlines slashed routes and lowered flight frequency. Demand contracted 6%, although a slight recovery was noticeable from the last quarter of the year.

In the industrial market, the renewal of several important contracts with large corporations led to the consolidation of Galp Energia's leadership of this sub-segment.

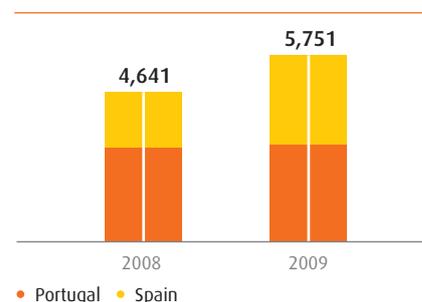
In the construction sub-segment, the development of new bituminous products and consolidating relationships with major construction companies contributed to strengthening Galp Energia's market leadership. In lubricants, Galp Energia's market share rose as the overall market contracted by more than 20%, which was achieved through access to new market niches and the consolidation of the existing client base.

In Spain, Galp Energia strengthened its status as a model operator in marketing diesel for transportation, the agriculture and heating, and fuel oil to several industries, either as fuel or for cogeneration. However, the Spanish economic crisis influenced negatively the demand for diesel, gasoline and fuel oil.

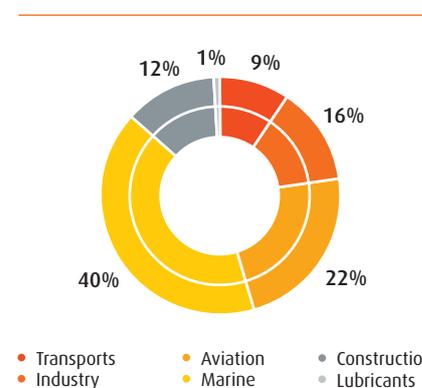
By sub-segment, transportation and resellers had the largest share of sales, followed by Serviexpress, Galp Energia's own brand for marketing diesel to small industry, agriculture and residential clients.

In the aviation sub-segment, Galp Energia is present, after having integrated the Agip and ExxonMobil

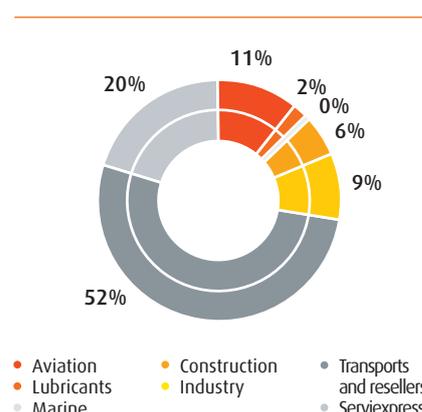
Sales in the wholesale segment (kton)



Sales by sub-segment in 2009 (Portugal)



Sales by sub-segment in 2009 (Spain)





Galp Energia's LPG reseller.

operations, in 20 airports and its scope of operations now includes the Canary Islands.

In the construction sub-segment, Galp Energia could raise its sales and market share although public works were brought in 2009 to a virtual standstill.

LPG

By the end of 2009, Galp Energia had around half a million clients of Liquefied Petroleum Gas (LPG), mostly bottled LPG.

Driven by the development and marketing of innovative kitchen, heating and lighting products and higher customer satisfaction levels, Galp Energia could keep its share in Portugal as the overall market retreated significantly (- 5%).

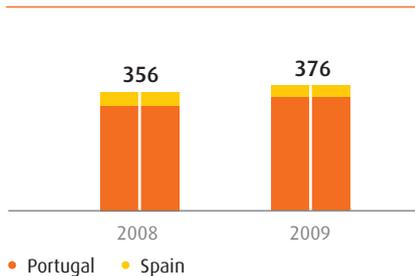
New product launches driving LPG sales in 2009 included the new 2.75 kilograms bottle, an improved and more powerful version of indoor heater and a broader range of outdoor lighters *Lightspot*.

In the domestic market, sales of bottled LPG kept a relevant position, with

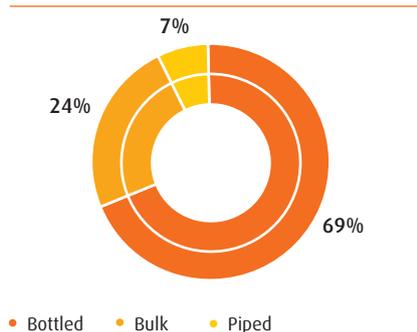
69% of total sales. Sales of butane gas bottles held their own with the help of the Pluma bottle's growing fame. In piped gas, the bar of 70 thousand clients was surpassed, which meant a rise of 9% relative to 2008.

In Spain, sales remained focused on the development of bulk LPG sales, which accounted for 47% of total LPG sales, along with sales of piped and bottled LPG.

Sales by the LPG segment (kton)



Sales by segment in 2009 (Portugal)



INTEGRATION OF THE NEW ACQUISITIONS

The acquisition in late 2008 of the Agip and ExxonMobil operations in the Iberian market for oil products gave an important boost to Galp Energia's strategy of expanding its operations in the Iberian Peninsula, its main market for marketing oil products, and generated significant sales gains in 2009.

These acquisitions were very important because they enhanced Galp Energia's ability to market the products from its refineries and gave more stability to sales by curbing their dependence on exports, where demand and pricing conditions are more volatile. In addition, the acquisition gave the Company critical mass and a more relevant position in Spain, with greater competitive advantage in high-volume businesses. Galp Energia also became one of the choices offered to resellers, which previously chose mostly between Repsol, Cepsa or BP. The goal now is to seize the organic-growth opportunities provided by a closer integration.

These acquisitions achieved, as early as in 2009, important economies of scale and synergies, which translated particularly into lower unit costs of logistics and procurement. A case in point was the joint procurement of final products, particularly diesel. Despite adverse market conditions, Galp Energia could keep its market share in Spain and raise results from the acquired companies above those achieved a year earlier.

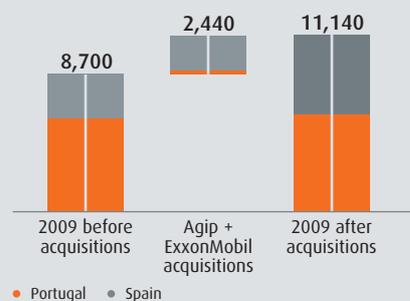
In 2009, all changes were implemented to capture the anticipated synergies, namely in terms of external supplies and services and staffing. Year 2010 will see the total impact of these synergies on results, which is now expected to be larger than announced when the transaction closed.

In May 2009, the acquired service stations started to be revamped. This process, which was completed before the end of the year, included a total change in external branding elements and the introduction of premium brands. Systems were modified to enable the acceptance of Galp Frota cards and the conversion of Agip and ExxonMobil-branded cards, particularly in Spain, where the number of clients covered rose from 6,000 to 22,000. This boosted the network effect, one of the relevant impacts of these acquisitions.

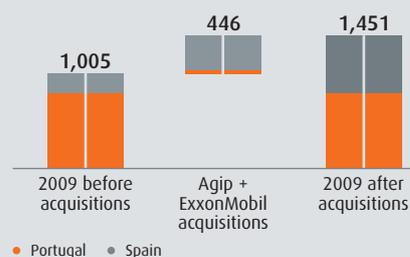
The sale of the Portuguese LPG, aviation and lubricant assets previously owned by ExxonMobil closed in 2009. The terms and conditions imposed by the European Commission to approve the acquisitions thus became complied with.

Main indicators after the Agip and ExxonMobil acquisitions

Refined products sold to direct clients (kton)



Service stations



IN 2009, ALL CHANGES WERE IMPLEMENTED TO CAPTURE THE ANTICIPATED SYNERGIES, BEING 2010 THE YEAR OF TOTAL IMPACT ON RESULTS, WHICH IS NOW EXPECTED TO BE LARGER THAN ANNOUNCED.



LIKE IN SWAZILAND, THE GALP ENERGIA BRAND WAS INTRODUCED IN 2009 IN ALL SERVICE STATIONS IN GAMBIA.

Marketing operations in the African market

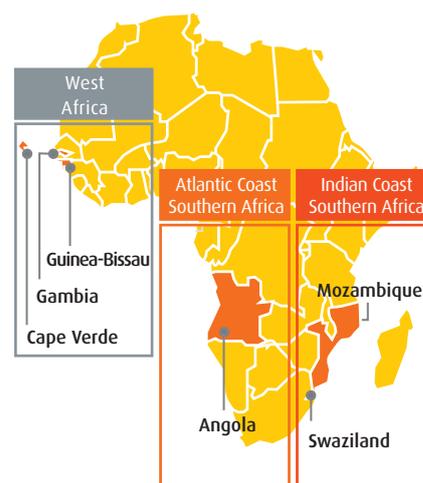
Oil products marketed in Africa in the retail, wholesale (lubricants, marine and aviation) and LPG segments grew 13% in 2009 compared to 2008. The strategy for this business aimed at seizing new marketing opportunities in countries that are in a critical stage of their economic development, boosting exports from Portugal as a supplier to these markets and building on Galp Energia's excellent business relationships with several African countries in exploration and production activities.

Total sales of oil products in the African market reached 600 thousand tons, 69 thousand tons ahead of 2008, with wholesale segment representing 59% of the total. Growth was most notable in Mozambique, Angola and Swaziland, countries where the market of oil products and Galp Energia's market share increased. The decrease in Gambia's sales was related with the reduction of jet sales due to the fall of tourism activity in the country.

In 2009 Galp Energia started supplying Swaziland from Mozambique, which led to significant synergies in logistics.

In spite of having a smaller size compared to Galp Energia's current activity portfolio, African operations generated also in 2009 positive cash flow and results. EBITDA grew more than 60% in the year to €13.7 million.

Growth hubs in Africa



Galp Energia presence

Galp Energia's presence in the African market for oil products is located in three hubs: West Africa, with Cape Verde, Gambia and Guinea-Bissau, Atlantic Coast Southern Africa, with Angola, and Indian Coast Southern Africa, with Mozambique and Swaziland.

Sales and assets in the African market in 2009

COUNTRY	SALES (KTON)	ANNUAL CHANGE (%)	MARKET SHARE (%)	BUSINESSES	# OF SERVICE STATIONS	TANK FARMS
Mozambique	86	24%	14%	R, W, M, L, G	30	1
Angola	246	17%	13%	R, W, L, G	7	-
Guinea-Bissau	23	4%	50%	R, W, M, A, L, G	9	3
Cape Verde	135	5%	55%	R, W, M, A, L, G	24	4
Gambia	30	(5%)	42%	R, W, A, L	8	-
Swaziland	80	17%	40%	R, W, L	20	1
Total	600	13%	-	-	98	9

Retail - R; LPG - G; Wholesale - W; Lubricants - L; Aviation - A; Marine - M



Autonomous natural gas distribution unit in Beja which supplies around 2,000 clients.

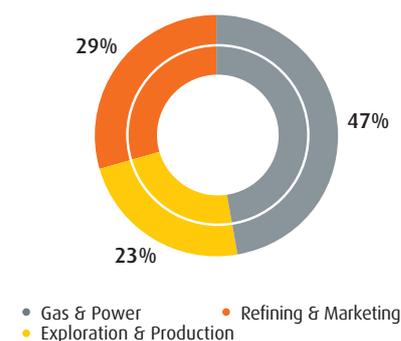
GAS & POWER

The Gas & Power business segment groups Galp Energia's activities in sourcing, distribution and marketing of natural gas, and power generation.

Main indicators

	2006	2007	2008	2009
Natural gas sales (Mm ³)	4,596	5,377	5,638	4,680
Number of natural gas clients ('000)	757	816	868	915
Natural gas net fixed assets (M€)	725	727	755	779
Installed capacity (MW)	80	80	160	160
Electrical power generation (GWh)	577	594	489	721
Electricity sold to the grid (GWh)	566	578	478	706
Special regime production sale price (€/MWh)	91.4	89.9	105.2	94.5
EBITDA RCA (M€)	320	254	223	208
Operating profit RCA (M€)	266	215	176	135
Investment (M€)	112	103	116	77

Share of the G&P business segment in Galp Energia's RCA operating profit in 2009



MAIN EVENTS IN 2009

- Acquisition from Spanish-based operator Gas Natural of marketing activities in the Madrid region covering 412 thousand clients;
- Start of operations in October of a cogeneration plant in the Sines;
- Transfer of significant volumes of natural gas sold to the industrial segment from the regulated to the liberalised market after the regulated price lost competitiveness vis-à-vis the free price;
- Contraction in 2009 – against the trend in recent years – of the Iberian market for power-generating natural gas as heavy rainfall favoured hydro power;
- Growth of over 45% in natural gas sales in the Spanish industrial market;
- A dual offer starts of natural gas and electric power to the Portuguese industrial market.

In the natural gas sector, Galp Energia's activities consist of the import of natural gas from Algeria, by pipeline, and from Nigeria, by LNG methane tankers, and its distribution and marketing in the Iberian Peninsula and storage in Portugal.

The activities in the power sector consist of the ownership and operation of cogeneration plants, the development of a portfolio of new CCGT plants and the exploitation of renewable energy, namely wind power.

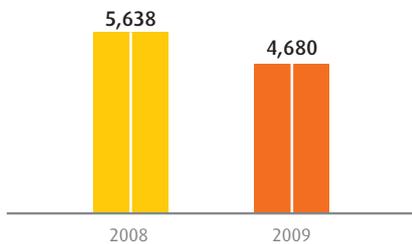
Strategy

In G&P, Galp Energia aims to develop an integrated portfolio of natural gas and power generation projects while raising sales of natural gas and expanding the capacity to generate power with a balanced generation mix.

With an industrial segment ten times as large as its Portuguese counterpart, Spain is a priority in natural gas marketing in the Iberian Peninsula, Galp Energia's flagship market. To exploit the Iberian market's potential, Galp Energia aims to raise its sourcing capacity while diversifying its supply sources by entering into the midstream LNG business, particularly in Angolan and Venezuelan

projects. In the power sector, the growing generation capacity will absorb an important share of the natural gas purchased and thus optimise the business segment's margin through a multi-energy offer. In renewable energy, the goal is to raise Galp Energia's profile in wind power in order to balance the generation mix.

Volumes of natural gas sold in the Iberian market (Mm³)



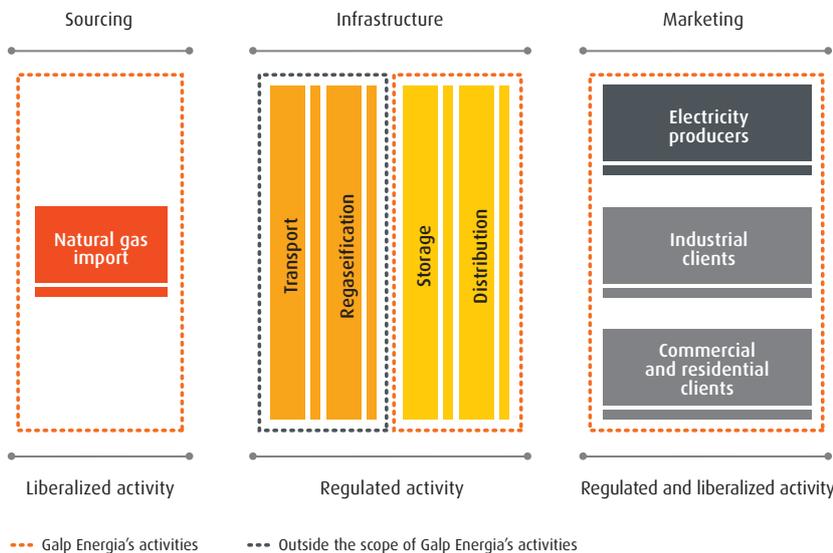
Natural gas

The Portuguese natural gas sector comprises a set of regulated and unregulated activities, ranging from unregulated sourcing to the exclusively regulated operation of distribution infrastructure to mixed – regulated and unregulated – marketing.

Whereas the import, the storage and the medium and low pressure distribution and marketing of gas fall within the scope of Galp Energia's operations,

both the regasification of liquefied natural gas and high-pressure natural gas transportation fall outside the scope of its activities.

The natural gas sector in Portugal



The Iberian market for natural gas contracted in 2009 in the wake of the economic slowdown that affected the industrial sector and the lower demand from electricity producers as hydropower was used to the detriment of natural gas following higher rainfall. Galp Energia sold 4,680 million cubic metres in Portugal and Spain, down 17% from 2008. Despite the decline in 2009, volumes of natural gas sold by Galp Energia in the Iberian Peninsula grew, between 2005 and 2009, at an average annual rate of 3%.



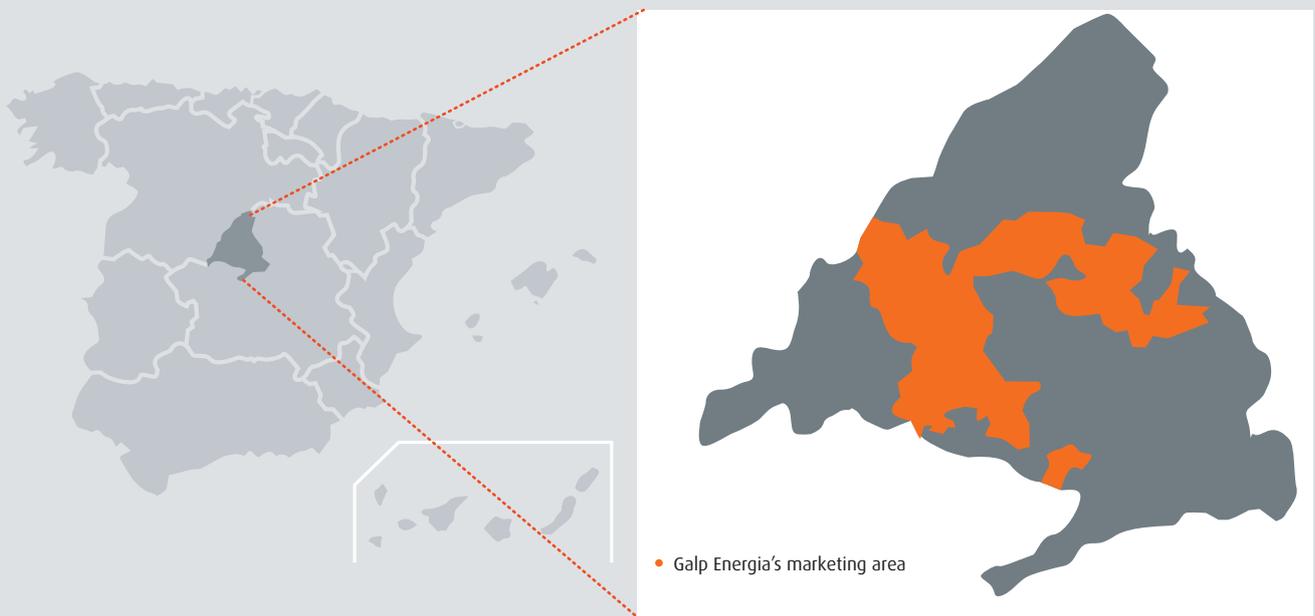
ACQUISITION IN SPAIN

Year 2009 was marked by the acquisition from Gas Natural, jointly with Morgan Stanley Infrastructure, of regulated distribution assets and marketing activities, both regulated and unregulated, in the Madrid region, for a total amount of €800 million. In distribution, the acquisition consisted of assets used for low-pressure distribution of natural gas to close to 504 thousand households. In marketing, the transaction valued at €60 million consisted of the acquisition of a portfolio of around 412 thousand final clients, regulated and unregulated, over 38 municipalities. These clients account for a relevant market share of the Madrid region, with a total annual consumption of 400 million cubic metres. This acquisition is subject to approval by the relevant authorities and is expected to close in the first half of 2010.

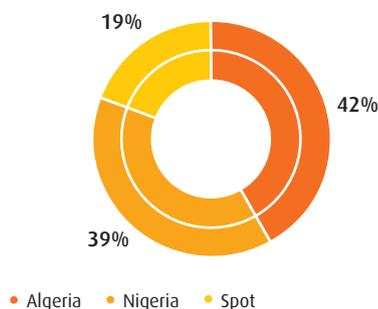
This acquisition has turned Galp Energia into the Iberian Peninsula's second-largest natural gas operator, with a market share of 15%. In addition, the transaction has raised the Company's profile in Spanish natural gas marketing, in line with the strategy formulated for the development of this business. The acquisition will give Galp Energia the opportunity to build on its ten-year experience in the Portuguese market for natural gas, where it is the leader in distribution and marketing activities, with over 900 thousand clients. The transaction will also position Galp Energia to take advantage of growth opportunities in Spain, a market with high growth prospects and attractiveness for an Iberian player of its size.

GALP ENERGIA IS THE SECOND-LARGEST IBERIAN PLAYER IN THE NATURAL GAS SECTOR, IN TERMS OF CLIENTS.

Madrid region



Sources of natural gas in 2009



Natural gas supply

In 2009, Galp Energia imported 4.8 billion cubic metres of natural gas, down 15% from 2008. The main supply sources continued to be Algeria, through Sonatrach, which supplied 2.0 billion cubic metres of natural gas, transported to Portugal through pipelines EMPL, Al Andalus and Extremadura, and Nigeria, where 1.9 billion cubic metres of LNG were purchased from NLNG and transported to the Sines LNG terminal. Some LNG was also bought on the spot market to take advantage of favourable pricing conditions in 2009.

Although they have been signed for terms of 20 years or longer, the long-term contracts for the supply of natural gas may be renegotiated according to mutually agreed rules.

Regulated infrastructure

Distribution

After the renegotiation in 2008 of the concession contracts between the Portuguese state and Galp Energia's natural gas distributors, 2009 was the first full year when the new regulatory framework was effective. According to the new framework and following the adoption domestically of EU rules on liberalised gas markets, marketing activities became separated from the operation of distribution infrastructure.

The distribution of natural gas in Portugal is provided by six distributors – five of which are Galp Energia subsidiaries – that operate under concession contracts, and four so-called autonomous distribution units, in which Galp Energia also owns equity stakes and which operate under licence.

Equity stakes in international gas pipelines

INTERNATIONAL PIPELINES	COUNTRY	CAPACITY (BCM/YEAR)	GALP ENERGIA %	GALP ENERGIA'S RESULTS IN 2009 (M€)
EMPL	Algeria, Morocco	12.0	27.4%	38.4
Al Andalus	Spain	11.7	33.0%	3.0
Extremadura	Spain	6.1	49.0%	3.8

Contracts for the acquisition of natural gas and LNG

CONTRATS	COUNTRY	CONTRACTED QUANTITIES (Mm ³ /YEAR)	PERIOD (YEARS)	START-UP	NEXT RENEGOTIATION
NLNG I (LNG)	Nigeria	420	20	2000	3 rd quarter 2011
NLNG II (LNG)	Nigeria	1,000	20	2003	3 rd quarter 2011
NLNG (LNG)	Nigeria	2,000	20	2006	4 th quarter 2012
Sonatrach (natural gas)	Algeria	2,300	23	1997	1 st quarter 2011

Galp Energia's concessions for the distribution of natural gas

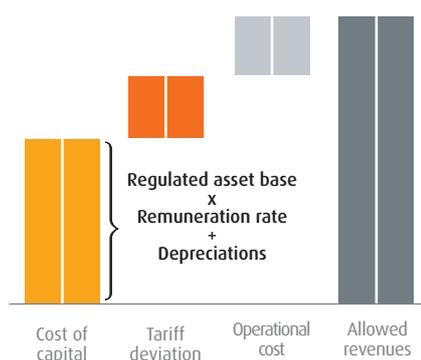


The Galp Energia subsidiaries distributed 1.4 billion cubic metres of natural gas, which was in line with 2008. Following an investment of €67 million, the distribution network expanded by 566 km and supplied natural gas to 50 thousand new clients.

Model for remuneration of regulated assets

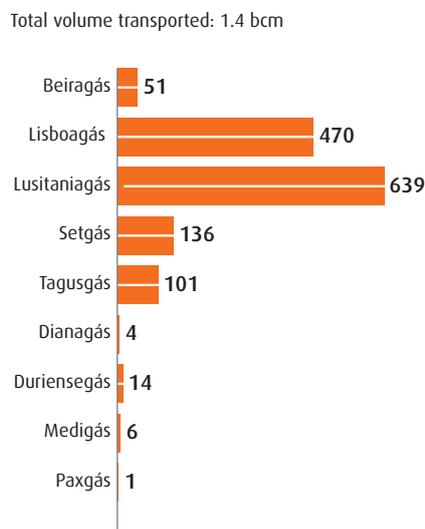
ERSE, the Portuguese energy market regulator, sets the rules for remuneration of all regulated activities in the energy sector, whereby allowed revenues are set as the basis for the calculation of tariffs. Revenues allowed for the distribution of natural gas equal the sum of the cost of capital, operating expenses and the tariff gap. The cost of capital is calculated as the product of the regulatory asset base by the rate of return set by the regulator, which is 9% up to June 2010, plus depreciation charges. The tariff gap is defined as the difference between estimated allowed revenues and actual revenues for year n-2. The regulation model for distribution activities also provides for a mechanism of flat tariffs as a way of ensuring a regular tariff throughout the concession period, which started in 2008 and runs for 40 years.

Calculation of allowed revenues for the regulated activity of natural gas distribution in Portugal



Note: The cost of capital is subject to tariff smoothing

Volumes of natural gas transported in 2009 (Mm³)



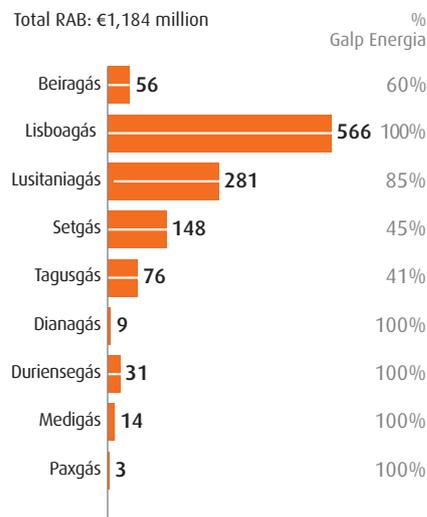
Storage

The underground storage of natural gas is a regulated activity whose operation has been awarded under concession to Galp Energia. The regulatory asset base is currently valued at €19 million, remunerated at a rate that is now set at 8%. The concession of this activity has been awarded for a period of 40 years. The regulatory model which is applicable to this activity follows the same method as the one applied to the regulation of natural gas distribution, except for the tariff-smoothing mechanism.

In Portugal, Galp Energia is the company that has been awarded the geographically largest concession. In addition, it has explicitly been awarded the right to expand its storage activity.

Recent social and political developments have emphasised the importance of access to storage capacity in order to ensure the continuity of natural gas delivery to clients, in an increasingly transnational or, in the case of Galp Energia, Iberian logic.

RAB by company at 31 December 2009



Note: The RAB amount for Tagusgás is for June 2009



IN PORTUGAL,
GALP ENERGIA
IS THE COMPANY THAT
HAS THE LARGEST
GEOGRAPHICALLY
CONCESSION TO EXPAND
ITS STORAGE ACTIVITY.

4,680
MILLION CUBIC METRES

- Galp Energia's natural gas Iberian sales in 2009.

Regardless of the future structure of the market for natural gas, the access to storage capacity and the title to concession rights enabling the construction and operation of this type of facilities will be a valuable asset for Galp Energia.

At the end of 2009, a cavern – called TGC 1S – with a storage capacity of around 40 million cubic metres was in operation. Construction of a second cavern – called TGC 2 – with a storage capacity of around 62 million cubic metres continued in the year with its completion scheduled for 2011. Two additional cavern – TGC G1 and TGC G2 – with a combined storage capacity of around 109 million cubic metres and estimated start of operations in 2016 are at the project stage and in preparation for an international tender.

Marketing of natural gas

The 4,680 million cubic metres of natural gas sold by Galp Energia in the Iberian Peninsula in 2009 were split into the liberalised (69%) and the regulated market (31%). The increasing weight of the liberalised market in comparison with 2008, when it had accounted for 57% of the total, reflected the lower competitiveness of the regulated tariff relative to its free counterpart and the offer of ancillary services in the liberalised market such as advice on efficient energy consumption.

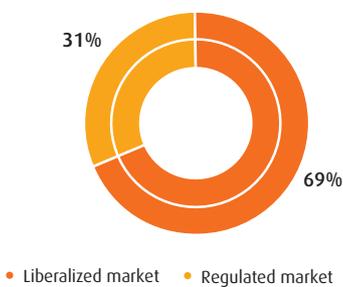
Free market

The free market consisted of sales of natural gas to electricity producers (60%), the industrial segment (31%) and trading (9%).

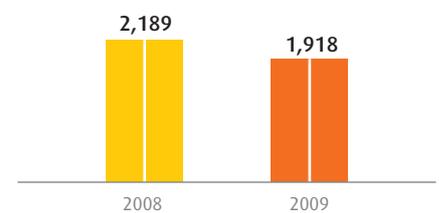
Electrical segment

Reversing the trend of the last two years, this segment contracted in 2009 with sales falling by 12%. Hydro-generated production rose 23% following heavy rainfall in the year and the use of coal for thermal production went up by 15% relative to 2008. On the contrary, gas-fired production declined 9% compared with a year earlier, primarily due to excess supply in the Spanish market, which led to a widespread fall in prices of its electricity pool price and the import of electricity from Portugal to the detriment of local production. The rising production under special regime, namely in wind farms and cogeneration plants, and lower demand for electricity in the Portuguese market, against the trend in recent years, also contributed to lower demand for natural gas for the production of electricity.

Natural gas sales by market in 2009



Natural gas sold to the electrical segment (Mm³)



Industrial segment

In the second year of liberalisation of the Portuguese industrial sector for consumption levels above one million cubic metres per year, Galp Energia sold 1,010 million cubic metres of natural gas in the free market, up 887 million cubic metres relative to 2008, an increase that largely resulted from the transfer of sales from the regulated market in response to the change in relative prices after the loss of competitiveness by the regulated tariff.

To encourage this migration, Galp Energia finetuned its tariff grids, took steps to gain more knowledge of client needs, broadened the range of products and services offered to the market, intensified actions to promote the efficient use of energy and, generally, improved the quality of relationships with clients.

Another important step was the set-up of technical services, which fostered partnerships with clients and contributed to a de-commoditised offer, distinct from the competition, namely with training initiatives, the maintenance of premises and the set-up of networks.

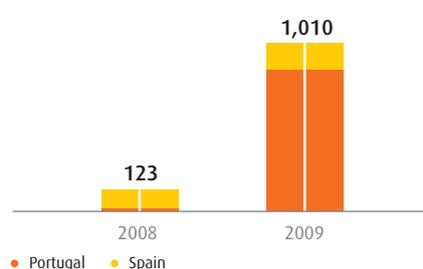
In Spain, sales went up by 45% relative to 2008, to 165 million cubic metres, thereby achieving 1% of a market that is worth 15 billion cubic metres per year.

In the fourth quarter of 2009, Galp Energia launched its dual offer of natural gas and electric power to the industrial segment.

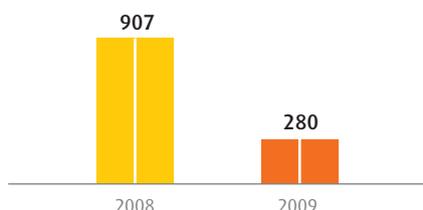


Surface equipment of the natural gas underground storage at Carriço.

Natural gas sales to the industrial segment (Mm³)



Volumes of natural gas sales to trading (Mm³)



Trading

In 2009, volumes of natural gas sold into trading declined by 626 million cubic metres compared with a year earlier. This reduction was primarily due to weaker demand for natural gas by Spanish electricity producers and lower sales margins following the shortfall in international demand for natural gas.



IN SPAIN, SALES WENT UP BY 45% RELATIVE TO 2008, TO 165 MILLION CUBIC METRES.



AT THE END OF THE YEAR, GALP ENERGIA'S COMMERCIALIZATION COMPANIES HAD 915 THOUSAND CLIENTS OF NATURAL GAS.

Regulated market

Regulation of marketing activities

The regulated last-resort marketing of natural gas that started on 1 January 2008 consummated the separation of distribution activities from the marketing of natural gas.

Volumes sold in the regulated market went to wholesale (industrial clients with an annual consumption of over two million cubic metres), retail/commercial (industrial, commercial and residential clients with an annual consumption of less than two million cubic metres) and other marketing companies of natural gas.

According to the legislation in force, last-resort marketing activities are remunerated according to the ERSE rules specifying which permitted revenues shall be used for the calculation of tariffs. Permitted revenues encompass – in addition to operating expenses, depreciation charges and the tariff gap – a sales margin to cover the financial risk arising from the management of working capital by last-resort marketers. The contracts guarantee to the holders of last-resort retailing licences, for their sales to final customers in the first five regulatory periods (until 30 June 2022), an amount equal to the pro-

duct of €4/client/year by the number of clients at the start of each regulatory period.

Sales

In 2009, Galp Energia sold 1,472 million cubic metres of natural gas in the regulated market, down 39% from a year earlier.

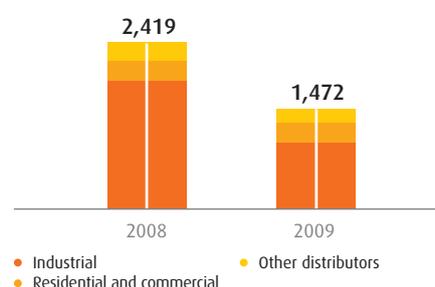
In spite of the migration to the free market, the industrial segment's dominance prevailed in 2009, with 66% of the regulated market. The remainder was split up between the commercial and residential segment (20%) and other natural gas marketing companies where Galp Energia owns no equity stake (14%).

Sales in the industrial segment declined 48% relative to 2008 following the transfer to the free market and despite the start of operations in October of the new cogeneration plant at the Sines refinery, which accounted for a consumption of 58 million cubic metres.

The residential/commercial segment continued its expansion in the year, namely following the campaign for converting clients to natural gas. The volume sold reached 291 million cubic metres, up 1% from 2008.

At the end of the year, marketers where Galp Energia had an equity stake had 915 thousand clients of natural gas, up 5% from 2008.

Natural gas sold in the regulated market (Mm³)

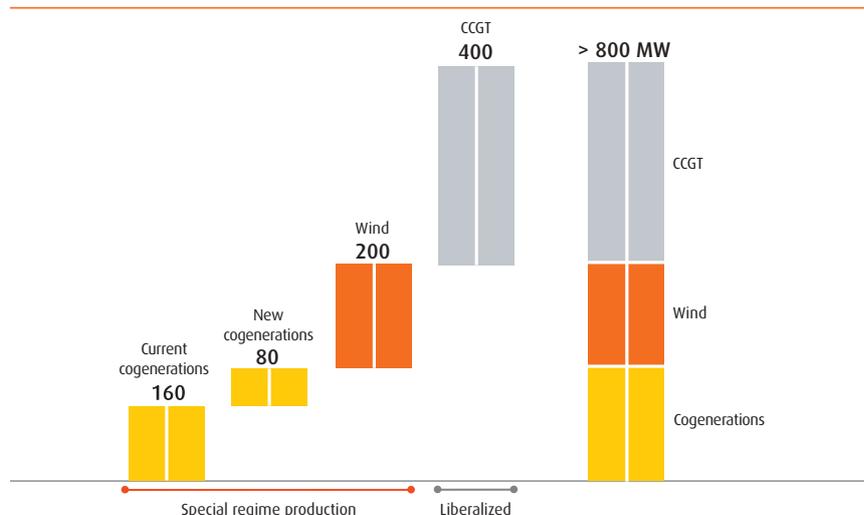


Power

The main goal of the power business is to develop a competitive portfolio of power generation that will encompass – in addition to existing cogenerations and the one under construction – CCGT plants and wind power.

The start of operations in 2009 of a cogeneration plant in the Sines refinery complex doubled cogeneration capacity to 160 megawatts. The new plants are expected to induce annual demand for natural gas of around 500 million cubic metres, which will further integrate the natural gas and power businesses, one of the business segment's strategic goals. At the same time, these new cogeneration plants will improve the refineries' energy efficiency, cut their cost of thermal energy, curb emissions of sulphur and nitrogen oxides and reduce domestic CO₂ emissions.

A gas-to-power portfolio



Cogenerations

The Sines refinery cogeneration plant

After successful tests, the Sines cogeneration plant started up in the second half of the year; in October, it was operating in a steady state.

The plant has an installed capacity of 80 megawatts and its construction involved capital spending of €77 million; it is expected to use around 250 million cubic metres of natural gas per year while boosting energy efficiency in the Sines refinery through the reduction of approximately 23% in the use of primary energy.

From provisional reception on 29 October 2009 until the end of the year, the cogeneration plant had an average availability of 99.5% and supplied the refinery with a total of 821,166 tonnes of steam.

A large part of the electric power generated by the plant's gas turbines was exported to the public grid. This electric power is remunerated in accordance with the regulated tariff that rewards a cogeneration plant's avoided costs and operations efficiency in comparison with an alternative system for the production of electricity, such as a CCGT plant.



SINES REFINERY
COGENERATION
HAS AN INSTALLED
CAPACITY OF 80
MEGAWATTS AND
ITS CONSTRUCTION
INVOLVED CAPITAL
SPENDING OF €77
MILLION.

During the months it was operating in 2009, the cogeneration plant used 52 million cubic metres of natural gas.

The coming into operation of this plant was an important contribution to the reduction of emissions at domestic level as it will avoid the emission of around 500 thousand tonnes of CO₂ per year compared with a conventional system for the production of electricity; on the site of the plant, however, emissions rose. In 2009, the cogeneration plant emitted 246,746 tonnes of CO₂ under the allocation of licences to the Sines refinery.

The Matosinhos refinery cogeneration plant

Like in Sines, Galp Energia aims to build a cogeneration plant in the Matosinhos refinery. Construction started in March 2009 and by the end of the year the detailed engineering was under way. This plant, which is expected to come into operation in 2011, will be equipped with two gas turbines with a production capacity of 80 megawatts. Two new recovery boilers will be linked to the turbines, which will satisfy the Matosinhos refinery's total steam needs.

Carrigo, Powercer and Energin

These three cogeneration plants, which are part owned by Galp Energia, have a joint capacity of 80 megawatts; in 2009, they generated 556 gigawatts/hour of electric power and used 164 million cubic metres of natural gas.

The cogeneration plants, including the newly opened one in the Sines

refinery, are Galp Energia's current single source of electric power generation under special regime, that is, with priority access to the grid and sale at a regulated tariff.

The Sines combined cycle plant

In 2009, negotiations continued over the proposals presented by the bidders for the engineering, procurement and construction of the plant, which will have installed capacity of 800 megawatts for the production of electricity under market regime. A contract was signed in the year with the Sines Port Authority for the use of water by the plant and environmental clearance was obtained for the location of the plant on the planned site. Through this investment, Galp Energia aims not only to enter a high-growth market but also achieve synergies with its natural gas business, since it is expected that the

Sines' refinery cogeneration.



CCGT will use 820 million cubic metres of natural gas per year.

In 2009, a decision was made – in line with the new funding strategy presented to the market in May – that this project would be jointly developed with a partner that would own around 50% of the CCGT and funding would be arranged under a project finance scheme.

Trading of electricity and CO₂

In 2009, CO₂ trading started and the systems were purchased to support the set-up of a room for trading electricity and CO₂ emission rights. At the same time, the Company joined three energy exchanges – EPEX Spot, EEX Power Derivatives and ECX.

To cover the needs of clients, daily purchases of electricity in Portugal started in 2009.

In 2009, electricity was sold for the first time to 31 facilities owned by Galp Energia companies. Electricity was also offered for sale to clients, jointly with natural gas.

Wind power

Ventinveste, S.A. (Ventinveste), a company 34%-owned by Galp Energia to which the installation of generation capacity of 400 megawatts in six wind farms has been awarded, conducted environmental licensing studies in 2009 and obtained the relevant licence for the first farm with a capacity of 12 megawatts. As recently as in 2010, Galp Energia bought 50% of Parque Eólico da Penha da Gardunha, Lda. from a Martifer subsidiary which was a 30% shareholder of Ventinveste's. After this transaction, Galp Energia raised to 49% its stake in Ventinveste, which corresponds to 200 megawatts of installed capacity.



THE INTEGRATION
BETWEEN THE NATURAL
GAS AND POWER
BUSINESSES WILL
ALLOW GALP ENERGIA
TO BENEFIT FROM ITS
CONTRACTS FOR THE
SUPPLY OF NATURAL GAS.



03

FINANCIAL REVIEW

GALP ENERGIA'S RCA NET PROFIT IN 2009 WAS €213 MILLION, A REDUCTION OF €264 MILLION FROM THE PREVIOUS YEAR MAINLY CAUSED NOT ONLY BY THE DECLINE OF THE PRICE OF BRENT AND REFINING MARGINS BUT ALSO LOWER VOLUMES OF NATURAL GAS SOLD, NEGATIVELY IMPACTING THE OPERATING PERFORMANCE IN ALL SEGMENTS.



The disclosure process of Galp Energia's financial information is followed by management and supervisory bodies as well as by business units and corporate services.

EXECUTIVE SUMMARY

Galp Energia's RCA net profit in 2009 was €213 million, down 55% year on year (yoy) as the economic environment impacted operating performance in all segments.

In 2009, Galp Energia's operating performance was affected by the declining price of dated Brent, falling refining margins and lower volumes of natural gas sold, reflecting a weak economic environment that had an adverse impact on the results of all segments. However, the Refining & Marketing segment benefited from the favourable contribution from the acquisition of Agip's and ExxonMobil's Iberian subsidiaries.

The highlights of Galp Energia's financial performance in 2009 were the following:

- Working-interest production in 2009 of 14.7 thousand barrels per day benefited from the boost in production

from the Tômbua-Lândana and Tupi fields, with the latter contributing 283 thousand barrels to Galp Energia's total production;

- Galp Energia's refining margin tumbled 67% yoy to Usd 1.5/bbl;
- Volumes of natural gas sold fell 17% yoy to 4,680 million cubic metres following the drop in volumes sold to the electrical and trading segments;
- Capital expenditure of €730 million was primarily channelled to the refinery conversion project.

INCOME STATEMENT ANALYSIS

RCA net profit in 2009 was €213 million, or €264 million lower than in 2008, as falling prices of crude oil, squeezed refining margins and lower volumes of natural gas sold took their toll on the operating performance of all segments. IFRS net profit was €347 million, including a favourable inventory effect of €161 million.

Income statement (M€)

	2008	2009	CHANGE	% CH.
Turnover	15,086	12,008	(3,077)	(20.4%)
Operating expenses	(14,698)	(11,283)	(3,415)	(23.2%)
Other operating revenues (expenses)	61	94	33	53.9%
EBITDA	449	819	370	82.5%
D&A and provisions	(282)	(360)	79	28.0%
Operating profit	167	459	291	174.2%
Net profit from associated companies	48	70	21	43.7%
Net profit from investments	0	(1)	(1)	n.m.
Net interest expenses	(61)	(76)	(15)	(24.6%)
Profit before tax and minority interests	155	451	297	191.8%
Income tax	(33)	(99)	66	199.7%
Minority interests	(5)	(6)	1	14.1%
Net profit	117	347	230	196.9%
Net profit	117	347	230	196.9%
Inventory effect	355	(161)	(516)	n.m.
Net profit RC	472	186	(286)	(60.6%)
Non recurrent items	6	27	22	n.m.
Net profit RCA	478	213	(264)	(55.3%)

Sales and services rendered

In 2009, sales and services rendered amounted to €12,008 million, or €11,960 million after adjustment for non recurrent items.

The adjusted figure was 21% lower yoy which was due to falling sales in all business segments in the wake of falling prices of crude and oil products and lower volumes of natural gas sold in an adverse economic environment.

Sales and services rendered (M€)

	2008	2009	CHANGE	% CH.
Sales and services rendered	15,086	12,008	(3,077)	(20.4%)
Non recurrent items	(24)	(48)	(24)	(99.0%)
Adjusted sales and services rendered	15,062	11,960	(3,101)	(20.6%)
Exploration & Production	200	168	(33)	(16.2%)
Refining & Marketing	13,200	10,620	(2,580)	(19.5%)
Gas & Power	1,942	1,425	(518)	(26.6%)
Others	127	111	(16)	(12.6%)
Consolidation adjustments	(408)	(363)	45	11.0%

Operating costs

In 2009, net operating costs amounted to €11,550 million or €11,722 million in RCA terms. The drop of 18% in the latter was due to the lower cost of goods sold as the prices of crude, oil products and natural gas fell and sales volumes contracted.

Net operating costs (M€)

	2008	2009	CHANGE	% CH.
Cash operating costs				
Cost of goods sold	13,726	10,193	(3,533)	(25.7%)
Supply and services	680	751	71	10.4%
Personnel costs	292	339	47	16.1%
Other operating (revenues) expenses	(61)	(94)	33	53.9%
Non cash operating costs				
Depreciation and amortisation	240	297	57	23.8%
Provisions	42	64	22	52.1%
Total	14,919	11,550	(3,370)	(22.6%)

-5%

VARIATION OF SUPPLY AND SERVICES COST

- Excluding the effect of the acquisitions of the former Agip and ExxonMobil subsidiaries, personnel and supply and services costs combined decreased by 5% relative to 2008.

Supply and services cost rose 10% in IFRS and 7% in adjusted terms relative to 2008, which reflected primarily the consolidation of the former Agip and ExxonMobil subsidiaries. The 11% rise in adjusted personnel costs was also due to the consolidation of these companies. Excluding the effect of these acquisitions, personnel and supply and services costs combined decreased by around 5% relative to 2008.

Depreciation and amortisation of €297 million in 2009 included charges for dry wells in Brazil, which explained most non recurrent items in the year. Adjusted depreciation and amortisation increased by €19 million to €260 million mainly as a result of the Refining & Marketing segment's acquisition of the Iberian Agip and ExxonMobil subsidiaries and the first depreciation of the capital expenditure incurred during the scheduled stop of the Sines refinery in 2008. The Exploration & Production business segment benefited from a lower depreciation rate following the upward revision of net entitlement reserves due to a lower reference price of crude oil. Depreciation

charges in the Gas & Power business segment remained stable in comparison with 2008 as the start of operations at the Sines cogeneration plant did not take place until the fourth quarter of 2009.

In 2009, provisions amounted to €64 million and increased by €32 million yoy in adjusted terms to €72 million. This increase was primarily related to (i) the renegotia-



tion of natural gas contracts in the Gas & Power business segment and (ii) doubtful debtors in marketing of oil products and natural gas.

Non recurrent events of €8 million were explained by reversed provisions for debtors and the environment.

Operating profit

RCA operating profit fell 59% in 2009 relative to 2008, to €287 million, which was due to a weak performance by all business segments as crude prices, crack spreads and the demand for natural gas developed unfavourably.

IFRS operating profit amounted to €459 million and included a favourable inventory effect of €211 million arising from the higher prices of crude and oil products in 2009.

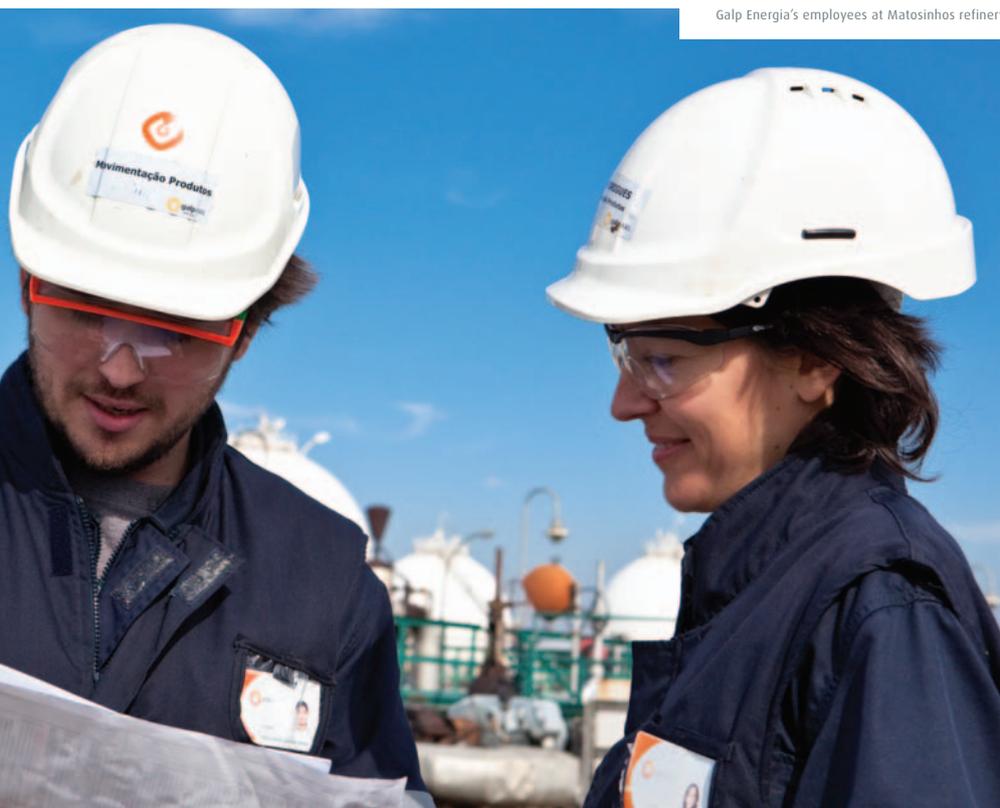
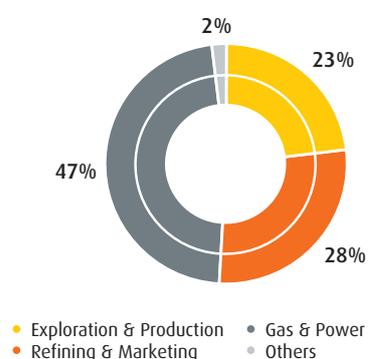
The 3% fall in net-entitlement production to 9.7 thousand barrels a day also contributed to the weak operating performance of this business segment.

Exploration & Production

RCA operating profit in 2009 was €67 million against €141 million a year earlier. This development was primarily due to the fall of 37% yoy in the price of crude oil to Usd 61.5/

Production costs in Angola went up by 10% to €25 million, which equated, on the basis of the net-entitlement production, to a unit cost of Usd 10.5/bbl, up 17% from 2008. This was due to lower production in

RCA operating profit by business segment in 2009



Galp Energia's employees at Matosinhos refinery.

Operating profit (M€)

	2008	2009	CHANGE	% CH.
Exploration & Production	122	31	(91)	(74.2%)
Refining & Marketing	(174)	316	490	n.m.
Gas & Power	216	113	(103)	(47.5%)
Others	3	(2)	(5)	n.m.
Operating profit	167	459	291	174.2%
Inventory effect	517	(211)	(728)	n.m.
Operating profit RC	684	248	(436)	(63.7%)
Non recurrent items	9	39	29	326.4%
Operating profit RCA	693	287	(407)	(58.7%)
Exploration & Production	141	67	(74)	(52.5%)
Refining & Marketing	373	79	(294)	(78.7%)
Gas & Power	176	135	(41)	(23.2%)
Others	3	5	2	47.0%

the country which provided a smaller base for spreading fixed costs and scale squeeze maintenance costs in the BBLT field in the fourth quarter of the year.

Adjusted for non recurrent items, depreciation for the period dropped €19 million yoy to €41 million. This fall resulted from the downward revision of the dated Brent reference price in comparison with 31 December 2008, which reduced the depreciation rate as net-entitlement reserves were revised upwards. Based on net-entitlement production, unit depreciation charges fell 28% yoy to Usd 17.3/bbl from Usd 24.0/bbl a year earlier.

Non recurrent items of €35 million in the period consisted primarily of charges for onshore dry wells in the Espírito Santo and Sergipe-Alagoas basins.

Refining & Marketing

RCA operating profit of €79 million in 2009 was €294 million lower than

in 2008. This unfavourable development was partly due to the incident in the Sines refinery, which led to the temporary stop of the alkylation and FCC units until the end of the first quarter. The economic environment in 2009, which drove refining margins lower, was, however, the main factor behind the fall in RCA operating profit.

Galp Energia's refining margin in 2009 was Usd 1.5/bbl, down Usd 3.0/bbl from 2008. This development was due to falling refining margins internationally and the narrowing gap between light and heavy crude oil, which had a negative impact on the spread between Galp Energia's own refining margin and the benchmark refining margin.

Refining unit cash costs fell 4% yoy to €2.1/bbl despite the 14% fall in crude processed in the year.

The time lag in 2009 had an unfavourable effect of €56 million, against a favourable effect of €78 million in

2008, meaning that it accounted for roughly half of the fall in RCA operating profit in 2009 compared with 2008.

On the upside, marketing of oil products affirmed its stable profile and its additional contribution to results through the sales generated by the former Agip and ExxonMobil subsidiaries. In particular, the synergies achieved in procurement and logistics by these acquisitions clearly outstripped expectations.

Gas & Power

RCA operating profit in 2009 was €135 million, down 23% from 2008. This decrease stemmed primarily from a drop of €36 million in the results of the supply business, which were 58% lower yoy. This drop was due to (i) lower volumes sold, (ii) lower margins caused by the time lag between price-setting in contracts

for sourcing and marketing of natural gas, primarily in the beginning of the year, and the higher acquisition cost of natural gas following the revision of the NLNG+ contract in late 2008, (iii) the regulated tariff for the last resort supply activity since the second half of 2008 and (iv) the provisions on account of the renegotiation of natural gas contracts.

The infrastructure business increased its results by 8% to €94 million and showed its robust contribution to the overall results of the Gas & Power business segment.

Considering the sales of both electrical and thermal energy, the unit margin in the power business declined to €9.5 per megawatt/hour from €11.8 per megawatt/hour a year earlier and sales to the grid were achieved at an average price of €94.5/MWh.

€70
MILLIONS

- In 2009, results from associated companies contributed €70 million, up from €48 million in 2008.

Results from associates

In 2009, results from associated companies contributed €70 million, up from €48 million in 2008.

This increase was primarily due to (i) the consolidation of CLC by the equity method instead of the proportionate method as before, which had a favourable impact of €9.6 million, (ii) the results from the equity holdings in

international gas pipelines (EMPL, Metragaz, Gasoducto Al Andalus and Gasoducto Extremadura), which contributed €45.6 million and (iii) CLH's favourable contribution of €8.8 million.

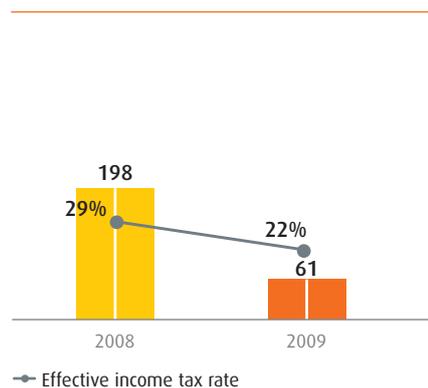
Financial results

Financial losses amounted to €76 million, which reflected higher interest costs as the average debt rose from €1,134 million in 2008 to €2,332 in 2009. These costs were, however, contained by the fall of 1.3 percentage points, to 3.8%, in the average cost of debt for 2009.

Tax

In 2009, IFRS income tax amounted to €99 million, which equated to an effective tax rate of 22%, in line with 2008.

RCA income tax (M€)



Tax (M€)

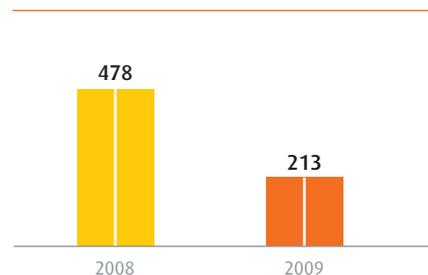
	2008	2009	CHANGE	% CH.
Income tax IFRS ¹	33	99	66	199.7%
Effective income tax rate	21%	22%	1 p.p.	n.m.
Inventory effect	162	(50)	211	n.m.
Income tax RC ¹	195	49	(146)	(74.8%)
Non recurrent items	3	12	9	n.m.
Income tax RCA ¹	198	61	(137)	(69.1%)
Effective income tax rate	29%	22%	(7 p.p.)	n.m.

(1) Includes oil tax (IRP) payable in Angola.

In RCA terms, income tax decreased by €137 million to €61 million as operating profit declined and oil tax paid in Angola (IRP) fell from €59 million in 2008 to €17 million in 2009 following the reduction in target production on which IRP is calculated and the lower price of crude oil

in the period. The effective RCA tax rate fell from 29% in 2008 to 22% in 2009 as the IRP decreased and companies that were consolidated by the proportionate method until 31 December 2008, started to be consolidated by the equity method.

RCA Net profit (M€)



Net profit

RCA net profit in 2009 was €213 million, or €264 million lower than in 2008, as falling prices of crude oil, squeezed refining margins and lower volumes of natural gas sold took their toll on the operating performance of all segments. The fall in RCA net profit was cushioned by lower IRP in Angola. IFRS net profit was €347 million, including a favourable inventory effect of €161 million.



Conversion project construction works at Sines refinery.

CAPITAL EXPENDITURE

Capital expenditure of €730 million in 2009 was predominantly allocated to the Refining & Marketing and Exploration & Production business segments, which absorbed 62% and 26% of the total, respectively.

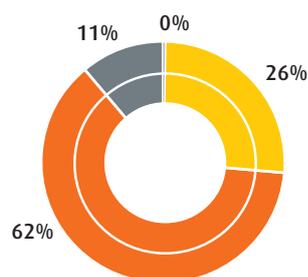


IN 2009 CAPITAL EXPENDITURES ON THE CONVERSION PROJECT OF SINES AND MATOSINHOS REFINERIES REACHED €248 MILLION.

Capital expenditure (M€)

	2008	2009	CHANGE	% CH.
Exploration & Production	196	193	(3)	(1.5%)
Refining & Marketing	1,245	456	(789)	(63.4%)
Gas & Power	116	77	(39)	(33.5%)
Others	2	3	1	42.4%
Capital expenditure	1,560	730	(830)	(53.2%)

Capital expenditure by business segment in 2009



- Exploration & Production
- Refining & Marketing
- Gas & Power
- Others

Capital spending of €193 million in Exploration & Production was mainly channelled to activities in the Santos Basin, in the Brazilian offshore, and Angola's Block 14. In this country, expenditure was €80 million, of which €38 million on the Tômbua-Lândana field. In Brazil, spending was predominantly channelled to the Santos Basin offshore, where the Tupi field accounted for €81 million.

In the Brazilian onshore, spending of €31 million included the signing bonus in the tenth round of bidding for exploration licences in Brazil.

In the Refining & Marketing business segment, capital expenditure of €456 million was mainly channelled to the conversion project, which accounted for €248 million. Marketing of oil products in the Iberian Peninsula absorbed €136 million, from which €40 million was allocated to Portugal and €85 million to Spain,

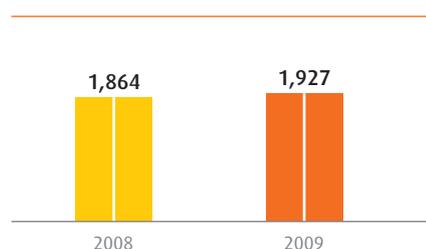
namely for the integration of the Agip and ExxonMobil operations.

Capital expenditure of €77 million in the Gas & Power business segment centred mainly on natural gas activities following the connection of new and converted clients and the expansion and renewal of the distribution network by close to 566 kilometres. In the power sector, expenditure was mainly channelled to the cogeneration plants at the Sines and Matosinhos refineries.

CAPITAL STRUCTURE ANALYSIS

At the end of December 2009, fixed assets of €4,154 million were €273 million higher than at the end of December 2008.

Net debt (M€)



Consolidated balance sheet (M€, except otherwise noted)

	DECEMBER 31, 2008	DECEMBER 31, 2009	CHANGE
Fixed assets	3,881	4,154	273
Strategic stock	480	575	95
Other assets (liabilities)	(29)	(24)	5
Working capital	(249)	(389)	(140)
	4,082	4,316	233
Short term debt	687	424	(263)
Long term debt	1,304	1,747	443
Total debt	1,991	2,171	180
Cash	127	244	117
Total net debt	1,864	1,927	63
Total shareholders' equity	2,219	2,389	170
Capital employed	4,082	4,316	233
Net debt to equity	84%	81%	(3.3 p.p.)

This rise was, however, below capital expenditure in 2009 owing to (i) the consolidation by the equity method of associates for which the proportionate method had been used up to the end of December 2008 and (ii) the re-booking of inventories at the former Agip and ExxonMobil subsidiaries from fixed assets to working capital.

The strategic stock was €95 million higher than at the end of December 2008 as the price of oil products rose in 2009. Working capital of €389 million reflected a reduction of €140 million in the year as a result of efficient working capital management.

Net debt at the end of December 2009 stood at €1,927 million, which was €63 million higher than at the end of December 2008.

At 31 December 2009, 80% of the debt was long term.

At the end of December, the net-debt-to-equity ratio was 81%, which was lower than the 84% at the end of December 2008 despite the amount of capital spending in 2009.

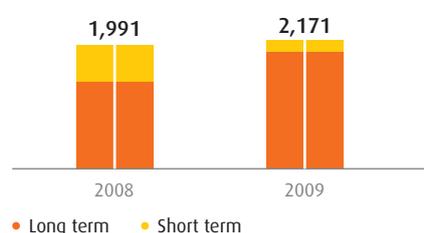
The average life of debt was 3.53 years at the end of December 2009 or 3.95 years if only long-term debt is considered.

At the end of 2009, 39% of medium and long-term debt was on a fixed-rate basis.

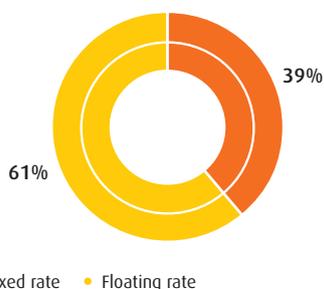
The average cost of debt in 2009 was 3.8% against 5.1% in 2008 as benchmark interest rates declined.

Net debt attributable to minority interests amounted to €29.4 million at 31 December.

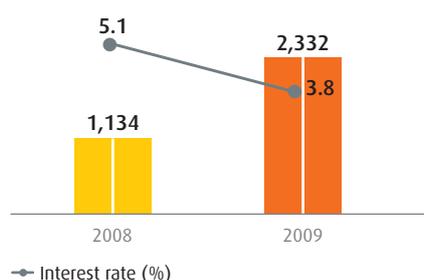
Debt by term (M€)



Debt by type of interest rate in 2009



Average debt (M€)




AT THE END OF DECEMBER 2009, THE NET-DEBT-TO-EQUITY RATIO WAS 81%, WHICH WAS LOWER THAN THE 84% AT THE END OF THE YEAR BEFORE DESPITE THE AMOUNT OF CAPITAL SPENDING IN 2009.

04

PRINCIPAL RISKS

OUR STRATEGIC PLAN IS UNDER WAY, IN A DIFFICULT ENVIRONMENT THAT HAS FORCED US TO BE PRUDENT AND RIGOROUS.

HENCE, WE HAVE HAD TO ADAPT THE EVOLUTION AND CONTEXT OF OUR PROJECTS TO A CONSTANTLY CHANGING REALITY.





Galp Energia employees.

RISKS FACED BY GALP ENERGIA

Galp Energia's operations and earnings are subject to risks from possible changes in competitive, economic, political, legal, regulatory, social, industry, and financial conditions.

Investors should carefully consider these risks as they may have a material adverse effect, separately or in combination, on Galp Energia's results from operations and its financial condition. Actions being taken by management to mitigate

some of these risks are identified when justified. In addition to those listed below, other risks may adversely affect Galp Energia's activities to a similar or even higher degree.

Market risks

Galp Energia operations are subject to several types of risks, namely fluctuations in the prices of oil, natural gas and refined products, movements in exchange rates and competition from other companies operating in the energy sector.

Fluctuating prices for crude oil, natural gas and oil products

Prices of oil, natural gas and oil products are affected by supply and demand conditions that are in turn influenced by operational issues, natural disasters, weather conditions, political instability or conflicts, economic conditions or actions taken by major oil-exporting countries.

A material decline in the price of crude oil or natural gas may have a material adverse effect on the results of Galp Energia's operations or its financial condition, in particular in its Exploration & Production business segment, by reducing the economic recoverability of discovered reserves and the prices realised from production.

Lower crude oil prices may also impair the economic viability of projects for the production of oil that are planned or in development. Galp Energia also maintains inventories of crude oil, other feedstock, refined petroleum products and natural gas whose value is negatively affected by declines in market prices.

A rise in crude oil and natural gas prices may also adversely affect the Company's results of operations or its financial condition, as it would increase the significant portion of expenses relating to the purchase of crude oil and natural gas. Although the prices that Galp Energia charges to its customers reflect the market prices of refined products and natural gas, prices may not be adjus-

ted immediately or fully account for increased market prices in markets experiencing volatility, in particular prices in the regulated natural gas market. Significant pricing level changes during the period between the purchase of crude oil and other feedstock and the sale of refined petroleum products could therefore have a material negative effect on Galp Energia business and financial condition or in the results of its operations.

Although an increase or decrease in the price of crude oil generally results in a corresponding increase or decrease in the price of the majority of the Company's refined products, changes in the prices of refined products generally lag behind upward and downward changes in crude oil prices. As a result, a rapid and significant increase in the market price for crude oil could have an adverse impact on refining margins. Furthermore, movements in the price of crude oil and refining margins may not correlate at any given time.

Galp Energia manages and mitigates commodity price risk by monitoring its net global commodity position and by balancing its purchase and supply obligations. In particular, Galp Energia manages the pricing period in order to achieve, at the end of each month, the average dated Brent crude price of such month, regardless of the actual days of pricing. The Company seeks to achieve this objective through daily purchases and/or sales of futures in crude oil based on the difference between the actual price and the average da-



GALP ENERGIA MAINTAINS INVENTORIES OF COMMODITIES WHOSE VALUE IS NEGATIVELY AFFECTED BY DECLINES IN MARKET PRICES.



Trading floor of power business.



THE OBJECTIVE OF GALP ENERGIA'S FOREIGN EXCHANGE RISK MANAGEMENT IS TO LIMIT THE UNCERTAINTY CREATED BY CHANGES IN FOREIGN EXCHANGE RATES OVER THIS NET FOREIGN EXCHANGE EXPOSURE.

ted Brent of each month. Therefore, purchases by Galp Energia are effectively spread throughout the month based on market prices without any change to the pattern of physical purchases. Galp Energia facilitates these pricing hedges through the Intercontinental Exchange in London.

Galp Energia's oil production in Angola is hedged in OTC markets using the same flattening method for the period when the sales price of the oil produced is fixed. This method flattens the price for a period of up to one year.

To hedge against relative price movements between exported products and the crude or oil products purchased, Galp Energia partly hedges its export margin on a monthly basis. These hedges are contracted through swaps and futures transactions.

Movements in exchange rates

Galp Energia's activities are exposed to movements in currency exchange rates, in particular the US dollar against the euro, its home currency. Trading prices of crude oil, natural gas and most refined petroleum products, and thereby a significant portion of Galp Energia costs and revenues, are generally denominated in or tied to the US dollar, while the Company financial statements are prepared in euros. Accordingly, a depreciation of the US dollar against the euro can have an adverse effect on Galp Energia's reported earnings, as it decreases the value of the profits generated in US dollars or tied

to the US dollar. Furthermore, movements in the euro against the US dollar can have a negative impact on certain balance sheet items, such as inventories and loans.

Since this is a denomination risk that is a function of other variables, such as oil and natural gas prices, Galp Energia has always been very cautious about hedging this risk, as there are natural hedges embedded either in its balance sheet or in its cash flows. The degree of exposure of cash flows and especially of balance sheet items is a function of the prices of oil and natural gas. Galp Energia looks at its overall net foreign exchange exposure rather than each single individual transaction where it has an exposure to foreign exchange risk. The objective of Galp Energia's foreign exchange risk management is to limit the uncertainty created by changes in foreign exchange rates over this net foreign exchange exposure. Hedging receivables and payables based on market speculation is not allowed. Any remaining currency exposure is monitored on a case-by-case basis. In Galp Energia's natural gas business, foreign exchange risk is managed by aligning the US dollar/euro exchange rate of invoices payable to suppliers to the US dollar/euro exchange rate applied to invoices receivable from customers. Galp Energia has consistently used this strategy since 2000.

Competition

The energy sector is highly competitive across the globe. Galp Energia is under competitive pressure in many significant parts of its business, including in

the access to raw materials such as oil and gas reserves and refinery feedstock, in the sale of products to customers, in the development of innovative products and solutions, including the development of new technologies, and in the search for employees with the skills and experience that Galp Energia needs.

When seeking access to reserves, its Exploration & Production business segment faces competition from both national and international companies, which control a substantial part of world

reserves. Galp Energia's business of marketing petroleum products in Iberia on a retail and wholesale basis is also highly competitive, considering that well-established competitors hold large shares of that market. Galp Energia's competitors include multinational or state-owned oil, gas and power companies with significantly greater financial resources and international experience. Failure to adequately analyse, understand or respond to the competitive environment could have an impact on Galp Energia's financial position.



GALP ENERGIA'S BUSINESS OF MARKETING PETROLEUM PRODUCTS IN IBERIA IN RETAIL AND WHOLESALE IS ALSO HIGHLY COMPETITIVE.

Operational risk

Galp Energia is exposed to operational risks that can have a negative impact, among others, on project execution, development of reserves and third parties dependency.

Project delivery

Galp Energia's execution of its strategic plan is to a significant extent dependent upon the successful completion of projects within budget and according to specifications. The delivery of these projects is subject to health, safety and environment (HSE) risks as well as technical, commercial, legal, contractor and economic hazards. Projects may be delayed or prove unsuccessful for many reasons, including: cost and time overruns in the construction stage; failure to comply with legal and regulatory requirements; equipment shortages; availability, competence and capability of human resources and contractors; unscheduled outages; mechanical and technical difficulties. Projects may also require the use of new and advanced techno-

logies, which can be expensive to develop, purchase or implement and may not function as expected. Such potential obstacles may impair the delivery of these projects and, in turn, negatively affect Galp Energia's operational performance and financial position, including the financial impact from the failure to fulfil contractual commitments related to project delivery.

Reserves/resources growth and estimation

Galp Energia's future oil and gas production is dependent on the success in finding, acquiring and developing new reserves. Usually the rate of production from natural gas and oil reservoirs declines as reserves are depleted. Galp Energia needs to replace these depleted reserves with new proved reserves on a consis-



THERE ARE A NUMBER OF RISKS DURING THE PRE-SANCTION PHASES, INCLUDING SUBSURFACE, ENGINEERING, COMMERCIAL AND REGULATORY RISKS.

tent and cost-effective basis. This replacement process could be affected by a number of factors including: barriers to gaining new exploration acreage; inaccurate interpretation of geological and engineering data; unexpected drilling conditions or equipment failure; inadequate resources including drilling rigs, skilled personnel, contractors, materials and supplies; and disruptions to the successful implementation of the drilling programme.

There can be no assurance that Galp Energia will be successful in its exploration and development activities or in purchasing proved reserves or that, if successful, the resulting discoveries or purchases will be sufficient to replenish the current reserves or cover the costs of exploration. If unsuccessful, Galp Energia will not meet its production targets and total proved reserves will decline, which will have a negative effect on the future results of its operations or its financial condition.

There are numerous uncertainties inherent in estimating oil and gas reserves. Reserves are estimated using available geological, technical and economic information. The process involves informed judgments and estimates of reserves are therefore not exact measurements and can be subject to revision. Published reserves estimates may also be subject to updates in the application of published rules and guidance.

Reserves development

Following the identification of exploration or new venture opportunities, certain activities are performed before an investment decision or “sanction” is made by management. These activities include marketing conditions, feasibility studies, and concept selection and definition. There are a number of risks during the pre-sanction phases, including subsurface, engineering, commercial and regulatory risks. The main risk prior to sanction is failure to assess accurately the project schedule and cost. Failure to select the most suitable development concept based on full ‘life cycle’ understanding of the project can expose projects to additional risk and cost.

If Galp Energia is not successful in securing appropriate long-term commercial agreements, in particular those related to gas and LNG sales and transportation, it may be unable to market its reserves, thus adversely impacting the Company’s cash flow and income. If the Company fails to adopt an appropriate procurement and project management strategy, it may experience delays to project schedule and increased costs.

Main regulatory risks during the pre-sanction phase are failure to negotiate appropriate agreements, where required, with host governments, lack of appreciation of the regulatory framework in the host



Autonomous natural gas distribution unit in Évora which supplies around 5,000 clients.

country and failure to obtain from the relevant local authorities the relevant permits, licences or approvals to carry out or operate certain works.

Reliance on third parties

Galp Energia is dependent, for a substantial portion of its operations, on continued access to oil, natural gas and other raw materials and supplies at appropriate prices. In particular, Galp Energia is to a large extent dependent on sourcing from Sonatrach in Algeria for natural gas and from Nigeria LNG in Nigeria for liquefied natural gas. Access to the Company's existing sources of crude oil, natural gas and other feedstock might be interrupted as a result of, among other things, political events with structural effects on the industry, limited pipeline capacity or other problems in transporting sufficient quantities of oil or natural gas from its current sources (including pipeline ruptures, damages to tankers, explosions, fires, adverse weather conditions, sabotage, government restrictions, regional hostilities and other hazards and *force majeure* events).

Problems or delays in accessing natural gas and other feedstock could affect sourcing costs, especially if

Galp Energia is forced to source LNG through spot purchases, which may be difficult given the tight supply of natural gas on the market and which are likely to be more costly than contracted prices for natural gas or LNG. Although Galp Energia has not experienced any significant feedstock sourcing shortages, there can be no assurance that it will not experience future interruptions and that it would be able to compensate any deviations or short delivery that might occur. Problems or delays in accessing feedstock necessary for the Company's business may have a material negative effect on its business, financial condition or results of operations.

Efficient operations

The integrity of Galp Energia's assets can be affected by a number of factors, including unplanned shutdowns and equipment failure. Failure to have common, robust systems and processes in place across the Company may adversely impact plant availability, production volumes and, ultimately, cash flow. Failure to have good asset integrity and process safety practices could result in a safety or environmental incident. Business activities conducted by the Company are often conducted



GALP ENERGIA IS DEPENDENT, FOR A SUBSTANTIAL PORTION OF ITS OPERATIONS, ON CONTINUED ACCESS TO OIL, NATURAL GAS AND OTHER RAW MATERIALS AND SUPPLIES AT APPROPRIATE PRICES.



Galp Energia's employees at a working meeting.



FAILURE TO MEET PRODUCT QUALITY STANDARDS THROUGHOUT THE VALUE CHAIN COULD LEAD TO HARM PEOPLE OR THE ENVIRONMENT AND LOSS OF CUSTOMERS.

with joint venture partners and some assets are under the day-to-day management of these partners and may therefore be subject to risks that are outside Galp Energia's control. The location of some of the Company's operations may expose them to natural hazards such as hurricanes, flooding and earthquakes, each of which could materially impact the Company's ability to deliver its products or services. Individual segments of the Company's activities are subject to specific operational and production risks. In the E&P segment, failure to adopt the correct strategy in reservoir exploration and well management strategy could adversely affect the ultimate reserves recovery from the field and, consequently, reduce long-term profitability and cash flow.

Health, safety and the environment

Given the range and complexity of Galp Energia's operations, potential HSE risks are widespread. These risks include major process safety incidents, failure to comply with approved policies, effects of natural disasters and pandemics, social unrest, civil war and terrorism, exposure to general operational hazards, personal health and safety, and crime. A major HSE incident could result in injury or loss of life, damage to the environment or destruction of facilities, each of which could have a material impact on Galp Energia. Depending on their cause and severity, they can affect Galp Energia's reputation, operational performance or

financial position.

Emissions of greenhouse gases and associated climate change are real risks to the Company and society in general. In the future, if Galp Energia is unable to find CO₂ solutions for new and existing projects, future government regulation or challenges from society could lead to project delays, additional costs as well as compliance and operational risks. These risks, if realised, could affect Galp Energia's operational performance or financial position.

Product quality

Supplying customers with on-specification products is critical to maintaining Galp Energia's licence to operate and its reputation in the marketplace. Failure to meet product quality standards throughout the value chain could lead to harm to people or the environment and loss of customers.

Human resources

Galp Energia's successful delivery of its business strategy depends on the skills and efforts of its employees and management teams. Future success will depend to a large extent on the Company's continued ability to attract, retain, motivate and organise its highly skilled and qualified personnel. This in turn will be impacted by competition for human resources. If Galp Energia loses the services of key people or is unable to attract and retain employees with the right capabilities and experience, it could jeopardize performance delivery.

Compliance

This area includes risks of changes in taxes and tariffs applied to Galp Energia, risks of changes in regulations and policies in the countries where Galp Energia operates and risks relating to corporate responsibility.

Taxes and tariffs

Galp Energia operates in several countries around the world and any of these countries can modify its tax laws in ways that could adversely affect the Company. Galp Energia is subject, among other levies, to corporate taxes, energy taxes, petroleum revenue taxes, customs surtaxes and excise duties, each of which may affect revenues and earnings. In addition, Galp Energia is exposed to changes in tax regimes relating to royalties and taxes imposed on crude oil and gas production. Significant changes in the tax regimes of countries in which the Company operates or in the level of production royalties payable could have a material adverse effect on Galp Energia's results of operations or financial condition. In addition, when setting or amending the tariffs applicable to Galp Energia's business activities, in particular the tariffs for the distribution or the supply of natural gas under the last resort supply licences to its customers, regulators might not take into account the full effect of the variations in the purchase price of natural gas and other factors affecting profitability. Adverse changes to these tariffs, including changes to the costs permitted to claim as operating costs

under the tariffs applicable to the sale of products, such as capital expenditure, raw material costs, cost reduction incentives and efficiency factors, could have an adverse effect on Galp Energia's business, financial condition or results of operations.

Political, regulatory and economic risks

Galp Energia's exploration and production activities are located in countries outside of Europe which have developing economies or political or regulatory environments that have at times in the past been unstable. Galp Energia also sources natural gas from Algeria and Nigeria for its natural gas business and sells its petroleum products in several African countries. As a result, a portion of the Company revenue is and will increasingly be derived from, or dependent on, countries with economic and political risks, including expropriation and nationalisation of property, increases in taxes and royalties, the establishment of limits on production or export and import volumes, the compulsory renegotiation of contracts, payment delays, currency exchange restrictions, civil strife, acts of war or terrorism.



GALP ENERGIA ADHERES TO INTERNATIONAL NORMS IN ALL COUNTRIES IN WHICH IT OPERATES.



GALP ENERGIA IS SUBJECT TO THE EFFECTS OF PUBLIC POLICIES AIMED AT MITIGATING CLIMATE CHANGE.

In particular, regulatory changes in matters such as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production and exports, price controls, environmental measures, control over the development and abandonment of fields and installations and risks relating to changes in local government regimes and policies could further adversely affect Galp Energia's exploration and production business. While Galp Energia has not experienced significant disruptions as a result of economic or political instability in the past, future disruptions could adversely affect its business, financial condition or results of operations.

The business environment in some countries in which Galp Energia operates is quite unregulated, and the related business culture does not reflect in all respects the norms that prevail in Western Europe. Galp Energia believes that it adheres to international norms in all countries in which it operates to the same extent as most other international oil and gas companies operating in those regions. However, any irregularities that may be discovered or alleged could have a material adverse effect on Galp Energia's ability to conduct business or on the value of its shares.

Climate change

Galp Energia is subject to the effects of public policies aimed

at mitigating climate change. These initiatives may affect the Company's operating conditions, namely in exploration and production, and refining. Although it is also active in renewable energy, the adoption of policies that enhance the use of this type of energy sources may affect the demand for hydrocarbon-based energy, where the Company's activities are mostly based. In addition, the cost of producing this type of energy may be significantly impacted by encumbering emission licences. Finally, access to reserves of oil and natural gas to exploit strategic growth opportunities may be restricted in the wake of initiatives designed to protect natural habitats. Consequently, Galp Energia monitors closely any public policies aimed at protecting the environment and adapts its strategy according to developments in the field.

Stakeholder engagement

A number of stakeholders (including employees, investors, media, governments, civil society groups, non-governmental organisations and those living in local communities affected by Galp Energia's operations) have legitimate interests in the Company's business. The Company's reputation and/or share price could suffer due to inappropriate or inadequate engagement with stakeholders, including, for example: failure to develop proactive stakeholder engagement strategies, delivery of inconsistent messaging to key

stakeholders on business objectives and strategy; failure to provide adequate explanations if performance targets are not met or if performance is perceived as poor against competitors'; and inadequate responses to any crisis (including financial market challenges, such as a hostile bid) or a major HSE incident.

Corporate responsibility

Galp Energia's failure to implement its business principles or any potential investigations on Galp Energia could impact the Company's reputation or share price. Each of the

following risks could affect the Company's ability to deliver projects on time and within budget and damage Galp Energia's reputation: failure to consider and manage environmental impacts, social consequences and human rights in investment decisions and pricing policies, project planning and operational management; failure to identify stakeholder expectations; and weak governance and internal controls, including the ineffective implementation of anti-corruption policies.



**GALP ENERGIA'S
FINANCING COSTS
MAY BE SIGNIFICANTLY
AFFECTED BY INTEREST
RATE VOLATILITY.**

Treasury, credit and insurance

Financial risk includes, among other hazards, changes in interest rates, liquidity shortfalls, credit risk, pension plan risk and insurance risk.

Interest rate and liquidity risk

Galp Energia's financing costs may be significantly affected by interest rate volatility. The Company is also exposed to liquidity risks, including those associated with the refinancing of borrowings as they mature, the risk that credit lines are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without loss of value. Failure to manage financing risks could have a material impact on Galp Energia's cash flow, balance sheet or financial position.

Galp Energia's total interest rate position, including financial investments and debt, is monitored by its central risk management units. Interest rate exposure is mainly related to interest-bearing debt in the balance sheet or interest rate derivatives. The objective of interest rate risk management is to reduce the volatility of interest expense in the income statement. Galp Energia's interest rate risk management policy aims to reduce exposure to floating rates by fixing part of the debt (including the portion of long term debt classed as short term), using simple deri-



Galp Energia's employees at a working meeting.



SOME OF THE MAJOR RISKS INVOLVED IN GALP ENERGIA'S ACTIVITIES CANNOT, OR MAY NOT, BE REASONABLY AND ECONOMICALLY INSURED.

vative instruments like interest rate swaps.

Galp Energia manages liquidity risk by maintaining adequate available credit lines.

Credit risk

Galp Energia's credit risk arises from the potential failure of a counterparty meeting its contractual payment obligations and, thus, the amount of risk depends on the creditworthiness of the counterparty. In addition, counterparty risk arises in conjunction with cash investments and hedging instruments. The amount of risk is quantified at the expected loss to the Company in the event of a default by the counterparty. Credit risk limits are set at the corporate level and delegated to the various business segments. Limits for credit risk positions are defined and documented and credit limits for specific counterparties are based on the credit rating of the counterparty, the term of the exposure and the money amount of the credit risk exposure.

Pension plans

Galp Energia maintains several defined benefit pension plans for part its active workforce. Under these pension plans, benefit payments are calculated as a complement of social security pensions, based on years of service and final salary. The most critical risks relating to pensions

accounting often relate to the returns on pension plan assets and the discount rate used to assess the present value of future payments. Pension liabilities can place significant pressure on cash flows. In particular, if pension funds are underfunded, Galp Energia may be required to make additional contributions to the funds, which could adversely affect its business, financial condition or results of operations. See the notes to Galp Energia's consolidated financial statements presented in the appendix for further disclosure on post-retirement benefits.

Insurance

Galp Energia maintains insurance in line with industry best practices in such amounts and with such coverage and deductibles as management believes are appropriate for the risks inherent in its business. The risks insured include, among other things, damage to property and equipment, industry liability, maritime transport liability of crude oil and other goods, pollution and contamination, directors' and officers' civil liability and work accidents. Nevertheless, some of the major risks involved in Galp Energia's activities cannot, or may not, be reasonably and economically insured. In addition, insurance premium costs are subject to changes based on the overall loss experience of insurance markets.

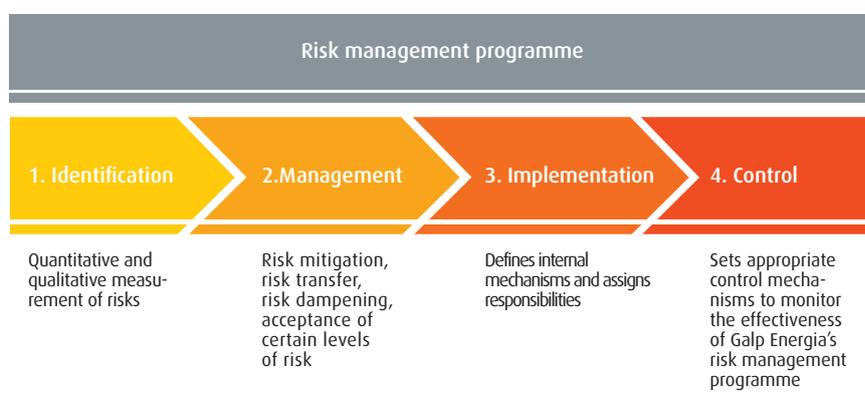
RISK MANAGEMENT POLICY

Galp Energia is exposed to various types of market risks inherent in the oil and gas industry, including commodity pricing, refining margin, inventory, foreign exchange, interest rate, and counterparty risk.

The Company has defined policies and procedures to measure, manage and monitor its risk exposures. The purpose of the Company’s risk management policy is to support business segments in achieving their goals while monitoring the potential impact of risks on their results. Galp Energia’s risk management policy aims to optimise the natural hedges embedded within each of its business segments and between different business segments. At a second stage, Galp Energia identifies residual market risks, if any, affecting expected cash flows and balance sheet items and analyses them on an integrated basis by considering correlations between any external variables beyond the control of the Company that may impact the results of the Company’s operations.

Galp Energia’s corporate risk management policy is set by the board of directors. This policy sets objectives and procedures, and allocates responsibilities for risk management in the Company. The risk management committee includes two members from the executive committee and several other representatives from the corporate finance department, refining & marketing business segment and from the supply of natural gas. The risk management committee establishes the mechanics for implementing the

Implementation of a risk management programme



The purpose of introducing a risk management programme is to keep the risk linked to certain activities below levels that are acceptable to Galp Energia.

corporate risk management policy and submits it to the executive committee for approval. The results are evaluated monthly by the corporate unit that is responsible for all the business units. The risk management committee may amend the corporate risk management policy within the guidelines set by the board of directors or propose a new strategy at any time, if appropriate. The implementation of the commodities risk management is executed at the business segment level. Interest rate exposure, currency risks and other financial risks are managed by the Company’s central corporate finance and corporate treasury departments. In addition, Galp Energia has separate policies relating to treasury, insurance, environmental, health and safety and information technology risk management.

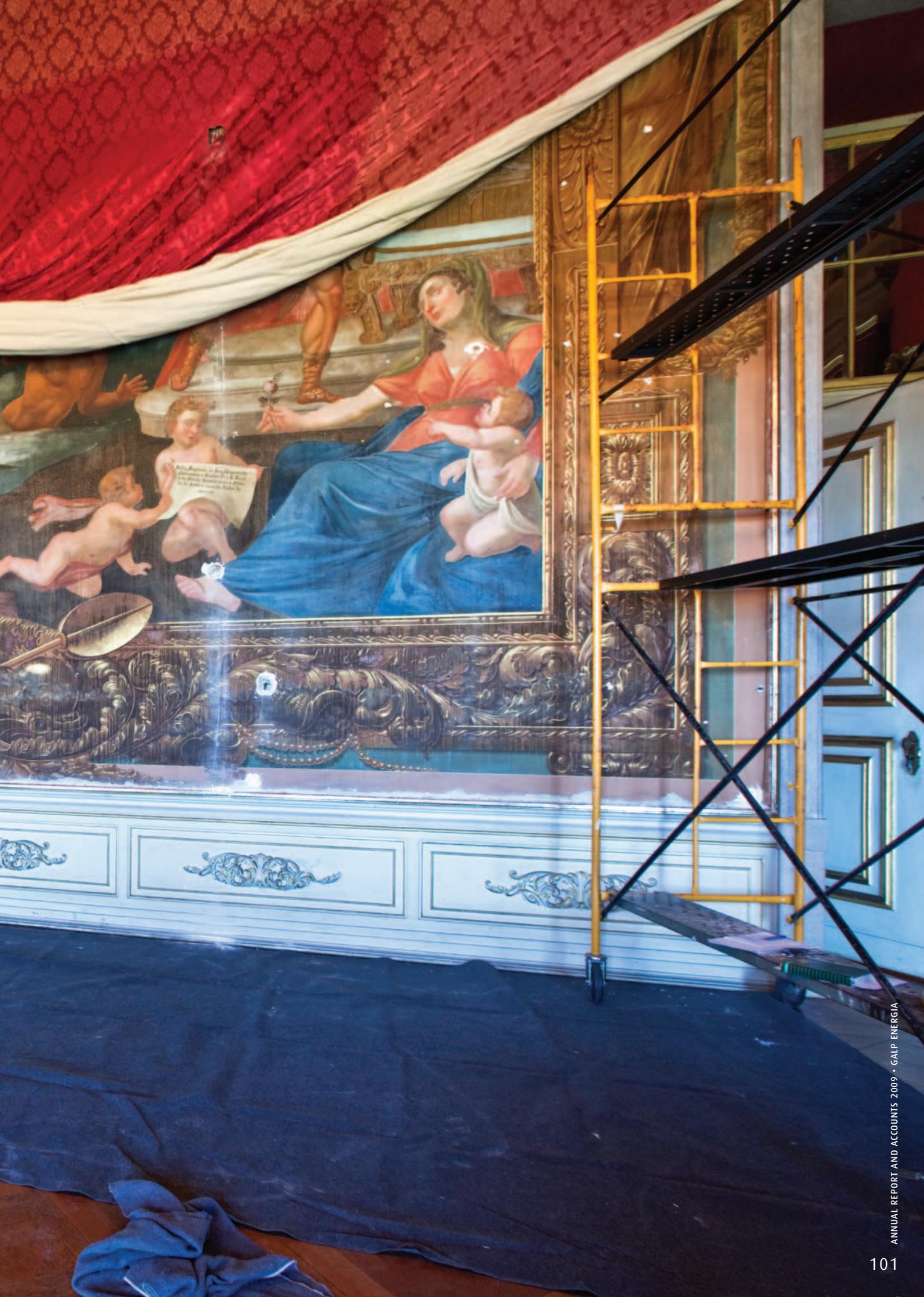


GALP ENERGIA’S RISK MANAGEMENT POLICY AIMS TO OPTIMISE THE NATURAL HEDGES EMBEDDED WITHIN EACH OF ITS BUSINESS SEGMENTS AND BETWEEN DIFFERENT BUSINESS SEGMENTS.

05

COMMITMENT TO STAKEHOLDERS

LIVING UP TO ITS SOCIAL ROLE AND RESPONSIBILITY, GALP ENERGIA HAS BEEN DEVELOPING A VARIETY OF SOCIAL, CULTURAL, SPORT AND CHARITY PROJECTS THROUGHOUT THE YEARS.





The monitoring of Galp Energia's share is done on a daily basis.

GOVERNANCE

Shareholder structure

The stability of its shareholder base in 2009 helped Galp Energia to develop its strategic plan and execute its transformational projects.

Amorim Energia, Eni and Caixa Geral de Depósitos (CGD) continued to be Galp Energia's major shareholders and, simultaneously, parties to an agreement – whose provisions are briefly described in this chapter – whereby they undertake to keep their holdings unchanged up to 31 December 2010.

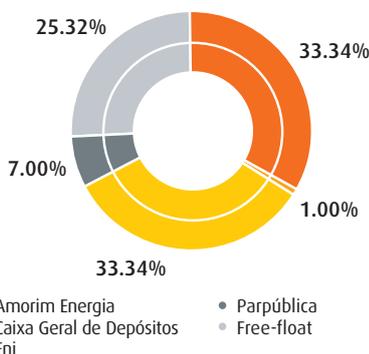
Amorim Energia has its head office in the Netherlands and its shareholders are Power, Oil & Gas Investments BV (30%), Amorim Investimentos Energéticos SGPS S.A. (20%), Oil Investments BV (5%) and Esperaza Holding BV (45%). The first three companies are directly or indirectly controlled by Portuguese investor Américo Amorim and the last one is controlled by So-

nangol, E.P., Angola's state-owned oil company.

Eni is an Italian-based energy operator, which is listed on the Milan Stock Exchange and NYSE in New York. Eni operates in over 70 countries in Exploration & Production, Refining & Marketing, Gas & Power, Petrochemicals & Engineering and Construction & Drilling. At 31 December 2009, Eni had a market capitalization of €71 billion.

CGD is Portugal's largest financial institution and is wholly-owned by the Portuguese state.

Shareholder structure at 31 December 2009



Parública manages the Portuguese state's shareholdings in several companies.

Galp Energia shares freely traded on the market accounted for 25% of the total at the end of 2009 and 80% of this free float, or 20% of shares outstanding, was owned by institutional investors. Private investors owned the remainder, or 5% of the total, in line with what was the case at the end of 2008.

The shareholder base at the end of the year included investors from 26 countries and Galp Energia's visibility in international equity markets was evidenced by the spread of over 79% of the institutional base outside the country of origin.

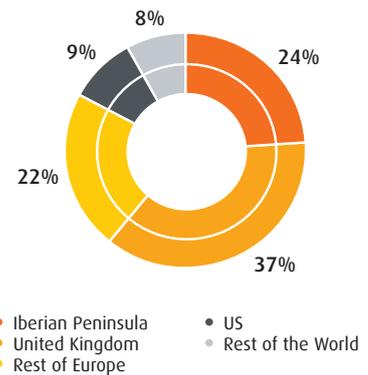
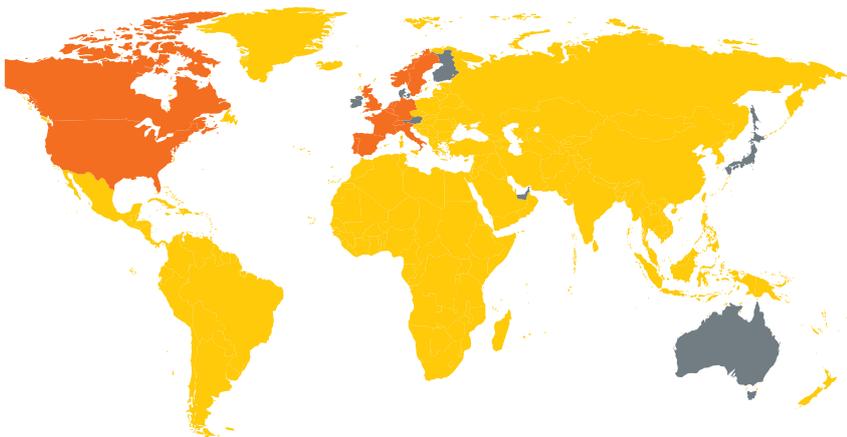
British institutional investors kept their leadership position despite a reduction of their share of this shareowner category to 37%. U.S. and Portuguese investors came next with 9% and 21%, respectively.

25%

FREE FLOAT

- 80% of this free float, or 20% of shares outstanding, was owned by institutional investors.
- Private investors owned the remainder.

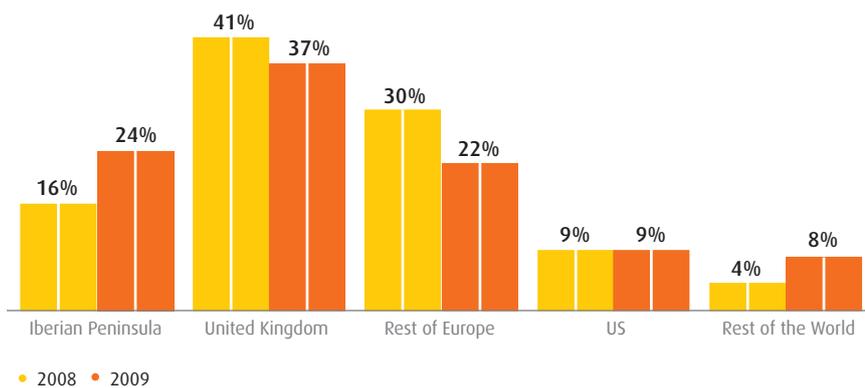
Geographical spread of institutional investors in 2009



Source: Ipreo

- High concentration
- Residual concentration

Evolution of geographical spread



Source: Thomson Reuters for 2008 and Ipreo for 2009

Governance model

Galp Energia’s governance model establishes a responsible and transparent relationship between shareholders, the board of directors and supervisory bodies. Trust and effectiveness are enhanced by a clear separation of powers between the board of directors and the executive committee. Whereas the former formulates the corporate strategy and monitors its execution, the executive committee is assigned operating tasks by the board of directors which are related to the day-to-day management of business units and services, although it has also been assigned an important role in the development of corporate policy.

Board of directors

At the end of 2009, the Galp Energia board of directors was composed of 17 directors, of which six were executive directors and the other eleven non-executive directors. Out of these eleven non-executive directors, two – one of them the chairman – were independent.

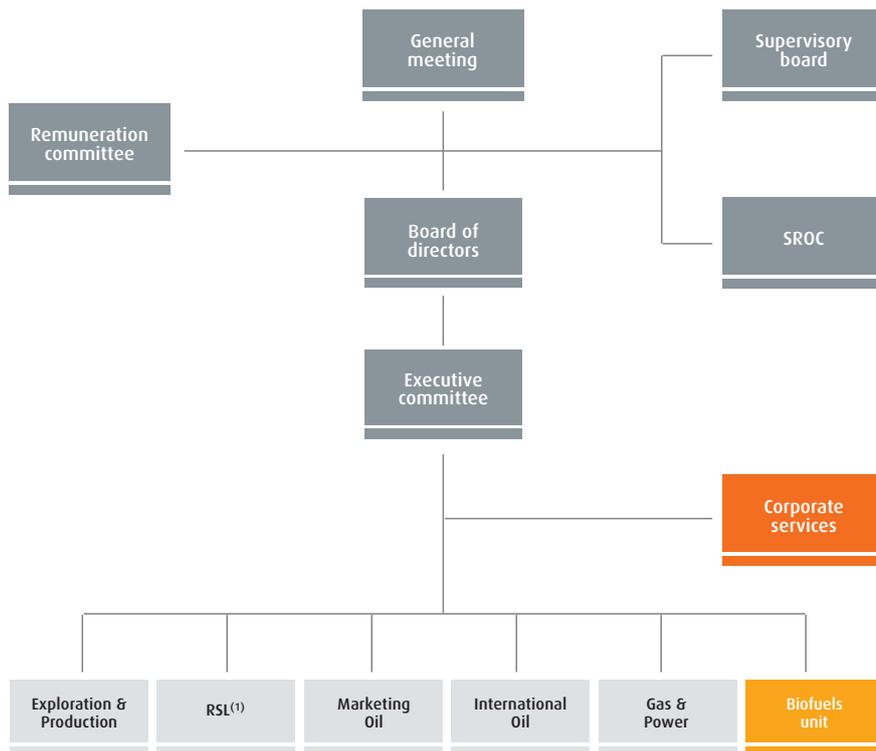
According to the shareholder agreement, seven directors are proposed by Amorim Energia, another seven by Eni and one, the chairman of the board of directors, is proposed by CGD. The chief executive officer is jointly proposed by Amorim Energia and Eni, subject to CGD’s approval. The seventeenth director is proposed by the three shareholders jointly. The list of directors that has been jointly proposed by the signatories to the shareholder agreement is submitted for approval to the general meeting.

The directors’ abridged résumés are contained in the Company’s corporate governance report, which is published separately.

Beyond the formulation of corporate strategy, the board of directors’ remit is to set up the Company’s organisational structure and business portfolio as well as approve high-risk or high-cost capital spending and monitor its execution.

Board resolutions are generally taken by simple majority except for certain matters provided for in the

Organisational set-up



Note: (1) Refining, Supply and Logistics.

shareholder agreement, which require a supermajority of two-thirds, as described in detail in the corporate governance report.

In 2009, the non-executive directors played an active role in the development of Galp Energia’s strategy and assessment of the executive committee’s performance towards the attainment of set goals. Their work also included to make sure that robust systems for risk management and control are in place. The executive committee recognised and appreciated the non-executive directors’ work and considered it stimulating and conducive to higher performance levels.

Eight meetings of the board of directors were held in the year where the directors were either present or duly represented. Electronic voting was used in six resolutions.

In 2009, the non-executive directors earned a total of €2.1 million.

In 2009, changes were made to the board’s non-executive directors. Following the resignations tendered by Mr. Luigi Piro and Mr. Alberto Chiarini, the board of directors appointed in July Mr. Luigi Spelli and Mr. Massimo Mondazzi in their replacement, respectively. In November, the board of directors appointed Mr. Francesco Giunti as non-executive director to fill the vacancy left by the passing of former director Mr. Camilo Gloria.

In March 2010, the board of directors appointed Mrs. Maria Rita Galli as non-executive director after the resignation of Mr. Francesco Giunti.



Galp Energia's head offices in Lisbon.

Composition of the board of directors

NAME	POSITION
Francisco Luís Murteira Nabo	President non-executive director
Manuel Ferreira De Oliveira	Vice-president, chief executive officer
Manuel Domingos Vicente	Non-executive director
Fernando Manuel dos Santos Gomes	Executive director
José António Marques Gonçalves	Non-executive director
André Freire de Almeida Palmeiro Ribeiro	Executive director
Carlos Nuno Gomes da Silva	Executive director
Rui Paulo da Costa Cunha e Silva Gonçalves	Non-executive director
João Pedro Leitão Pinheiro de Figueiredo Brito	Non-executive director
Massimo Mondazzi	Non-executive director
Claudio De Marco	Executive director (CFO)
Paolo Grossi	Non-executive director
Maria Rita Galli	Non-executive director
Fabrizio Dassogno	Executive director
Giuseppe Ricci	Non-executive director
Luigi Spelli	Non-executive director
Joaquim José Borges Gouveia	Non-executive director



BEYOND THE FORMULATION OF CORPORATE STRATEGY, THE BOARD OF DIRECTORS’ REMIT IS TO SET UP THE COMPANY’S ORGANISATIONAL STRUCTURE AND BUSINESS PORTFOLIO.

Executive committee

The executive committee is composed of six directors appointed by the board of directors for a three-year period, who remain in office until a new executive committee is appointed. The current term began in 2008 and will expire at the end of 2010.

The executive committee's remit is to manage the Company on a day-to-day basis in accordance with the strategy formulated by the board of directors. In fulfilling its role – which is detailed in the corporate governance report – the executive committee manages the business units, allocates resources, seeks synergies and monitors the execution of the policies set for several fields.

The powers delegated by the board of directors to the executive committee require that the latter should meet regularly. In 2009, the executive committee met 47 times.

In 2009, the members of Galp Energia's executive committee earned total compensation of €4.1 million, of which €2.8 million was fixed component, €0.6 million was variable and €0.7 million for the constitution of a supplementary retirement plan. The compensation received by each director is shown in the corporate governance report.

The work of both the board of directors and the executive committee follows the rules created to formalise the workings of these two governing bodies, which can be read at www.galpenergia.com.

6

APPOINTED BOARD MEMBERS

- The executive committee is composed of six directors appointed by the board of directors for a three-year period.
- Remain in office until a new executive committee is appointed.
- The current term began in 2008 and will expire at the end of 2010.



From left to right: André Palmeiro Ribeiro, Fernando dos Santos Gomes, Manuel Ferreira De Oliveira, Claudio De Marco, Fabrizio Dassogno, Carlos Gomes da Silva.

André Palmeiro Ribeiro

RESPONSIBLE FOR THE REFINING, SUPPLY AND LOGISTICS BUSINESS SEGMENT

- Galp Energia director since May 2005
- International experience in investment banking

Fernando dos Santos Gomes

RESPONSIBLE FOR THE EXPLORATION & PRODUCTION, INTERNATIONAL OIL AND BIOFUELS BUSINESS SEGMENTS

- Galp Energia director since May 2005
- Former Portuguese home secretary

Manuel Ferreira De Oliveira

CHIEF EXECUTIVE OFFICER (CEO)

- CEO since January 2007 and Galp Energia director since April 2006
- Over 20 years' international experience in the oil industry



Claudio De Marco

CHIEF FINANCIAL OFFICER (CFO)

- Galp Energia director since May 2008
- Experience in finance as CFO of Italgas S.p.A. and Snam Rete Gas S.p.A.

Fabrizio Dassogno

RESPONSIBLE FOR THE GAS & POWER BUSINESS SEGMENT

- Galp Energia director since May 2008
- Professional experience in Eni's Gas & Power unit

Carlos Nuno Gomes da Silva

RESPONSIBLE FOR THE OIL MARKETING BUSINESS SEGMENT

- Galp Energia director since April 2007
- Several directorships since 2002



THE EXECUTIVE DIRECTORS' PERFORMANCE IS APPRAISED ANNUALLY ACCORDING TO CRITERIA SET BY THE REMUNERATION COMMITTEE.

Supervisory bodies

The supervisory role is assigned to a statutory audit board and a firm of chartered accountants.

The statutory audit board is composed of three standing members and a deputy, all independent and elected by the general meeting in compliance with the rules laid down in the shareholder agreement.

The statutory audit board's remit is to follow the preparation and disclosure of Galp Energia's financial information, to appoint, assess and dismiss, if and when necessary, the independent external auditor, to supervise the audit of financial information and to propose for approval by the general meeting the appointment of a firm of chartered accountants or a single chartered accountant, whose independence, particularly regarding the provision of additional services, it shall verify. The regulations guiding the activities of the statutory audit board are available at www.galpenergia.com.

In 2009, the statutory audit board met 11 times and the conclusions of its supervisory actions were reported to the board of directors and the general meeting. A summary of these conclusions can be found in the statutory audit board's opinion which is appended to this report.

In 2009, the members of the statutory audit board received a total remuneration of €92.4 thousand.

Remuneration policy

Galp Energia's remuneration policy reflects the goal of long-term shareholder value creation.

The remuneration payable to the members of the Company's governing bodies is set by a remuneration committee composed of three shareholders: CGD, which chairs the committee, Amorim Energia and Eni, which are all elected by the general meeting for a three-year period – in the current term until 2010. The members of the remuneration committee may not be either directors or members of the statutory audit board.

The executive directors earn a fixed monthly remuneration and an annual variable compensation depending on individual and collective performance. The compensation package payable to executive directors is reviewed on an annual basis to make sure that offered terms are competitive in comparison with the terms offered on the market for positions of comparable complexity and responsibility. The overall remuneration has a predominantly monetary component and a complementary retirement plan in the form of a retirement savings plan. This plan equates to 25% of the annual remuneration in accordance with the terms set by the remuneration committee.

According to the Company's articles of association, the combined director compensation may not exceed 0.5% of the financial year's net profit.

The executive directors' performance is appraised annually according to criteria set by the remuneration committee. This appraisal is primarily based on three variables: (i) the Company's operating performance, or Galp Value Added, (ii) the budgeted EBITDA and (iii) the performance of the Galp Energia share in comparison with those of a group of peers. The variable remuneration is payable according to the degree of attainment of the goals set for each variable.

Code of ethics

In 2009, the Company launched its code of ethics, which regulates the conduct of its employees in their roles and relationships with external stakeholders. This body of rules formalised the obligation to respect a set of standards aimed at strengthening ethical and diligent behaviour of Galp Energia staff. A secondary, yet important, objective for the code is to minimise the likelihood of incidents occurring which might have an adverse impact on the Company's reputation. At the same time, a commission was set up to enforce application of the code of ethics and thereby make sure the code is implemented, rightly interpreted and any doubts or omissions are addressed. The code is available at www.galpenergia.com.

Galp Energia employees at a work meeting.



IN 2009, THE COMPANY LAUNCHED ITS CODE OF ETHICS, WHICH REGULATES THE CONDUCT OF ITS EMPLOYEES IN THEIR ROLES AND RELATIONSHIPS WITH EXTERNAL STAKEHOLDERS.



SHAREHOLDER PARTICIPATION IN GENERAL MEETINGS IS ENCOURAGED BY THE POSSIBILITY TO VOTE BY CORRESPONDENCE AND BY THE CIRCULATION BY E-MAIL AND THE INTERNET OF THE ITEMS TO BE SUBMITTED TO THE GENERAL MEETING.

829,250,635
TOTAL SHARES

- Galp Energia's share capital is evidenced by 829,250,635 shares.
- Galp Energia has no treasury shares.

Information to shareholders

Galp Energia's policy for capital markets communications aims to ensure a steady flow of relevant information which will create for investors, analysts and the public at large, with respect for the principles of symmetry and simultaneity, a fair representation of the Company's performance and strategy.

Participation in the general meeting

In 2009, Galp Energia's annual general meeting (AGM) was attended by 170 shareholders in representation of 77.124% of the Company's share capital. This number was well in excess of the 81 shareholders who had attended the 2008 AGM and reflected the Company's efforts to encourage exercise of voting rights. Once again, individual shareholders had the opportunity of exposing their doubts and views with the Company's directors. In the 2009 AGM, an important amendment to the Company's articles of association was approved that consisted of assigning one vote to each share. The primary aim of this step was to give all shareholders the opportunity to participate in the Company's business affairs, without discrimination, in accordance with what is seen as best international practice.

Exercise of voting rights

Galp Energia actively promotes the exercise of voting rights, either directly or by proxy. Shareholder participation in general meetings is encouraged by the possibility to vote by correspondence and by the circulation by e-mail and the internet of the items to be submitted to the general meeting for shareholder approval.

The corporate governance report contains more detailed information about the several ways for shareholders to participate in the Company's business affairs.

Number of shares

Galp Energia's share capital is evidenced by 829,250,635 shares. At 31 December 2009, the Company had no treasury shares.

Shareholder agreement

Amorim Energia, CGD and Eni are parties to a shareholder agreement – described in closer detail in the corporate governance report – that governs a number of issues relating to the conditions for the disposal of Galp Energia shares by the parties, namely the obligation to keep their holdings unchanged for a certain period – called the lock-in period – ending on 31 December 2010, except for in special instances such as change of control, deadlock situations or breach of contract.

During the lock-in period, that is, in special instances, if the selling party is Amorim Energia, CGD will have a preference right before the other parties to acquire Amorim Energia's stake or to appoint a third-party seller, subject to certain conditions.

From 1 January 2011 onwards, that is, after expiry of the lock-in period, any party may sell its holding in full. In this case, the other parties will have, alternatively, a preference right to acquire or to obtain the terms applicable to a sale to third parties. If Amorim Energia is the selling party, CGD will have the preference right to acquire all or part of the shares owned by the former or to appoint a third party for that purpose.

In all other selling situations, or if CGD does not exercise its preference right in the case of a sale by Amorim Energia, the shares of the selling party shall be equally distributed to the parties having exercised their preference right, regardless of the size of their stake in Galp Energia. Except for the sale by Eni, the exercise by CGD of its preference rights may not result in the Portuguese state or any other government entity owning more than 33.34% in Galp Energia.

In case of change of control at any of the parties, the other ones have the right to acquire its holding in equal parts, notwithstanding CGD's preference right.

Other provisions of the shareholder agreement deal with the appointment and dismissal of directors and members of the statutory audit board, and the need for a supermajority, larger than two-thirds, for certain resolutions such as those relating to the approval of business plans and budgets, strategic capital expenditure and the attendant funding, appointments of senior managers and the issuance of securities, namely debt securities.

The shareholder agreement also provides for the parties to propose to the general meeting the distribution of at least 50% of net profit, provided the Net debt/EBITDA multiple does not exceed 3.5x.

Information made available to the market

Disclosures are in Portuguese and English, preferably before the NYSE Euronext Lisbon opens or after it closes, and they are published in the market regulator CMVM's disclosure system and the Investor channel on the Company's website, and sent by e-mail to subscribers, regardless of their being shareholders or not. Since 2008, Galp Energia also uses an external platform for sending price-sensitive information to main information centres across Europe. This platform gives European Union investors quick access to this pool of information, on a non-discriminatory basis and without any additional costs.

Dividend policy

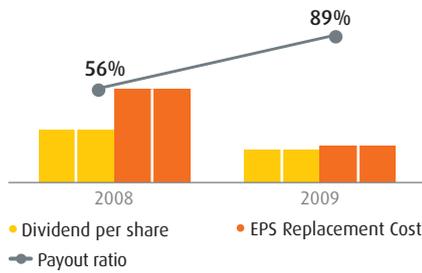
Galp Energia announced in 2009 a revision of its dividend policy for 2009-2013. This change followed from the funding strategy announced in May, which favours capital conservation as a way of enabling the execution of transformational projects. The new policy aims to pay €0.20 per share in annual dividend, subject to general meeting approval. An interim dividend of €0.06 in respect of 2009 was paid in the year in accordance with articles 32, 33 and 297 of the Companies Code (CC).

In 2010, the board of directors aims to propose to the AGM scheduled for 26 April a dividend of €0.20/share in respect of the financial year of 2009, which



THE GALP ENERGY SHARE IS PART OF SEVERAL STOCK INDICES: PSI-20, DOW JONES STOXX 600, DOW JONES EUROPE STOXX OIL & GAS, EURONEXT 100, FTSE WORLD OIL & GAS, MSCI EURO INDEX AND THE NEWLY CREATED NYSE EURONEXT IBERIAN INDEX.

Dividend and earnings per share
(€/share)



Source: Galp Energia
Note: Earnings per share are calculated on the basis of the replacement cost method.

equates to a dividend yield of 1.66% on the basis of the share price at 31 December 2009.

Share trading

Except for the shares held by Parpública and the shares covered by the shareholder agreement between Amorim Energia, CGD and Eni, the Galp Energia shares are freely traded on the market.

Out of Galp Energia's 829,250,635 shares, 771,171,121 shares are listed for trading on NYSE Euronext Lisbon. The shares that are indirectly held by the Portuguese state through Parpública (40,000,000 A shares and 18,079,514 B shares) are not listed for trading although they are registered on Eurolist by Euronext Lisbon.

Oil & Gas (SXEP), Euronext 100, FTSE World Oil & Gas, MSCI Euro Index and the newly-created NYSE Euronext Iberian Index, which is composed of the twenty most liquid shares on the Madrid Stock Exchange and the ten most liquid ones on NYSE Euronext Lisbon.

Share performance

At 31 December 2009, Galp Energia had a market capitalisation of €10,017 million, which was substantially above the €5,954 million a year earlier. The share gained 68% in the year, following the trend for the oil and gas sector and the PSI-20, the benchmark index for the Portuguese equity market.

Codes and tickers for the Galp Energia share

ISIN	
Symbol: GALP (type B)	PTGALOAM0009
Portuguese state share (type A)	PTGALSAM0003
Portuguese state share (type B)	PTGALXAM0006
Sedol	B1FW751
WKN	AOLB24
Bloomberg	GALP PL
Reuters	GALP.LS

The Galp Energy share is part of several stock indices: PSI-20, Dow Jones STOXX 600, Dow Jones Europe STOXX

In 2009, 414 million Galp Energia shares were traded, which was equivalent to 50% of the Company's share capital or, even more importantly, 2.0 times its free float. This volume evidences the liquidity of the share on Euronext Lisbon, one of the most traded shares in the PSI-20. Average daily traded volumes declined to 1.6 million shares from 2.5 million shares in 2008, while the total number of shares traded fell by 36%. In 2009, 576 thousand transactions were closed, that is, a daily average of 2,251 transactions. The share price peaked at €12.65 on 20 October and had its lowest level, €7.22, on 2 January.

Performance of the Galp Energia share against the SXEP and PSI-20 indexes in 2009



Source: Bloomberg

At the end of 2009, the Galp Energia share had gained 108% in comparison with the IPO price in October 2006. As shown in next page chart, the 26% gain in annual terms in this period outperformed a group of peers.

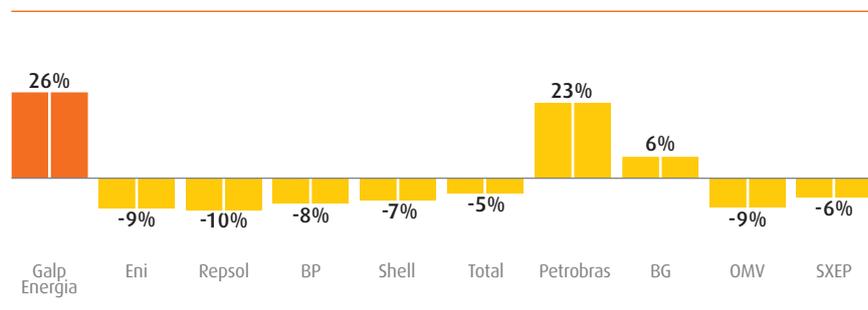
Coverage of the share by analysts

At the end of 2009, 25 analysts covered the Galp Energia share, six more compared with the year before. This growth shows the increased visibility of the Galp Energia share on the equity market in 2009.

At 31 December 2009, the average price target for the 25 analysts was €13.06, with 64% of the analysts recommending buying the share, 28% recommending holding it and 8% recommending selling it.

Following the globalisation of Galp Energia's shareholder structure and the increasing weight of US investors, Galp Energia will now announce quarterly results in the morning, before the Portuguese stock market opens for trading, while conference calls with investors and analysts will be held early in the afternoon.

Annualized return between 23 October 2006 and 31 December 2009

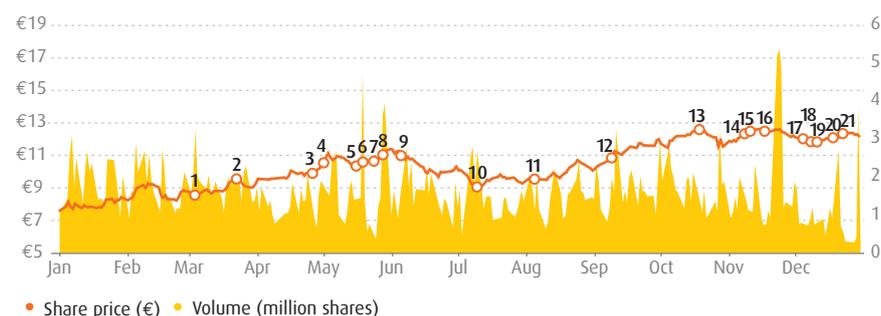


Source: Bloomberg
Note: Prices in euros

Main events in 2009

EVENT	DATE
1· Earnings release for the fourth quarter and 12 months of 2008	04 March
2· Approval of the annual report and accounts of 2008	25 March
3· Annual general meeting	27 April
4· Start-up of extended well test in the Tupi field	01 May
5· Earnings release of the first quarter 2009	13 May
6· Close of a €700 million funding facility	14 May
7· Ex-dividend date for the payment of the second dividend for financial year 2008	20 May
8· Announcement of the funding strategy	27 May
9· New well confirms the existence of light oil in Tupi	04 June
10· Close of the second funding tranche for the refineries conversion project for a total amount of €500 million	10 July
11· Earnings release for the second quarter and first half of 2009	05 August
12· Oil production starts at the Tömbua-Ländana field in Angola	09 September
13· Ex-dividend date for the payment of the first dividend relating to financial year 2009	19 October
14· Earnings release for the third quarter and nine months of 2009	11 November
15· Drilling of fourth well confirms Tupi's potential	12 November
16· Test in the Tupi area confirms high productivity	18 November
17· Sale of some businesses acquired from ExxonMobil	04 December
18· Participation in an LNG project in the Brazilian pre-salt	07 December
19· Formation tests confirm Iara's potential	08 December
20· Lump Sum Turn Key contract is signed with Técnicas Reunidas for the refinery conversion project in Sines	18 December
21· Acquisition of distribution assets and related marketing activities from Gas Natural in the Madrid region	19 December

Performance of Galp Energia share in 2009



Source: Bloomberg



AT THE END OF 2009, 25 ANALYSTS COVERED THE GALP ENERGIA SHARE, SIX MORE COMPARED WITH THE YEAR BEFORE.

Analysts at 31 December 2009

ENTITY	ANALYST	PRICE TARGET	DATE	RECOMENDATION
Barclays Capital	Lydia Rainforth	€ 13.50	15-12-2009	1-Overweight
UBS	Anish Kapadia	€ 12.00	30-11-2009	Neutral
Cazenove	Nitin Sharma	€ 16.80	20-11-2009	Outperform
Bernstein Research	Oswald Clint	€ 10.70	20-11-2009	Market-perform
Espírito Santo Research	Filipe Rosa	€ 13.60	06-11-2009	Buy
BPI	Bruno Almeida da Silva	€ 13.35	02-11-2009	Hold
Equita SIM	Gianmarco Bonacina	€ 13.30	02-11-2009	Buy
Caixa BI	Carlos Jesus	€ 15.00	27-10-2009	Buy
Goldman Sachs	Henry Morris	€ 12.30	25-09-2009	Sell
ING	Jason Kenney	€ 10.50	16-09-2009	Sell
Millennium BCP Investimento	Vanda Mesquita	€ 13.05	10-09-2009	Buy
AlphaValue	Alexandre Andlauer	€ 12.10	21-08-2009	Buy
Fidentiis Equities	Alberto Sánchez	€ 9.75	07-08-2009	Hold
Nomura	Michael Alford	€ 12.00	06-08-2009	Neutral
Collins Stewart	Gordon Gray	€ 10.00	17-07-2009	Hold
Credit Suisse	Dylan Dryden	€ 11.00	10-07-2009	Neutral
JP Morgan	To be defined	€ 12.50	03-06-2009	Overweight
Santander	Sandra Boente	€ 14.40	29-05-2009	Buy
Merrill Lynch	Hootan Yazhari	€ 14.00	28-05-2009	Buy
Deutsche Bank	Luis Fañanas	€ 14.00	17-04-2009	Buy
Morgan Stanley	Theepan Jothilingam	€ 14.00	18-02-2009	Overweight
Lisbon Brokers	Miguel Albuquerque	€ 14.50	12-01-2009	Strong Buy
Banif	Julieta Vital	€ 13.50	27-11-2008	Buy
Macquarie	Iain Reid	€ 13.00	23-10-2008	Outperform
Banesto	Robert Jackson	€ 17.60	01-04-2008	Sobreponderar

Financial calendar 2010

EVENT	DATE
• Trading update for the fourth quarter of 2009	11 February
• Earnings release for the fourth quarter and 12 months of 2009	25 February
• Annual report and accounts 2009 (audited)	26 March
• Trading update for the first quarter of 2010	22 April
• Annual general meeting	26 April
• Earnings release for the first quarter of 2010	06 May
• Trading update for the second quarter of 2010	22 July
• Earnings release for the second quarter of 2010	05 August
• Report and accounts for the first half of 2010	14 October
• Trading update for the third quarter of 2010	28 October
• Earnings release for the third quarter and nine months of 2010	28 October

• already happened • to happen

Note: All dates are subject to change. The information is released before or after market sessions.

SOCIAL RESPONSIBILITY

Living up to its social role and responsibility, Galp Energia has been developing a variety of social, cultural, sport and charity projects throughout the years.

In order to promote its social and environmental activities in the communities where it is established, Galp Energia develops projects in the several countries where it operates, namely Africa, South America and Asia. In Mozambique and Brazil, Galp Energia continued the experimental production of *Jatropha* by local populations to produce environmentally certified biodiesel. In parallel, the Company participated in social and professional support program-

mes, which led to the refurbishment of schools and the offer of training sessions.

Having choosed sustainable mobility as one of the major social responsibility projects in 2009, Galp Energia launched in March the GalpShare network, a social network to foster car sharing by people with similar itineraries and schedules. This network had over 14 thousand applications at the end of the year.

The Galp Energia Foundation

Under social responsibility, the most relevant project in 2009 was the creation of the Galp Energia Foundation (Foundation), which established itself as the Group's social brand.

In 2009, the Foundation aimed at identifying and accomplishing new challenges in order to increase the relationship with the society.

Traditionally, Galp Energia has revealed a strong commitment to improve public health in Portugal. In 2009, the Foundation supported the *Raríssimas* project of the Portuguese Association of Mental Disorders and Rare Diseases. The project consists of the construction of *Casa dos Marcos*, a competence centre for the clinical, social and educational fields of rare diseases. With occupational activities both for young people and adults and an

information and assistance help phone line to relatives and health professionals available 24 hours a day, this home will be a strong support for those whose everyday life is affected by these diseases.

Under the promotion of sport and for the social integration of disabled people, the Foundation supported the Paralympic preparation project, London 2012. The project aims to create high-quality and dignifying conditions for the preparation and competition of disabled athletes by helping and simultaneously fostering the development of paralympic sports in Portugal.

4

THE GOALS OF THE GALP ENERGIA FOUNDATION ARE:

- To contribute to the community in the social, environmental, cultural, educational and scientific fields;
- To contribute to the preservation of the historical and technological heritage of the energy sector in Portugal;
- To take part in scientific projects that promote energy research;
- To develop projects aimed at minimising the environmental impact of the energy sector.



IN 2009 THE GALP ENERGIA FOUNDATION WAS CREATED, WHICH ESTABLISHED ITSELF AS THE GROUP'S SOCIAL BRAND.

40

BICYCLES PROVIDED TO THE BIKESHARE PROJECT

- Galp Energia Foundation signed an agreement with the Lisbon City Hall aimed at funding the construction of a cycle track.

In the cultural field, the Galp Energia Foundation and the Portuguese Institute of Museums and Conservation signed an agreement to preserve the national heritage. Under this agreement, the historical room *Sala D. João VI* at *Palácio Nacional da Ajuda* is being fully restored with the Foundation's support. Under the celebrations of the 200th anniversary of the journey of the Portuguese royal family to Brazil, it was in that room that the Galp Energia Foundation was officially presented to the community in October 2009.

To foster art education and the access of several audiences to music as well as the promotion, diffusion and performance of cultural and educational activities, the Foundation supported the educational service of the *Fundação Casa da Música*.

To bring the community's attention to more sustainable urban mobility, the Foundation developed several projects in 2009.

The Bikeshare project consisted of providing 40 bicycles to the biennial *Experimenta Design'09* that allowed visitors to travel in the exhibition for free. The sharing concept was also promoted, since 20 bicycles had two seats.

These bicycles were also subject to an exclusive art intervention by young designers chosen from the *Instituto de Artes e Design* in a clear approach of the university community to the corporate world, one of the main goals of the Foundation.

Also regarding this field, the Galp Energia Foundation signed an agreement with the Lisbon City Hall aimed at funding the construction of a cycle track. The project seeks to raise the awareness of the population of Lisbon to preserve the environment and, in parallel, foster healthy and sport habits in the community.

Taking advantage of *Experimenta Design'09*, the Foundation launched a contest named *Pontes para um futuro mais positivo* directed at architects and engineers, who should design a new sustainable mobility equipment in Lisbon. The contest is aimed at the construction of a cyclable and walkable bridge over *Segunda Circular*, a high traffic road in Lisbon. The bridge should ease the crossing of bicycles and pedestrians and foster sustainable urban circulation.

Finally and also regarding sustainable mobility, the Foundation promoted a contest of sustainable mobility ideas in association with the Portuguese Ministry of the Environment, the Territory Organisation and the Regional Development, the Portuguese Environment Agency and several municipalities. The contest named *Ideias para o ar por um projecto para ficar* was meant to award the project that promoted the improvement of air quality in urban areas. The online voting awarded the *Bicla Tejo* project from the municipality of Almada.

Bicycles used in the bikeshare project.



HUMAN RESOURCES

Strategy



Galp Energia's human resources strategy continued oriented towards the upgrade and the development of employees, the reinforcement of motivation and the encouragement of productivity increase.

For this end, the competencies evaluation processes, the training of teams to characterise the development potential of senior managers, the analysis of internal mobility programmes, the identification of critical functions and the design of succession plans were intensified.

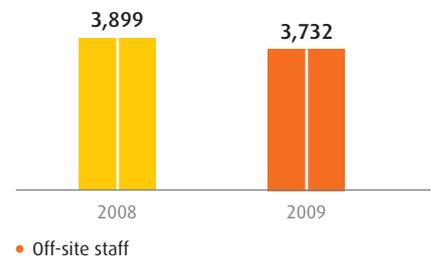
THE ANNUAL TRAINEE PROGRAMME INCLUDES HIGH-POTENTIAL STUDENTS RECENTLY GRADUATED FROM THE BEST UNIVERSITIES.

Trainee programmes

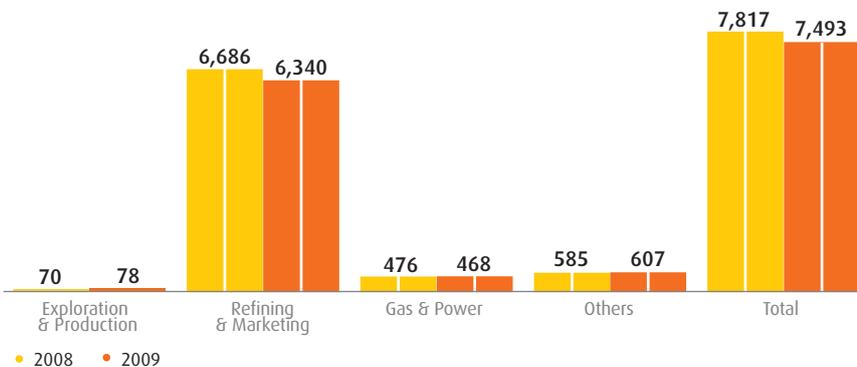
The annual trainee programme occurred throughout the year. Twenty high-potential students participated in this programme, which included the reception, training and the integration of recently graduated students from the best universities. This programme is an important source of recruitment and renovation of the Company's employees.

From the 2008 trainee programme, 18 participants were admitted, besides the 27 participants in a special programme oriented to the conversion project of Galp Energia's refining complex.

Off-site staff



Staff by business segment



Galp Energia's staff was reduced in 324 people between 2008 and 2009. The main reason for this decline was the reduction of employees in service stations under the optimisation of the network for marketing oil products in the Refining & Marketing business segment.

Training

In 2009, an internal training catalogue was created based on the behaviour and technical competencies set out on the job descriptions. The catalogue identifies one or more training programmes to develop each competence.

80,000
TRAINING HOURS

- 3,000 staff included in this large training project.

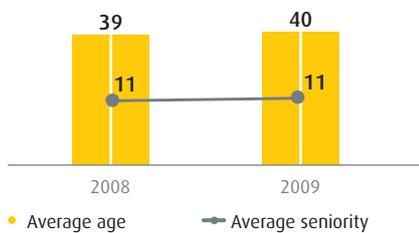
Throughout the year, a better articulation between the competencies evaluation process and the survey of the training needs was achieved, allowing the improvement of the scheduling of the training sessions.

There were over 80,000 training hours that involved close to 3,000 staff. Besides the specific technical training sessions, this training cycle included training related to Galp Energia's sa-

fety programme, which crosses the entire company, training centred on the development of behaviour competencies and training for middle managers.

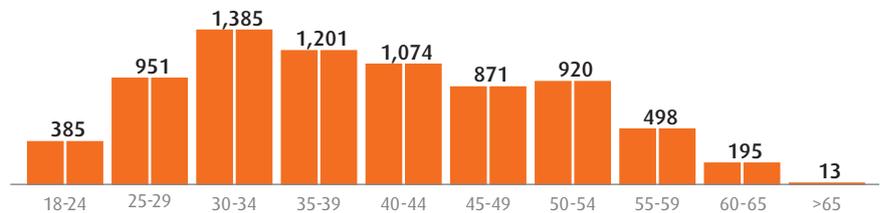
The programme of internal conferences called *Terças Temáticas* continued in 2009 and involved 2,067 employees.

Average age and seniority (years)

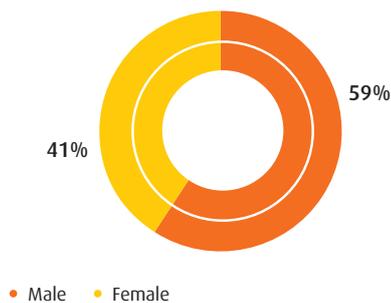


The average age and seniority of Galp Energia's staff was almost unchanged from 2008 to 2009.

Staff by age group in 2009



Staff by gender in 2009



The distribution of Galp Energia's staff by gender continued to be stable, compared with a year earlier. Men are predominant.

Employee satisfaction

A diagnosis survey of the organisational climate, in which 1,351 employees participated, was launched in late 2009. The survey was aimed at collecting the employees' opinion on a set of factors related to satisfaction levels and professional motivation.

The results obtained until now show that the several factors of the organisational climate are seen as moderately positive, on average, by the Group's employees. Several teams composed of employees from different business units were formed, which will analyse in early 2010 the

results in detail and propose actions that may contribute to the continuous improvement in the considered indicators.

Specific projects

Conversion of the refining complex

With the start of the construction of new units in the conversion project, the transversal plan for recruitment, specific training and the integration of new employees, whose conclusion is expected in 2010, began being implemented. In this plan and after the conclusion of the trainees programme for the conversion project, the admission of graduates in chemical, mechanical and electrical engineering, among others, was included. The construction project of these units required the management of the geographical mobility of over ten employees from the corporate headquarters to both refineries.

A new and wide specific training programme organised in modules, created in association with the Portuguese Institute of Employment and Professional Training, was implemented. The programme is aimed at providing new workers with the necessary behaviour and technical competencies for an adequate integration in the several roles

they will perform in Galp Energia's refining activity.

Integration of the acquired companies

Given the growing international presence of the Galp Energia group and the acquisitions made in Spain and Africa, the human resources department was called to follow the integration of the new employees.

The consolidation of the acquisition of Agip's and ExxonMobil's Iberian operations required a large human resources project for the group companies located in Spain. In order to promote equal opportunities, over 250 competence evaluations were performed covering every senior manager, technical manager, team supervisor and the entire sales team.

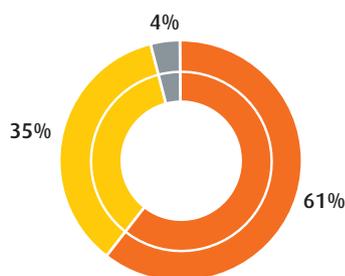
Every role of the new structure was listed and described and the practices and policies, hiring conditions and the positioning in the market were compared, thereby allowing the harmonisation of conditions, which will be implemented starting from 1 January 2010 after a dialogue with the social partners.

Concerning the integration of the African affiliates, the human resources department started the analysis and previous diagnosis of the adaptation needs of these countries to the Group's human resources practices and policies.



THE CONSOLIDATION OF THE ACQUISITION OF AGIP'S AND EXXONMOBIL'S IBERIAN OPERATIONS REQUIRED A LARGE HUMAN RESOURCES PROJECT FOR THE GROUP COMPANIES LOCATED IN SPAIN.

Geographical spread of the staff in 2009



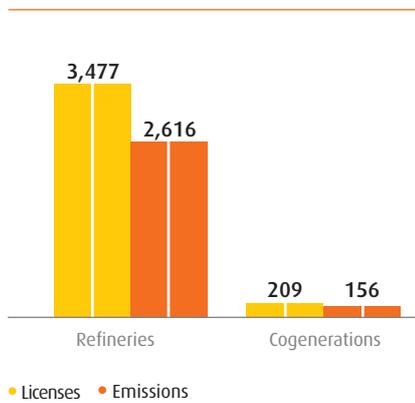
● Portugal ● Spain ● Rest of the world

Portugal continues to be the country with more employees, or 61%. Spain gained importance after the acquisition of Agip's and ExxonMobil's Iberian operations.

HEALTH, SAFETY AND ENVIRONMENT

Aware of the impact the development of its activity may have on the environment, Galp Energia seeks to minimise those effects through an integrated environmental policy centred on the prevention of accidents and the reduction of emissions.

CO₂ emissions in 2009 (kton)



In the second year of the second term (2008-2012) of the compliance with the EU ETS, Galp Energia's facilities had CO₂ emissions under the limits defined by the emission licences awarded by the Portuguese Emission Licence Award Plan II.

In 2009, Galp Energia participated in the Benchmarking CO₂ group that is responsible for comparing the CO₂ emissions of the European refineries. The workings of

this group, which is coordinated by the Conservation of Clean Air and Water in Europe (CONCAWE) and Solomon, arose from the provisions of the Directive of the EU ETS for the 2012-2020 period. In this period, licences will be awarded according to the position of the facility against the benchmark, which will replace the current award of free licences.

Investment in the best available techniques

The use of the best available techniques (BAT) was aimed at reducing the environmental impact of the several activities, particularly the installation of electrostatic precipitator and the start of the cogeneration plant of the Sines refinery.

The best available techniques planned for the refineries' environmental licences will be integrated in the conversion projects.

With the start of operations of the refineries' conversion projects, there will be an increase in energy consumption and, consequently, in emissions related to the production process of the new units, due to the increase in the capacity and processing of these industrial units. This balance can be checked, albeit the best available techniques were used.

Although the projects lead to an increase in CO₂ emissions, there will be a decrease in the carbon content related to fuel, which translates into a decrease in CO₂ emissions in the transport sector, downstream of Galp Energia's operations chain. In addition, the conversion projects will guarantee the energy integration of the units and the use of cleaner fuels and with lower carbon content, such as natural gas.



THE CONVERSION PROJECTS WILL GUARANTEE THE ENERGY INTEGRATION OF THE UNITS AND THE USE OF CLEANER FUELS AND WITH LOWER CARBON CONTENT, SUCH AS NATURAL GAS.

Galp Energia is a socially responsible company and wants to show its commitment to HSE in its strategy and activities and transform it into the commitment of every employee and supplier.

From Galp Energia's commitments to HSE, the following stands out:

- Making safety, health and environmental protection essential values of the Company;
- Assuming that the HSE management is a direct responsibility of leaders and risk prevention is everyone's responsibility;
- Setting out challenging goals and measuring and assessing results and taking the necessary actions to attain those goals.

These commitments are aimed at achieving a sustainable prevention culture based on a high-performance safety, health and the environment management that guarantees risk mitigation and an excellent reputation.

In 2009, Galp Energia was particularly engaged in the following matters:

- Commitment of the management team and the hierarchy with Galp Energia's HSE policy;
- Participation in groups of the sector in order to develop standards (APETRO, CONCAWE);
- Definition and implementation of a new organisational model of safety and health services at work, which is more effective, robust and aligned with Galp Energia's governance model;
- Safety programme;
- Promotion of awareness initiatives and protocol signing in order to decrease interferences and damage caused by third in the distribution network of natural gas;
- Training on safety, health and the environment.



Galp Energia employee at Sines refinery.

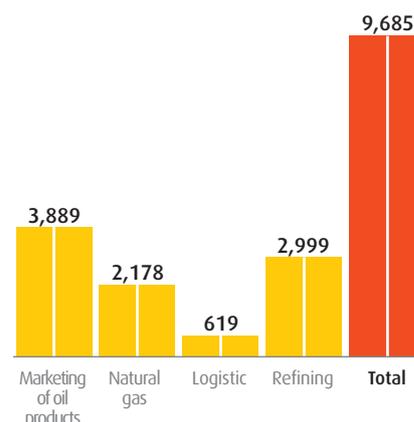
Galp Energia's safety programme

After the establishment of Galp Energia's HSE policy, Galp Energia's safety programme has been developing and implementing the safety, health and the environment management system, which is based on 22 elements that form the so-called internal standards. These standards contribute to the strengthening of the prevention culture and high HSE management levels.

To this end, during 2009, Galp Energia's safety programme was particularly committed to the implementation of specific topics, namely

the strengthening and improvement of the monitoring system of the HSE performance through proactive and reactive indicators.

Number of preventive environment and safety observation hours by area



10,000 HOURS

- Preventive environment and safety observations performed by Galp Energia in 2009.

One of the main proactive tools is the preventive environment and safety observation programme, which has been reinforcing the need to adopt a positive HSE behaviour and attitude.

In 2009, close to 10,000 hours of preventive environment and safety observations were performed by certified employees of the Group, which are trained on the tool and have monthly goals.

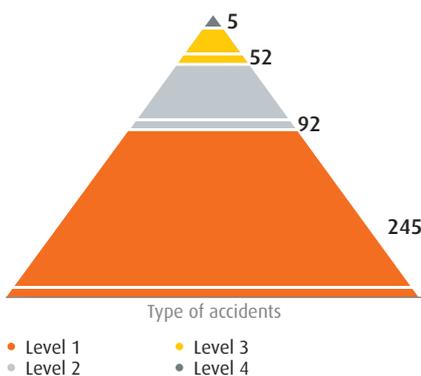
During this period, special attention was paid to the application of specific standards related to activities with risk through awareness initiatives and specific training. The standard to

respond to emergencies was approved and it is aimed at harmonising planning, training and preparation in every business unit for an effective answer to emergencies in order to minimise the potential impact on people, the environment, facilities and the community.

Galp Energia has been continuously monitoring its performance. The goal is to achieve zero accidents, whether personal, material, environmental, operational or on the road.

Accident rates

Occupational accidents



Continuing the alignment effort with the best international practices in terms of the communication of performance indicators, the frequency index of personal accidents with absence for Galp Energia's employees, excluding in itinere accidents, the frequency index with absence of service providers and the global index was disclosed.

The global frequency index, which is the Company's benchmark frequency index, reveals the accident rates of Galp Energia's employees and its service providers.

In 2009, there was a close to 40% decrease in Galp Energia's global frequency index compared with a year earlier. Comparing with CONCAWE, the usual benchmark of the European sector, whose frequency index in 2008 was 1.7 (own and suppliers, marketing and refining), there was an improvement, due to the awareness initiatives and the training provided to suppliers.

Accidents in the Galp Energia universe



IF - number of accidents per one million worked hours

In 2009, 394 accidents were reported and distributed through levels one to four. Level one related to accident that led to injury without absence and level four related to accidents that resulted in permanent disabili-



THE SIGNIFICANT
IMPROVEMENT IN
INCIDENT REPORTING
IN 2009 TRANSLATES
A HIGHER SENSITIVITY
TO THE IMPORTANCE
OF REPORTING EVERY
OCCURRENCE.

ty or death. Accidents involving customers and suppliers are included when there was material damage or Galp Energia's services were involved, even if they not occurred during the regular development of the Company's activities.

The significant improvement in incident reporting (accidents and quasi-accidents) in 2009 caused an increase in the total number of incidents, particularly in less serious classes, which translates a higher sensitivity to the importance of reporting every occurrence and also the strengthening of Galp Energia's safety culture.

However, there were three serious accidents with personal damages that involved third parties, two fatal accidents and one with several casualties, which includes a death by carbon monoxide poisoning. All these accidents were duly investigated and occurred under non-controllable conditions.

In 2009, there was a material accident with product loss. This accident

was internally investigated and was reported and followed by authorities. The causes that were found led to recommendations and an action plan that the Company promptly implemented in order to avoid its recurrence.

There was an accident in the Sines refinery, after which occurred a fire with significant material damage in the utilities plant. The accident did not cause personal nor environmental damages but caused an emergency stop of the plant. Some production units only restarted operations nearly three months later, with the consequent economic losses for the Company.

The Seveso Directive

In 2009 and in compliance with the legal requirements in force, audits were performed to each one of the 13 facilities covered by the higher level of danger of the Seveso Directive.

In the audits, only one major non-conformity was identified – and immediately corrected. Therefore, the statement of compliance issued by the verifier was not compromised. The 55 minor non-conformities that were accepted triggered corrective actions that are part of an ongoing action plan.

Four of these audits were followed *in situ* by the Portuguese Environment Agency, which had the opportunity to see the facilities' performance level.

REACH

Under REACH – Registration, Evaluation, Authorisation and Restriction of Chemical Substances (1907/2006), Galp Energia increased internal activity in its several business areas in order to obtain the necessary data for registration.

Within the European consortiums where Galp Energia participates, there was an intense activity in the preparation of the common part of the record files as well as in the draft of interpretative guides of the regulations for the guidance of member companies.

There was a significant increase in customer communication in order to build a database as complete as possible about the use and the exposure scenarios, which is essential information to finish the risk assessments required by the regulations and related to produced, imported and sold substances.



TO INCREASE THE QUALITY OF ITS PRODUCTS, GALP ENERGIA INVESTED IN NEW EQUIPMENT AND INFRASTRUCTURES.

QUALITY

Evolution of the fuel specifications

In order to follow the evolution of fuel quality requirements and to access technical support and the findings of scientific and technological research, Galp Energia reinforced in 2009 its participation in national and international bodies, namely CONCAWE and the European Committee for Standardisation.

Galp Energia participated in taskforces related to aviation and marine fuels and followed the developments of the Fuel Quality Directive (Directive 2009/30/CE of the European Parliament and the Council, of 23 April 2009) as well as the processes related to the new specifications of road gasoline and diesel, namely the changes arising from the launch of biofuels.

To increase the quality of its products, Galp Energia invested in new equipment and infrastructures, thereby reinforcing its commitment to launch products with specifications that fulfil or exceed the legal and contractual requirements in force.

Refill operation at Lisbon airport by Galp Energia's aviation business.



Certifications

In the management systems for environment, quality and safety, the Group's strategy was maintained and reinforced in 2009. The main goal of this strategy is providing confidence to customers when they are using Galp Energia's products and services.

In 2009, existing certifications were retained and five new certifications were obtained: the environment and safety in the Sines refinery and the

environment, quality and safety for the marketing of last resort supplier of natural gas.

5

NEW QUALIFICATIONS

- Five new certifications were obtained at environment, safety and quality systems.

Qualifications and certifications

NP EN ISO 9001	NP EN ISO 14001/ OSHAS 18001/ NP 4397	NP EN ISO 14001	NP EN ISO 9001/ OSHAS 18001/ NP EN ISO 14001	NP EN ISO/ IEC 17025
Lubricants business, aviation fuels, chemicals, base oils, LPG, inspection of the Sines refinery, bitumen business, Aveiro and Porto Brandão parks, Galpgeste, Probigalp, Lusitaniagás, Setgás, Lisboagás, last resort supplier (Lisboagás, Lusitaniagás and Setgás)	Aveiro and Porto Brandão parks, Sines refinery, SAAGA, Lusitaniagás, Setgás, Lisboagás, last resort supplier (Lisboagás, Lusitaniagás and Setgás)	Ptroval	CLC, Beiragás, Tagusgás	Laboratory of lubricants, laboratory of the Sines refinery, laboratory of the Matosinhos refinery

Internal environmental, quality and safety audits

In 2009, Galp Energia executed a programme of Environment, Quality and Safety (EQS) audits in order to fulfil legal requirements, both of customers and internal requirements.

Galp Energia continued to fulfil the requirements for every existing certification and the internal audits provided for in government decree DL 254/2007, which is related to the Safety Management System for the Prevention of Serious Accidents, were included.

In 2009, 50 audits were conducted involving 70 internal auditors with 94 participations in all.

The body of auditors is composed by close to one hundred professionals that participate voluntarily in this process.

To guarantee the competencies of its body of EQS auditors as well as the effectiveness and consistency of the audit practices, Galp Energia promoted several initiatives in 2009, including the 3rd Forum of EQS Auditors.

The key theme was *Auditing with effectiveness* and the invited speaker was Nigel Croft, the world renowned expert in EQS audit and standardisation.

INNOVATION

Galp Energia's innovation culture was maintained throughout 2009, namely through the development of relationship interfaces with the community.

In 2009, the Research & Development (R&D) coordination council was created, whose goal is to contribute to the definition of Galp Energia's R&D strategy and to improve the organisation of its activities. Under the chief executive officer, the R&D coordination council is composed of representatives of Galp Energia's business units.

the development of sector policies that will be the basis for the future development of the energy sector and the petrochemical and refining sector.

During the year, several projects related to innovation were developed, mainly in association with other entities from the university community, which were focused on the main axis of the Company's innovation policy, namely energy efficiency and consumption reduction and also the strengthening of ties with the Portuguese scientific and technological system.

The council's performance was centred throughout the year on the development of new services that fulfil the needs and expectations of our customers, on the promotion of stronger ties with the Portuguese scientific and technological system as well as with our customers, and on the active participation in



DURING THE YEAR, SEVERAL PROJECTS RELATED TO INNOVATION WERE DEVELOPED, MAINLY IN ASSOCIATION WITH OTHER ENTITIES FROM THE UNIVERSITY COMMUNITY.

Galp Soluções de Energia

To help customers choose the best solution in terms of energy efficiency and environmental protection with the integration of a renewable energy component, a unit named *Galp Soluções de Energia* was created in 2009 and it was integrated in the department of sustainability and innovation.

In this context, integrated energy services, which may be used in the industrial and the service sectors, are provided:

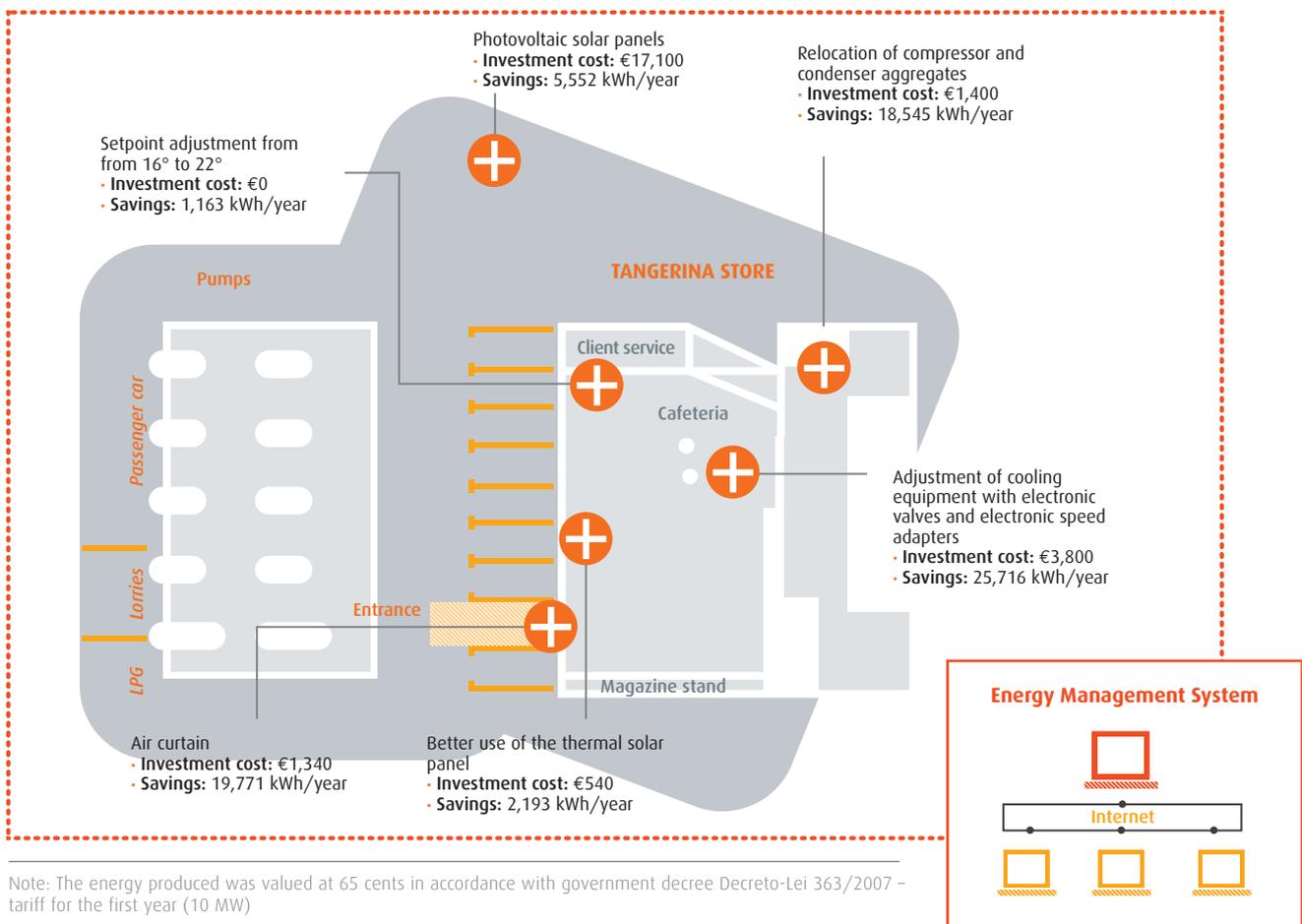
- Solutions for energy efficiency and decentralised production, particularly in renewable energy sources;
- Environmentally-friendly solutions with a view to reduce emissions;
- Solutions leading to the sharing of revenues, cost economies and the project funding;
- Solutions incorporating the best available technologies.

Ecostation in the network of service areas

In 2009, Galp Energia launched the first Ecostation in the Seixal service area, which represented an innovative application concept of sustainable solutions using renewable energy sources.

20%
ENERGY REDUCTION

- Energy reduction from the ecostation concept at Seixal service station.



Note: The energy produced was valued at 65 cents in accordance with government decree Decreto-Lei 363/2007 – tariff for the first year (10 MW)

The Ecostation concept translates into an energy reduction of 20% and offsets approximately 30 tonnes of CO₂ a year, the equivalent of 180 thousand kilometres (160 grams of CO₂ per kilometre). The main measures implemented in

the Ecostation include the installation of photovoltaic solar panels for electrical microgeneration from renewable sources.



Solar panels at Telheiras service station.

In parallel, efficiency measures in lighting, cold equipment, air conditioning and water heating from renewable energy sources (solar energy) were adopted,

which will allow an effective reduction of consumption, while maintaining the comfort and the high operational performance of service areas.

Galp innovation network

The opening of the Galp innovation network to universities, the scientific community and technological companies took place in 2009, both in Portugal and abroad. At the end of 2009, close to 200 scientists and researchers from seven scientific communities were registered in the network.

The Galp innovation website was created according to the principles of open innovation and Web 2.0 in order to connect the Company to the collective intelligence of scientific and technological communities that operate in the energy sector or related sectors.

ty community and technological companies can take ideas for the creation of new processes, products and services that may improve Galp Energia's offer to customers through an innovation network.

The goal is to create a unique and original innovation space where the universi-

The main areas of this network that are already open are exploration and production of oil and gas and refining.

Galp innovation challenge contest

The Galp innovation challenge consisted of inviting the university community and technological companies to present proposals of technological solutions for Galp Energia's problems or challenges. The reward is a prize and a collaboration proposal for the project to be developed.

Hotspot Design – innovation challenge by Galp Energia was the first innovation contest for the university community and technological start-ups and its goal was

the development of a new outdoor heater concept to integrate Galp Energia's *Esplanadas Confortáveis* offer.



GALP ENERGIA WAS A CO-FOUNDER OF THE ELECTRICAL MOBILITY NETWORK IN PORTUGAL, FOR A FAST RECHARGING POINT OF ELECTRIC CARS.

Electrical mobility in Portugal

Galp Energia was a co-founder of the Electrical Mobility Network in Portugal, which developed the pilot project for a fast recharging point of electric cars and its installation in one of the service areas of Galp Energia's network in 2010.

In 2009, Galp Energia established a partnership with Toyota Caetano Portugal

to be the first company in Portugal to test plug-in hybrid vehicles (PHV).

Galp Energia participates in this pan-European project in order to test and develop the technology to study customer needs. Based on Toyota's technology of pure hybrids, the PHV is equipped with the powerful lithium-ion battery

that extends the vehicle's autonomy in the electric mode, thereby allowing driving without emissions.

Galp Energia's first scientific and technological forum



Galp Energia's first scientific and technological forum took place in 2009 and the key theme was exploration and production of oil and gas.

The meeting was attended by over thirty scientists and researchers from several Portuguese universities, which discussed with some of the responsible for Galp Energia's and Petrobras's Exploration & Production business segment.

The Brazilian oil company, which is Galp Energia's partner in several projects, is one of the world's leading companies in the exploration of oil and natural gas and is at the forefront of knowledge

and technological capacity, particularly in ultra-deep water and the Santos basin's pre-salt layer.

After the forum, Galp Energia decided to draft and implement a multiannual plan for its R&D needs, thereby promoting a stronger connection between its area of oil exploration and production and the skills of the Portuguese scientific community.

PETROBRAS, WHICH IS GALP ENERGIA'S PARTNER IN SEVERAL PROJECTS, IS ONE OF THE WORLD'S LEADING COMPANIES IN THE EXPLORATION OF OIL AND NATURAL GAS AND IS AT THE FOREFRONT OF KNOWLEDGE AND TECHNOLOGICAL CAPACITY.

Doctor of Philosophy in refining engineering, petrochemistry and chemistry

This advanced training programme, which is oriented to research within corporate environment, is the outcome of a partnership with the five most important Portuguese universities and the member companies of the Association of petrochemical, chemical and refining industries, of which Galp Energia is a member.

For this end, Galp Energia supported six PhD programmes that took place in the Company's facilities. Several employees participated in the programmes. This programme aims at

training professionals able to perform a proactive role in the research and the technological development of refining engineering, petrochemistry and chemistry.

06

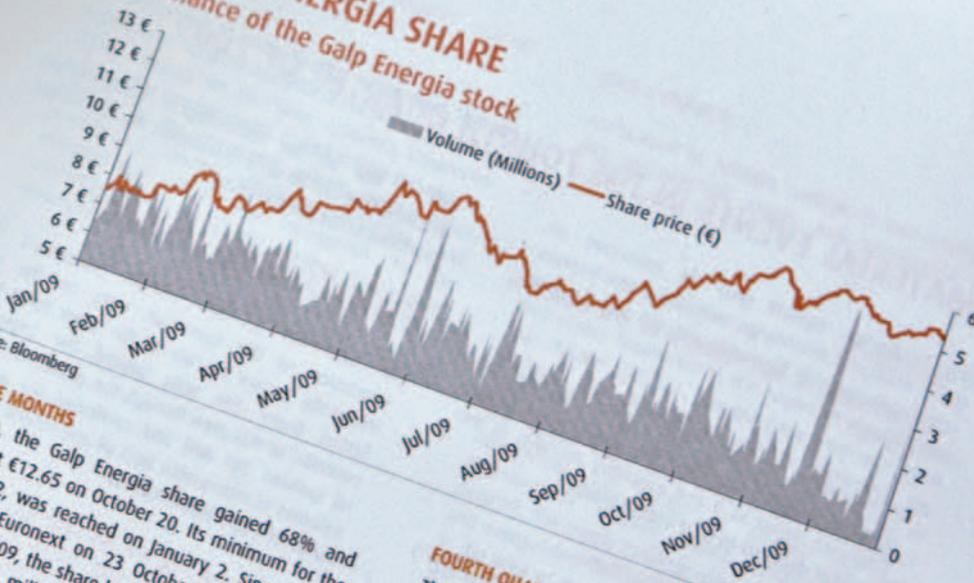
APPENDICES

Do sucesso para
novos desafios



THE GALP ENERGIA SHARE

Performance of the Galp Energia stock



Source: Bloomberg

TWELVE MONTHS

In 2009, the Galp Energia share gained 68% and peaked at €12.65 on October 20. Its minimum for the year, €7.22, was reached on January 2. Since it was floated on Euronext on 23 October 2006 up to 31 December 2009, the share has gained 108%. Over this period, 413.8 million shares, equating to a daily average of 1.6 million shares, have been traded. At 31 December 2009, Galp Energia had a market capitalisation of €10,017 million.

FOURTH QUARTER

The stock gained 2% in the last quarter of the year, when 98.9 million shares, the equivalent of a daily average of 1.5 million shares, were traded.

Share detail

PROPOSED ALLOCATION OF NET PROFIT

Galp Energia, SGPS, S.A. holds the shares in Galp Energia Group companies.

Galp Energia, SGPS, S.A. closed financial 2009 with a net profit of €285,214 thousand. This result is shown in the separate accounts of Galp Energia, SGPS, S.A., which are presented in accordance with Portuguese GAAP.

The board of directors proposes that this result be allocated as follows:

	('000 €)
Dividend distribution (0.20€/share)	165,850
Retained earnings	119,364
Total	285,214

No amount was allocated to legal reserves as the 20% of share capital required by law have already been reached.

Following a resolution by the board of directors of 25 September 2009, the Company paid on 22 October 2009 a gross interim dividend in respect of financial 2009 of €0.06 per share.

ADDITIONAL INFORMATION

Governing bodies

The current composition of the governing bodies of Galp Energia, SGPS, S.A. for the 2008-2010 term is the following:

Board of directors

Chairman:

Francisco Luís Murteira Nabo

Vice-chairman:

Manuel Ferreira De Oliveira

Directors:

Manuel Domingos Vicente
 Fernando Manuel dos Santos Gomes
 José António Marques Gonçalves
 André Freire de Almeida Palmeiro Ribeiro
 Carlos Nuno Gomes da Silva
 Rui Paulo da Costa Cunha e Silva Gonçalves
 João Pedro Leitão Pinheiro de Figueiredo Brito
 Massimo Mondazzi⁽¹⁾
 Claudio De Marco
 Paolo Grossi
 Fabrizio Dassogno
 Giuseppe Ricci
 Luigi Spelli⁽¹⁾
 Joaquim José Borges Gouveia
 Maria Rita Galli⁽²⁾

Executive committee

Chairman:

Manuel Ferreira De Oliveira

Executive directors:

Claudio De Marco
 Fernando Manuel dos Santos Gomes
 André Freire de Almeida Palmeiro Ribeiro
 Carlos Nuno Gomes da Silva
 Fabrizio Dassogno

Supervisory board

Chairman:

Daniel Bessa Fernandes Coelho

Other members:

José Gomes Honorato Ferreira
 José Maria Rego Ribeiro da Cunha

Deputy:

Amável Alberto Freixo Calhau

Statutory auditors

Standing:

P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC, n.º 44 of OROC, the Portuguese Institute of Chartered Accountants and n.º 1054 at CMVM, represented by Pedro João Reis de Matos Silva, ROC n.º 491.

Deputy:

António Campos Pires Caiado, ROC n.º 588

General meeting board

Chairman:

Daniel Proença de Carvalho

Vice-chairman:

Victor Manuel Pereira Dias

Secretary:

Pedro Antunes de Almeida⁽³⁾

Company secretary

Standing:

Rui Maria Diniz Mayer

Deputy:

Maria Helena Claro Goldschmidt

Remuneration committee

Chairman:

Caixa Geral de Depósitos
 represented by António Maldonado Gonelha

Other members:

Amorim Energia, B.V.
 Represented by Américo Amorim
 Eni S.p.A.
 Represented by Maurizio Cicia

Notes:

⁽¹⁾ Co-opted onto the board of directors (in replacement for Alberto Chiarini and Luigi Piro, respectively), announced to the market on 31 July 2009.

⁽²⁾ Co-opted onto the board of directors on 22 March 2010 in replacement for Francesco Giunti.

⁽³⁾ Elected by the annual general meeting of 27 April 2009 (after resignation by Pedro António de Vadre Castelino e Alvim), announced to the market on 30 April 2009.

Mandatory notices and filings

Shareholders with major direct or indirect holdings at 31 December 2009

According to article 448, paragraph 4 of the CC and article 20 of the Securities Code (SC).

SHAREHOLDERS	No SHARES	% CAPITAL	% VOTE
Amorim Energia, B.V.	276,472,161	33.34%	33.34%
Caixa Geral de Depósitos, S.A.	8,292,510	1.00%	1.00%
Eni, S.p.A.	276,472,161	33.34%	33.34%
Parública - Participações Públicas, (SGPS), S.A.	58,079,514	7.00%	7.00%
Other shareholders	209,934,289	25.32%	25.32%
Total	829,250,635	100.00%	-

Treasury shares

According to articles 66 d) and 325-A, paragraph 1, of the CC.

In 2009, Galp Energia did not buy or sell its own shares.

At 31 December 2009, Galp Energia had no treasury shares.

SHARES HELD AT 31 DECEMBER 2009 BY THE MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD OF GALP ENERGIA, SGPS, S.A.

According to article 447, paragraph 5, of the CC.

MEMBERS OF THE BOARD OF DIRECTORS	TOTAL NUMBER OF SHARES AT 31.12.2008	ACQUISITION			DISPOSAL			TOTAL NUMBER OF SHARES AT 31.12.2009
		DATE	NUMBER OF SHARES	PRICE (€/SHARE)	DATE	NUMBER OF SHARES	PRICE (€/SHARE)	
Francisco Luís Murteira Nabo	-	-	-	-	-	-	-	
Manuel Ferreira De Oliveira	85,640	-	-	-	-	-	85,640	
Manuel Domingos Vicente	-	-	-	-	-	-	-	
Fernando Manuel dos Santos Gomes	3,900	-	-	-	05.05.2009	2,000	1,900	
José António Marques Gonçalves	42,700	09.07.2009	2,960	9.270	-	-	45,660	
André Freire de Almeida Palmeiro Ribeiro	950	-	-	-	-	-	950	
Carlos Nuno Gomes da Silva	11,110	-	-	-	08.04.2009	8,700	2,410	
Rui Paulo da Costa Cunha e Silva Gonçalves	-	-	-	-	-	-	-	
João Pedro Leitão Pinheiro de Figueiredo Brito	-	-	-	-	-	-	-	
Massimo Mondazzi	-	-	-	-	-	-	-	
Claudio De Marco	-	-	-	-	-	-	-	
Paolo Grossi	-	-	-	-	-	-	-	
Maria Rita Galli	-	-	-	-	-	-	-	
Fabrizio Dassogno	-	-	-	-	-	-	-	
Giuseppe Ricci	-	-	-	-	-	-	-	
Luigi Spelli	-	-	-	-	-	-	-	
Joaquim José Borges Gouveia	-	-	-	-	-	-	-	
MEMBERS OF THE SUPERVISORY BOARD								
Daniel Bessa Fernandes Coelho	-	-	-	-	-	-	-	
José Gomes Honorato Ferreira	-	-	-	-	-	-	-	
José Maria Rego Ribeiro da Cunha	-	-	-	-	-	-	-	
Amável Alberto Freixo Calhau	-	-	-	-	-	-	-	
STATUTORY AUDITOR FIRM								
P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC	-	-	-	-	-	-	-	

Directors' dealings with the Company

According to articles 66 e) and 397 of the CC.

No authorisations were issued in 2009 to members of Galp Energia's board of directors for entering into business transactions with the Company.

Directors' roles in other activities

According to article 398 of the CC.

Except for João Pedro Leitão Pinheiro de Figueiredo Brito until his election as director on 24 May 2005, and renewed on 6 May 2008 and on 27 April 2009, no other director was during financial 2009 a party to an employment contract – temporary or permanent, dependent or independent – with any affiliate of the Company.

By a resolution taken by the general meeting of 6 May 2008, directors were allowed to pursue a business activity in competition with Galp Energia's activity, according to the article 398, third paragraph of the CC, and the definition of these directors' access regime to Galp Energia's sensitive information was approved, in accordance with the paragraph 4 of the article 398 of the CC.

Financial claims on associates

According to article 5, paragraph 4, of decree law n° 495/88 of 30 December, as redrafted by decree law n° 318/94 of 24 December.

See note 16 – Services provided to affiliates in the Notes to Galp Energia's separate financial statements.

CONSOLIDATED ACCOUNTS

Galp Energia, SGPS, S.A. and subsidiaries

CONSOLIDATED INCOME STATEMENTS BY NATURE FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (IFRS/IAS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of consolidated income statement by nature originally issued in Portuguese - Note 37)

	NOTES	DECEMBER 2009	DECEMBER 2008
Operating income:			
Sales	5	11,728,447	14,860,459
Services rendered	5	279,898	225,324
Other operating income	5	130,034	102,109
TOTAL OPERATING INCOME:		12,138,379	15,187,892
Operating costs:			
Cost of sales	6	10,193,419	13,725,987
External supplies and services	6	750,878	680,073
Employee costs	6	338,860	291,895
Amortisation, depreciation and impairment loss on tangible assets	6	296,686	239,670
Provision and impairment loss on receivables	6	63,637	41,842
Other operating costs	6	36,123	41,100
TOTAL OPERATING COSTS:		11,679,603	15,020,567
Operating profit:		458,776	167,325
Financial income	8	12,884	12,612
Financial costs	8	(87,875)	(63,585)
Exchange gain (loss)		149	(8,425)
Share of results of investments in associates and jointly controlled entities	4	68,800	48,391
Income (cost) on financial instruments	27	13	(328)
Other gains and (losses)		(1,354)	(1,279)
Profit before income tax:		451,393	154,711
Income tax	9	(98,597)	(32,899)
Profit before minority interests:		352,796	121,812
Profit attributable to minority interests	21	(5,524)	(4,841)
Profit attributable to equity holders of the parent	10	347,272	116,971
Earnings per share (in Euros)	10	0.42	0.14

The accompanying notes form an integral part of the consolidated income statement for the year ended 31 December 2009.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luís Murteira Nabo

Manuel Ferreira De Oliveira

Manuel Domingos Vicente

Fernando Manuel dos Santos Gomes

José António Marques Gonçalves

André Freire de Almeida Palmeiro Ribeiro

Carlos Nuno Gomes da Silva

Rui Paulo da Costa Cunha e Silva Gonçalves

João Pedro Leitão Pinheiro de Figueiredo Brito

Massimo Mondazzi

Claudio De Marco

Paolo Grossi

Fabrizio Dassogno

Giuseppe Ricci

Luigi Spelli

Doutor Joaquim José Borges Gouveia

Maria Rita Galli

Galp Energia, SGPS, S.A. and subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2009 AND 2008
(IFRS/IAS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of statements of financial position originally issued in Portuguese - Note 37)

ASSETS	NOTES	DECEMBER 2009	DECEMBER 2008
Non-current assets:			
Tangible assets	12	3,190,286	2,760,142
Goodwill	11	189,293	171,506
Intangible assets	12	497,716	409,403
Investments in associates and jointly controlled entities	4	226,985	297,468
Investments in other companies	4	2,725	1,173
Other receivables	14	98,674	83,741
Deferred tax assets	9	209,945	200,034
Other investments	17	461	4,789
TOTAL NON-CURRENT ASSETS:		4,416,085	3,928,256
Current assets:			
Inventories	16	1,228,833	1,076,494
Trade receivables	15	778,384	987,704
Other receivables	14	571,695	500,475
Other investments	17	1,803	2,903
Current income tax recoverable	9	1,807	-
Cash and cash equivalents	18	243,839	127,168
TOTAL CURRENT ASSETS:		2,826,361	2,694,744
TOTAL ASSETS:		7,242,446	6,623,000
EQUITY AND LIABILITIES			
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Translation reserve		(10,761)	(27,449)
Other reserves	20	193,364	174,480
Hedging reserves		(7,057)	(1,752)
Retained earnings		977,159	1,144,432
Interim dividend	30	(49,755)	(124,095)
Consolidated net profit attributable to equity holders of the parent		347,272	116,971
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:		2,361,479	2,193,844
Minority interests	21	27,184	24,975
TOTAL EQUITY:		2,388,663	2,218,819
LIABILITIES:			
Non-current liabilities:			
Bank loans	22	1,047,114	1,304,078
Bonds	22	700,000	-
Other payables	24	109,913	56,156
Retirement and other benefit liabilities	23	270,759	255,896
Deferred tax liabilities	9	56,684	18,245
Other financial instruments	27	9,295	3,014
Provisions	25	153,244	99,468
TOTAL NON-CURRENT LIABILITIES:		2,347,009	1,736,857
Current liabilities:			
Bank loans and overdrafts	22	422,273	684,949
Bonds	22	1,369	1,711
Trade payables	26	1,121,574	993,266
Other payables	24	961,318	982,021
Other financial instruments	27	240	1,503
Current income tax payable		-	3,874
TOTAL CURRENT LIABILITIES:		2,506,774	2,667,324
TOTAL LIABILITIES:		4,853,783	4,404,181
TOTAL EQUITY AND LIABILITIES:		7,242,446	6,623,000

The accompanying notes form an integral part of the statement of financial position as of 31 December 2009.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luís Murteira Nabo
Manuel Ferreira De Oliveira
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
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Galp Energia, SGPS, S.A. and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (IAS/IFRS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of consolidated statements of cash flow originally issued in Portuguese - Note 37)

	NOTES	2009	2008
Operating activities:			
Cash receipts from customers		12,587,177	15,240,251
Cash paid to suppliers		(8,028,054)	(11,531,403)
Cash paid to employees		(260,226)	(198,238)
Cash (paid)/received relating to tax on petroleum products		(2,879,622)	(2,388,699)
Cash (paid)/received relating to income tax		(100,640)	(186,029)
Contributions to the pension fund	23	(6,488)	(3,960)
Cash paid to early retired and pre-retired employees	23	(13,772)	(13,845)
Cash paid relating to insurance costs of retired employees	23	(9,603)	(10,807)
Other (payments)/receipts relating to operating activities		(546,846)	(439,209)
Net cash from operating activities (1)		741,926	468,061
Investing activities:			
Cash receipts relating to:			
Investments		39,075	7,777
Tangible fixed assets		9,671	8,131
Government grants	13	24,039	7,090
Interest and similar income		672	2,650
Dividends	4	67,726	46,816
Loans granted		2,068	20,826
		143,251	93,290
Cash payments relating to:			
Investments		(3,485)	(543,754)
Tangible fixed assets		(674,567)	(598,701)
Intangible assets		(36,039)	(54,434)
Loans granted		(200)	(29,427)
		(714,291)	(1,226,316)
Net cash used in investing activities (2)		(571,040)	(1,133,026)
Financing activities:			
Cash receipts relating to:			
Loans obtained		807,612	1,435,789
Capital increases, supplementary capital contributions and share premium		-	342
Interest and similar income		10,382	2,860
Discounted notes		16,063	10,610
		834,057	1,449,601
Cash payments relating to:			
Loans obtained		(556,781)	(690,930)
Interest on loans obtained		(23,265)	(41,062)
Interest and similar costs		(53,156)	(17,122)
Dividends	30	(193,596)	(264,003)
Repayment of discounted notes		(6,767)	(10,818)
Payment of interest on finance lease contracts		(137)	(106)
Interest on finance lease contracts		-	(6)
Interest on bonds		(16,404)	(626)
		(850,106)	(1,024,673)
Net cash used in financing activities (3)		(16,049)	424,928
Change in cash and cash equivalents (4) = (1) + (2) + (3)		154,837	(240,037)
Effect of foreign exchange rate changes		23,122	(9,257)
Cash and cash equivalents at the beginning of the year	18	(238,835)	(16,910)
Change in consolidation perimeter	3	(414)	27,369
Cash and cash equivalents at the end of the year	18	(61,290)	(238,835)

The accompanying notes form an integral part of the consolidated statement of cash flow for the year ended 31 December 2009.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luís Murteira Nabo

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Fabrizio Dassogno

Giuseppe Ricci

Luigi Spelli

Doutor Joaquim José Borges Gouveia

Maria Rita Galli

Galp Energia, SGPS, S.A. and subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (IAS/IFRS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of consolidated statements of comprehensive income originally issued in Portuguese - Note 37)

	NOTES	DECEMBER 2009	DECEMBER 2008
Consolidated net profit for the period	10	347,272	116,971
Other gains and losses recognised in Equity:			
Differences arising on translation of foreign currency financial statements (Group companies)		17,762	(9,352)
Differences arising on translation of foreign currency financial statements (Associated companies)	4	(1,074)	4,721
		16,688	(4,631)
Other increases / decreases in hedging reserves		(6,428)	(4,019)
Other gains and losses recognised in equity from associated companies	27	(774)	5
Income tax related with the components of gains and losses recognised in Equity	9	1,897	955
		(5,305)	(3,059)
Other gains and losses recognised in Equity net of income tax expense		11,383	(7,690)
Gains and losses recognised in Equity before minority interests:		358,655	109,281
Other gains and losses of minority interests		2,209	2,987
Consolidated gains and losses recognised in Equity:		360,864	112,268

The accompanying notes form an integral part of the statement of comprehensive income for the year ended 31 December 2009.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luís Murteira Nabo
 Manuel Ferreira De Oliveira
 Manuel Domingos Vicente
 Fernando Manuel dos Santos Gomes
 José António Marques Gonçalves
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Galp Energia, SGPS, S.A. and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS
ENDED 31 DECEMBER 2009 AND 2008 (IFRS/IAS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of consolidated statements of changes in equity originally issued in Portuguese - Note 37)

CHANGES IN THE PERIOD	NOTES	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	OTHER RESERVES (NOTE 20)
Balance as of 1 January 2008		829,251	82,006	(22,818)	146,438
Consolidated net profit for the period	10	-	-	-	-
Other gains and losses recognised in Equity		-	-	(4,631)	-
Comprehensive income for the period		-	-	(4,631)	-
Dividends distributed		-	-	-	-
Appropriation of profit to reserves		-	-	-	28,042
Balance as of 31 December 2008		829,251	82,006	(27,449)	174,480
Consolidated net profit for the period	10	-	-	-	-
Other gains and losses recognised in Equity		-	-	16,688	-
Comprehensive income for the period		-	-	16,688	-
Dividends distributed	30	-	-	-	-
Appropriation of profit to reserves		-	-	-	18,884
Balance as of 31 December 2009		829,251	82,006	(10,761)	193,364

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2009.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luís Murteira Nabo
 Manuel Ferreira De Oliveira
 Manuel Domingos Vicente
 Fernando Manuel dos Santos Gomes
 José António Marques Gonçalves
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 Paolo Grossi
 Fabrizio Dassogno
 Giuseppe Ricci
 Luigi Spelli
 Doutor Joaquim José Borges Gouveia
 Maria Rita Galli

HEDGING RESERVES	RETAINED EARNINGS	INTERIM DIVIDENDS (NOTE 30)	CONSOLIDATED NET PROFIT FOR THE YEAR	SUB-TOTAL	MINORITY INTERESTS (NOTE 21)	TOTAL
1,307	717,562	(126,046)	720,272	2,347,972	21,988	2,369,960
-	-	-	116,971	116,971	-	116,971
(3,059)	-	-	-	(7,690)	2,987	(4,703)
(3,059)	-	-	116,971	109,281	2,987	112,268
-	(139,314)	(124,095)	-	(263,409)	-	(263,409)
-	566,184	126,046	(720,272)	-	-	-
(1,752)	1,144,432	(124,095)	116,971	2,193,844	24,975	2,218,819
-	-	-	347,272	347,272	-	347,272
(5,305)	-	-	-	11,383	2,209	13,592
(5,305)	-	-	347,272	358,655	2,209	360,864
-	(141,265)	(49,755)	-	(191,020)	-	(191,020)
-	(26,008)	124,095	(116,971)	-	-	-
(7,057)	977,159	(49,755)	347,272	2,361,479	27,184	2,388,663

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GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009 (IAS/IFRS)

(Amounts stated in thousands of Euros - €Euros)

(Translation of notes originally issued in Portuguese - Note 37)

1. INTRODUCTION

a) Parent company:

Galp Energia, SGPS, S.A. (hereinafter referred to as Galp or the Company), was founded as a State-owned company on 22 April 1999, under Decree-Law 137-A/99, with the name "Galp - Petróleos e Gás de Portugal, SGPS, S.A.", having on 13 September 2000 adopted its present name of Galp Energia, SGPS, S. A..

The Company's head office is in Lisbon and its corporate object is to manage equity participations in other companies, having, as of the date of its foundation, grouped the State's directly owned participations in the following companies: Petróleos de Portugal - Petrogal, S.A.; GDP-Gás de Portugal, SGPS, S.A. and Transgás-Sociedade Portuguesa de Gás Natural, S.A. ("Transgás, S.A." currently designated by Galp Gás Natural, S.A.).

Over the years the Company shareholder structure has undergone several changes, its position as of 31 December 2009 is stated in Note 19.

Part of the Company's shares, representing 25.32% of its capital, are listed in the Euronext Lisbon stock exchange.

b) The Group

At 31 December 2009 the Galp Group ("the Group") was made up of Galp and its subsidiaries, which include: (i) Petróleos de Portugal - Petrogal, S.A. ("Petrogal") and its subsidiaries, which operate upstream and downstream in the crude oil and related derivatives sector; (ii) GDP - Gás de Portugal, SGPS, S.A. and its subsidiaries, which operates in the natural gas sector; (iii) Galp Power, SGPS, S.A. and its subsidiaries, which operate in the electricity and renewable energy sector; and (iv) Galp Energia, S.A. which provides all the corporate support services.

b1) Crude oil upstream and downstream operations

Petrogal is the only company operating in the petroleum refining sector in Portugal and is also present in the distribution of refined petroleum products through the Galp brand, which it owns. Petrogal and its subsidiaries operate in the oil exploration (upstream), and in the refining and distribution of petroleum and derivative products (downstream).

b2) Nature Gas Operations

The natural gas subsidiaries of the GDP - Gás de Portugal, SGPS, S.A. Group which operate in: i) the acquisition, sale to ordinary regime electricity producers, to the wholesaler for the commercialisation of last resort and to large industrial clients in the liberalized market namely through Galp Gás Natural, S.A.; ii) wholesale commercialization to clients in the regulated market iii) storage through Transgás Armazenagem, S.A. and iv) distribution and commercialisation of natural gas through Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., Lusitaniagás - Companhia de Gás do Centro, S.A. and Beiragás - Companhia de Gás das Beiras, S.A., which operate based on concession contracts entered into with the Portuguese State, which were initially set for a period ending in 2028 (2034 for Beiragás). The initial contracts, except for Galp Gás Natural, S.A., were in force up to 2007, inclusive. On 11 April 2008 with effective date on 1 January 2008 the mentioned companies signed new concession contracts, which end in 2045 for storage and 2047 for distribution and commercialisation of natural gas under the new legislation for this sector. At the end of these periods the assets relating to the concessions will be transferred to the Portuguese State and the companies will receive an indemnity corresponding to the book value of these assets at that date, net of depreciation, financial co-participation and grants.

Resolution of the Council of Ministers 169/2005 of 24th of October, which approved the national energy strategy, established as one of the guidelines, the liberalisation and promotion of competition in the energy markets, through change in the respective structures.

Decree-Law 30/2006 of 15th of February, while including the strategic guideline of the Resolution of the Council of Ministers 169/2005 of 24th of October within the national plan, defined a legal framework for the natural gas sector which is coherent and in line with community legislation and the main strategic objectives approved by that Resolution. This framework establishes the organisation and operating principles of the National Natural Gas System, as well as the general rules applicable to the reception, storage and re-gasification of LNG, underground storage, transport, distribution and commercialisation, thus transposing the principles of European Parliament and the Council Directive 2003/55/CE of 26th of June, with the objective of establishing a more competitive and free market. Organisation of the National Natural Gas System is mainly based on the exploration of the public natural gas network, made up of the National Transport Network, Storage and Terminal Installations and by the National Natural Gas Distribution Network. These infrastructures are explored through public service concessions or, in the case of local autonomous distribution networks, through public service licences. In addition, the conditions to be established in complementary legislation will allow private distribution of natural gas through licences granted for that purpose.

The natural gas commercialisation activity is free, being however, subject to the granting of licences by the competent administrative entity, which defines clearly the rights and duties within the perspective of operating transparency. In carrying out their activities, traders can purchase and sell natural gas freely, having the right of access to LNG storage and terminal installations and transport and distribution networks through the payment of a regulated tariff. The free commercialisation of natural gas is subject to a transitory regime establishing a gradual opening up of the market, considering the emerging market statute and the associated derogation.

Under the terms of the above mentioned Decree-Law, the activities relating to the public natural gas network, commercialisation of last resort of natural gas and logistic operation of change in supplier are subject to regulation. Without prejudice to other administrative entities, Entidade Reguladora dos Serviços Energéticos - ERSE (Energy Services Regulating Entity) is responsible for regulating the sector.

In order to implement the separation of the natural gas distribution and commercialisation activities, contracts relating to the transfer of regulated assets were signed between the regional distributors and Galp Gás Natural, S.A.. In addition, commercialisation companies were founded (Note 3) in the regions where the number of clients exceeds 100 thousand, in order to separate the commercialisation activity from the distribution activity.

On 30 June 2008 and 24 June 2009 Order 13/2008 and Order 14148/2009 were published, under which the energy services regulator ("ERSE") fixed the rates to be applied by the entities that carry out regulated activities for the gas year 2008-2009 and 2009-2010, so that the regulated income for that period can be recovered, as established in article 149 of the Tariff Regulations.

The gas year corresponds to the period from 1 July of one year up to 30 June of the following year.

The tariffs charged to clients include the tariff for energy accessing the transport network, accessing the overall natural gas system, accessing the distribution system and for commercialisation, which remunerate the regulated activities.

The Group Companies carry out the storage, distribution and natural gas commercialisation of last resort activities under that regulation.

b3) Energy generating operations

The operations of the Galp Power Group subsidiaries consist of producing and commercialising electric and thermic power.

c) Operations

The Galp Energia Group's operations consist of the following:

- The Exploration and Production business segment ("E&P") is responsible for Galp Energia's upstream operations in the petroleum industry, which consists of the supervision and performance of all the activities relating to the exploration, development and production of hydrocarbons, essentially in Angola, Brazil, Mozambique and East Timor;
- The Petroleum Product Refining and Distribution business segment ("Refining and Distribution") holds the only two refineries in Portugal and also includes all the activities relating to the retail and wholesale commercialisation of petroleum products (including LPG). The Refining and Distribution segment also includes part of the petroleum product storage and transport infrastructures in Portugal, which are strategically located for both exporting and distribution of the main products to the consumption centres. This retail distribution activity, using the Galp brand, also includes Spain, Mozambique, Guinea Bissau, Gambia and Swaziland through fully owned subsidiaries of the Group and Angola and Cape Verde through joint ventures;
- The Gas and Power business segment covers the areas of Purchasing, Commercialisation and Distribution of Natural Gas and electric and thermic power production:
 - The Purchasing and Commercialisation of Natural Gas area supplies Natural Gas to large industrial customers with annual consumptions of more than 2 million m³, power generating companies, and natural gas distribution companies and AGU ("Autonomous Gas Unit"). So as to meet the demand of its customers, Galp Energia has long term purchase contracts with companies in Algeria and Nigeria;
 - The Natural Gas Distribution area, together with the natural gas distribution companies in which Galp Energia has a significant participation, sell natural gas to residential, commercial and industrial customers with annual consumptions of less than 2 million m³;
 - The Power area generates electric and thermic power and supplies power to large industrial customers. Galp Energia presently participates in four co-generation plants with an installed capacity of 160 MW. In addition, it participates in wind farms and combined cycle plants, which are still in the investment phase.

The accompanying financial statements are presented in the functional currency Euros, as this is the currency used preferentially in the financial environment in which the Company operates.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Group to prepare the consolidated financial statements are explained below. During the period ended in 31 December 2009 there were changes in the accounting policies in relation to those used to prepare the financial information for the preceding year, which are presented in Note 2.24. In addition, no significant prior year material errors were recognised.

2.1. Basis of presentation

Galp Energia's consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value (Note 2.17), from the accounting records of the companies included in the consolidation (Notes 3 and 4), maintained in accordance with generally accepted accounting principles in the countries of each subsidiary, adjusted in the consolidation process so as to conform with International Financial Reporting Standards as adopted by the European Union, effective for the years beginning 1 January 2009. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standing Interpretation Committee ("SIC"), adopted by the European Union. These standards and interpretations are hereinafter referred to as IAS/IFRS.

The standards "IAS/IFRS" approved and published in the Official Journal of the European Union ("OJEU") during 2009 and with mandatorily applicability in previous years are as follows:

IAS	PUBLICATION DATE IN OJEU	DATE OF ACCOUNTING APPLICATION*	COMMENTS
Amendments to IAS 32 Financial Instruments: Presentation	December 24, 2009	February 1, 2010	No accounting impacts are expected.
IFRIC 18 Transfers of Assets from Costumers	December 1, 2009	October 31, 2009	No accounting impacts are expected.
IFRIC 17 Distributions of Non-cash Assets to Owners	November 27, 2009	October 31, 2009	No accounting impacts are expected.
Revision IFRS 1 First-time Adoption of international Financial Reporting Standards	November 26, 2009	December 31, 2009	No accounting impacts are expected.
Amendments to IAS 39 Financial Instruments: Recognition and Measurement	September 16, 2009	June 30, 2009	No accounting impacts are expected.
IFRIC 15 Agreements for the Construction of Real Estate	July 23, 2009	December 31, 2009	No accounting impacts are expected.
Revision IFRS 3 Business Combinations	June 12, 2009	June 30, 2009	Impacts expected if new business are combined in the future.
Amendments to IAS 27 Consolidated and Separate Financial Statements	June 12, 2009	June 30, 2009	Impacts expected if there are change in control or investments in the future.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	June 5, 2009	June 30, 2009	No accounting impacts are expected.
IFRIC 12 Service Concession Arrangements	March 26, 2009	March 29, 2009	Eventual impacts are under analysis by Galp energia.

Note: * in annual periods beginning on the date indicated. In the case of Galp Energia the standards and interpretations will be applied, if applicable, in 2010.

Estimates that affect the amounts of assets and liabilities and income and costs were used in preparing the accompanying consolidated financial statements. The estimates and assumptions used by the Board of Directors were based on the best information available regarding events and transactions in process at the time of approval of the financial statements.

In the preparation and presentation of consolidated financial statements Galp Energia Group, complies with the IAS / IFRS and their interpretations SIC / IFRIC adopted by the European Union.

2.2. Consolidation methods

The following consolidation methods were used by the Group:

a) Investments in Group companies

Investments in companies in which the Group holds, directly or indirectly, more than 50% of their voting rights in Shareholders' General Meetings and/or has the power to control their financial and operating policies (the definition of control adopted by the Group) were consolidated in these financial statements in accordance with the full consolidation method. The companies consolidated in accordance with the full consolidation method are shown in Note 3.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated balance sheet and income statement in the caption "Minority interests". The losses and profits applicable to minority shareholders are allocated to them.

The assets and liabilities of each Group company are recognised at fair value as of the date of acquisition or, as established in IFRS 3, during a period of 12 months after that date. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as goodwill (Note 2.2.d)). If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as an income for the year.

Minority interests include third party proportion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the income statement from the date of acquisition to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for them to conform to the Group's accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

Where the Group has, in substance, control over other special purpose entities, even if it does not have direct participation in their capital, they are consolidated in accordance with the full consolidation method. Where such entities exist, they are included in Note 3.

Investments in Group companies are always consolidated.

b) Participations in jointly controlled entities

Participations in jointly controlled entities are included in the accompanying consolidated financial statements in accordance with the equity method as from the date joint control is acquired (see Note 2.24). The jointly controlled entities recognised by the equity method are listed in Note 4. The excess of cost in relation to the fair value of the identifiable assets and liabilities of each jointly controlled entity at the date of acquisition is recognised as goodwill and maintained in the amount of the financial investment in the caption "Investments in associates and jointly controlled entities". If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement caption "Share of results of investments in associates and jointly controlled entities", after confirmation of the fair value attributed.

Recoverable amount of investments in associates and jointly controlled entities are assessed for impairment when there are indications that might suggest the investments may be impaired, as well as annual valuations of goodwill. If any impairment losses are determined they are recognised in the income statement. When impairment losses recognised in preceding years no longer exist, except for Goodwill they are reversed.

When the Group's share of the accumulated loss of a jointly controlled entity exceeds its book value, the investment is recorded at zero, except when the Group has assumed commitments to the jointly controlled entity, in which case the Group recognises the loss by the amount of the joint liability in the entity.

Unrealised gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the joint controlled entities, by corresponding entry to the investment in that same entity. Unrealised losses are eliminated if the loss doesn't result from the transferred asset being impaired.

The classification of investments in jointly controlled entities is determined based on participation agreements that regulate the joint control.

c) Investments in associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% and 50%) are recorded in accordance with the equity method.

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20%) are recorded at cost, since to the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group's share of the investee's post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement caption "Share of results of investments in associates", as well as by dividends received.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and included in the book value of the investment. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement caption "Share of results of investments in associates", after confirmation of the fair value attributed.

Valuations are made of investments in associates when there are facts that might suggest the participation to be impaired, as well as annual valuations of goodwill. If any impairment losses are determined they are recognised in the income statement. When impairment losses recognised in preceding years no longer exist, they are reversed. However impairment of goodwill is not reversed.

When the Group's share of the accumulated loss of an associated company exceeds the book value of the participation, the participation is recorded at zero, except where the Group has assumed commitments to the associated company, in which case the Group recognises the loss by the amount of the joint liability with the associated company.

Unrealised gains and losses on transactions with associated companies are eliminated in proportion to the Group's interest in the associated company, by corresponding entry to the investment in the associate. Unrealised losses are also eliminated, only if the loss doesn't result from the transferred asset being impaired.

The interest in associated companies are presented in Note 4.

d) Goodwill

The positive differences between the cost of investments in Group companies, jointly controlled entities and associated companies and the fair value of the identifiable assets and liabilities of these companies at the date of acquisition (or during a period of 12 months after that date), are recognised as goodwill (in case it results from goodwill in group companies or jointly controlled entities) (Note 11) or as investments in associates (in the case it results from associated companies). The negative differences, are recognised in the income statement of the year.

The positive differences between the cost of investments in foreign entities and the fair value of the identifiable assets and liabilities at the date of acquisition (or during a period of 12 months after that date), are recognised in their functional currencies and translated to the Group's functional currency (Euros) at the rate of exchange on the end of the reporting period. Exchange rate differences resulting from the translation are recorded in equity in the caption "Translation reserve".

Goodwill on acquisitions prior to the date of transition to IFRS (1 January 2004) was maintained at the amounts recorded in accordance with generally accepted accounting principles in Portugal (deemed cost) as of that date and is subject to impairment tests in accordance with IFRS 1, which is no longer amortised as of that date, but is subject to impairment tests at least annually to determine if there are impairment losses.

Goodwill on acquisitions after 1 January 2004 (date of transition to IFRS) as well as net goodwill on earlier acquisitions is not amortised, but is subject to impairment tests at least annually to determine if there are impairment losses.

Any impairment losses are recorded immediately on the statement of financial position as deductions from the amount of the assets by corresponding charge to the income statement caption "Other gains and losses" and are not subsequently reversed.

If the initial recording of a business combination can only be made provisionally at the end of the period in which the concentration was made because the fair values to be attributed to the identifiable assets, liabilities and contingent liabilities of the acquired entity can only be determined provisionally, the Galp Group records the concentration using the provisional amounts. The amounts determined provisionally are adjusted when the fair values of the assets and liabilities are objectively determined, up to a period of 12 months after the acquisition date. Goodwill or any other gain recognised will be adjusted as from the date of the acquisition by an amount equal to the adjustment of fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, to be recognised or adjusted and the comparative information presented for periods prior to conclusion of the initial recording of the concentration will be presented as if the initial recording had been concluded as of the date of the acquisition. This includes any depreciation, amortisation or other additional profit or loss recognised as a result of concluding the initial recording.

When performing impairment test on goodwill, its value is associated to the respective cash generating unit. Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The discount rate used reflects Galp Energia Group WACC (Weights Averting Cost of Capital) for the reporting segment and country or the cash generating unit.

e) Foreign currency financial statements translation

Entities operating abroad that have organisational and financial autonomy are recorded as foreign entities.

Assets and liabilities in the financial statements of foreign entities are translated to Euros at the rates of exchange in force on the end of the reporting period and income and costs and cash flows in these financial statements are translated to Euros at the average rates of exchange for the year. The resulting exchange differences arising after 1 January 2004 (date of transition to IFRS) are recognised in the equity caption "Translation reserve". Exchange rate differences arising up to 1 January 2004 (date of transition to IFRS) were reversed by corresponding entry to "Retained earnings".

Goodwill and the fair value adjustments resulting from the acquisition of foreign entities are treated as assets and liabilities of these entities and translated to Euros at the exchange rates in force on the end of the reporting period.

When a foreign entity is disposed the accumulated exchange difference is transferred from the equity caption "Translation reserve" to the income statement caption "Other gains and losses".

Shareholders' loans in a different functional currency from the parent company that do not have defined repayment terms are considered as net investments in the foreign entities. The exchange differences arising but not reversed in the consolidation process, in transposing the balances of shareholders' loans to the company's reporting functional currency, are reclassified in consolidated financial statements to the shareholders' equity caption "Translation reserve".

The financial statements of foreign entities included in the accompanying consolidated financial statements were translated to Euros at the following exchange rates:

CURRENCY	AT THE END OF THE YEAR		AVERAGE FOR THE YEAR	
	2009	2008	2009	2008
Gambian Dalasi	38.54	38.23	36.95	33.20
Moroccan Dirhams	11.25	11.27	11.31	11.35
US Dollars	1.44	1.39	1.40	1.47
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swaziland Lilangeni	10.64	13.54	11.59	11.98
Mozambique Meticals	41.90	35.98	38.51	35.64
Brazilian Reais	2.51	3.24	2.76	2.67

2.3. Tangible assets

Tangible assets acquired up to 1 January 2004 (date of transition to IFRS) are stated, as allowed under an option included in IFRS 1, at deemed cost, which corresponds to cost, revalued, where applicable, in accordance with the legislation in force up to that date, less accumulated depreciation, impairment loss and government grants.

Tangible assets acquired after that date are recorded at cost less accumulated depreciation, impairment losses and government grants. Asset cost includes the invoice price, transport and assembly costs and financial costs incurred during the construction phase.

Tangible assets in progress include tangible assets in the construction phase and are recorded at cost less government grants and any impairment losses. Tangible assets in progress are depreciated as from the time the capital expenditure projects are completed or the assets are ready for use.

Depreciation of the deemed cost (for acquisitions up to 1 January 2004) or acquisition cost are calculated on a straight-line basis, as from the year the assets are available for operating in accordance with the group management, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life, limited, when applicable, to the concession period.

The average annual depreciation rates used are as follows:

	RATES
Land and natural resources – public right of free passage	2.20% - 3.13%
Buildings and other constructions	2.00% - 10.00%
Machinery and equipment	2.20% - 12.50%
Transport equipment	16.67% - 25.00%
Tools and utensils	12.50% - 25.00%
Administrative equipment	5.00% - 33.33%
Reusable containers	7.14% - 33.33%
Other tangible fixed assets	10.00% - 33.33%

The natural gas infrastructures, namely the gas distribution networks, are depreciated over a period of 45 years as this is considered to be the period of economic useful life of these assets.

Recurring repair and maintenance costs are expensed in the year when they are incurred. Major overhauls involving the replacement of parts of equipment or of other tangible assets are recorded as tangible assets if the replaced parts are identified and written off, and depreciated over the remaining period of economic useful life of the corresponding tangible assets.

Oil exploration and production

The tangible assets related with the exploration and oil production, are recorded at acquisition cost and are mainly related with costs incurred in exploration and development of oil fields, plus overheads and financial costs incurred up to the date production starts, are capitalised in tangible assets in progress. When the oil field starts producing, these costs are transferred from tangible assets in progress to the definitive tangible assets captions and depreciated according with the depreciation rate in accordance with the Unit of Production ("UOP") method for the nature of the asset.

Development expenses are depreciated based on a coefficient calculated by the proportion of the volume of production in each depreciation period in relation to the total proved developed reserves at the end of the period plus production of the period, by a specialized and independent entity, with exception for Tombua-Landana development area. In this area during the year 2009, development expenses were depreciated based on the coefficient mentioned above, using adjusted total proved developed reserves. The adjustment used by the Group derives from the fact that during the year ended 31 December 2009, Tombua-Landana Compliant Piled Tower started operating and was, consequently, transferred from fixed assets in progress to tangible asset, however the total proved reserves associated with that investments have not been entirely considered as developed by the independent entity that evaluates the reserves. This results from the fact that a portion of the reservatories that are associated with the Compliant Piled Tower are not yet connected, although the necessary investment needed to complete the remaining connection is not significant.

Exploration expenses are depreciated based on a coefficient calculated by the proportion of the volume of production in each depreciation period in relation to the total proved reserves at the end of the period plus production for the period.

The proved developed reserves and total proved reserves used by the Group to determine the depreciation rate in accordance with the Unit of Production ("UOP") method were determined by a specialised entity.

Exploration expenses relating to fields which are still in the exploration and development phase are classified as tangible assets in progress in the caption "Tangible assets".

All costs incurred in the exploration phase of unsuccessful oil fields are recognised as costs in the income statement for the year in which the decision to interrupt the exploration and/or development work is acknowledged.

Gains and losses on the sale or write-off of tangible assets results from the difference between the asset selling price and the net book value at the date of sale or write-off. Net book value includes accumulated impairment losses. The gains and losses determined are recognised in the income statement captions "Other operating income" or "Other operating costs", respectively.

2.4. Intangible assets

Intangible assets are stated at cost less accumulated amortisation, government grants and impairment losses. Intangible assets are only recognised if it is probable that they will result in future economic benefits to the Group, they are controllable and can be reliably measured.

Intangible assets recognised with the exploration and oil production are recorded at acquisition cost and are mainly related with acquiring oil exploration and production licences (signature bonus), and are depreciated on a straight-line basis, as from the date production starts, over the remaining period of the licence.

Exploration expenses not related to upstream activities are recognised as costs for the year.

Development expenses are only recognised as intangible assets if the Group has the technical and financial ability to develop the asset, decides to complete the development and starts commercialising or using it, and it is probable that the asset created will generate future economic benefits. If the development costs do not fulfil these requirements, they are recorded as costs for the year in which they are incurred.

The Group capitalises costs relating to the conversion of consumption to natural gas, which involves adapting the installations. The Group considers that it can control the future economic benefits resulting from this conversion, through the continued sale of gas to its clients and inclusion of such costs in the prices approved by the General Directorate of Geology and Energy (Dec-law 140/2006 of 26th of July). These costs are amortised on a straight-line annual basis up to the end of the period of the concession of the gas distribution companies.

Intangible assets include, in addition to the cost of conversion of consumption to natural gas, costs incurred on information systems development, exclusivity bonuses paid to retailers of Galp products and rights on land utilization costs, which are amortised over the period of the respective contracts (which ranges from ten to twenty years).

Intangible assets with finite useful life are amortised on a straight-line basis as from the date they start being used, except for assets relating to exploration and production, which are amortised in accordance with the UOP method as described above, as from the beginning of their utilisation.

The amortisation rates are set in accordance with the period of the existing contracts or expected use of the intangible assets.

2.5. Impairment of non-current assets except goodwill

Impairment tests are made as of the financial statements date and whenever it is identified that an asset has lost value. Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised by charge to the income statement caption "Amortisation, depreciation and impairment loss on tangible assets".

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects the weighted average cost of capital (WACC) used by the Galp Energia Group for the reporting segment and country of the asset. The cash generating unit subject to impairment analysis depends on the reporting segment: in the refining and distribution segment the cash generating unit is the service station network in each country; in the exploration segment the cash generating unit is the property (commonly referred as Block); and in the gas & power segment the cash generating unit is the set of assets generating the economic benefits.

Impairment losses recognised in earlier periods are reversed when it is concluded that they no longer exist or have decreased. Such tests are made whenever there are indications that an impairment recognised in an earlier period has reverted. Reversal of impairment is recognised as a decrease in the income statement caption "Amortisation, depreciation and impairment loss of tangible assets". However, impairment losses are only reversed up to the amount at which the asset would be recorded (net of amortisation or depreciation) if the impairment loss had not been recorded in an earlier period.

Refining and Distribution segment assets

Tangible and intangible assets related with refining and distribution of oil products are assessed by the Group for impairment at each end of the reporting period, considering internal and external sources of information, namely the Portuguese and Spanish markets service station network.

In the annual impairment tests performed to distribution activity of oil products, the Group identified and considered as cash generating unit the service station network of each country. This consideration derives from the fact that the report of the internal management is based on network operations of each country, and operational decisions and investments are made on that basis.

The impairment test carried out by the Group are based on the estimated recoverable amount of each service station compared to its net book value at the end of the reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flows determined based on annual budgets and business plans for each service station, using discount rate the weighted average cost of capital ("WACC") of that business segment, according with the specific risk to this segment.

The projections period of cash flows changes with the average useful life of cash generating unit.

Based on the annual impairment tests conducted by the Group on 31 December 2009, the amount recorded in the statement of financial position as impairment of tangible and intangible assets amounted to, approximately, tEuro 30,634.

Oil Exploration and Production segment assets

Impairment losses on oil exploration and production assets are determined when:

- Economically feasible reserves are not found;
- The licensing period ends and the exploration licence is not expected to be renewed;
- When an acquired area is returned or abandoned;
- When the expected economic future benefits are less than the investment made.

Annually tangible and intangible assets related with oil exploration and production are assessed by the Group for impairment. The selected cash generating unit is the country or block depending on the stage of maturity of the investments.

The assessment for Block impairment is made by the Expected Monetary Value ("EMV model"), comparing the net book value of the investments with the present value of the expected future cash flows. Using a discount rate which represents the weighted average cost of capital ("WACC"), calculated taking into account the estimates of:

- (i) Probable reserves;
- (ii) Investment and future operating costs needed to recover the probable reserves;
- (iii) Contingence resources, adjusted by a factor of probability of success;
- (iv) Investment and future operating costs required to recover the contingent resources;
- (v) Reference price of a barrel of Brent;
- (vi) Exchange rate Euro / U.S. Dollar;
- (vii) Taxation of Block / Country.

The projection period of cash flow is equal to the recovery of reserves and resources and limited to the period of concession contracts, when applicable.

The information contained in paragraphs:

- (i) is determined by independent experts for the quantification of the oil reserves estimated;
- (ii), (iii), (iv) and (vii) is internally determined by Galp Energia, or, whenever available, through information provided by the operator of each Block, namely the information included in the approved development plans, adjusted to the expectation of the Company and legal information available; and
- (v) and (vi) is the one contained in the Galp Energia Group five years budget and constant after that period.

The assessment of impairment by country is similar to that described by Block, but the cash flows are estimated given only the information contained in paragraphs (iii) to (vii) above, because there has not yet been determined the existence of probable reserves.

2.6. Leasing

Lease contracts are classified as:

- (i) Finance leases if substantially all the risks and benefits of ownership are transferred; and
- (ii) Operating leases where this does not occur.

Finance and operating leases are classified based on the substance rather than the form of the legal contract.

Leases in which the Group is the lessee

Tangible assets acquired under finance lease contracts and the corresponding liabilities are recognised in accordance with the financial method. In accordance with this method the cost of the assets (the lower of the fair value or the discounted amount of the lease instalments) is recognised in tangible assets, the corresponding liability is recorded and interest included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 2.3, are recorded as financial cost and amortisation and depreciation cost in the income statement of the year to which they relate, respectively. In the case of operating leases, the lease instalments are recorded as costs for the year, on a straight-line basis over the period of the contract, in the income statement caption "External supplies and services".

The Group does not hold materially relevant operating or finance leases and so the provided disclosures in the notes to the financial statements are not presented.

2.7. Inventories

Inventories (merchandise, raw and subsidiary material, finished and semi-finished products, and work in process) are stated at the lower of cost of acquisition (in the case of merchandise and raw and subsidiary material) or production (in the case of finished and semi-finished products and work in process) or net realisable value.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realisable value, the difference is recorded in the operating cost caption "Cost of sales".

Consequently, the cost of inventories used/sold is determined as follows:

a) Raw and subsidiary material

Crude oil – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis, applicable to a single family of products, which includes all crude oil types.

Other raw materials (excluding general materials) – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis, by family of products, determined considering the characteristics of the different materials.

General materials - The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on an weighted average basis.

b) Products and work in process

Production cost includes the cost of materials, external supplies and services and overheads.

c) Finished and semi-finished products

Crude oil – corresponds to crude oil produced in the oil exploration and production activity and is held in inventory at 31 December of each year, corresponding to the Company's share of the total inventory of each development area. Such inventories value corresponds to their production cost, which includes direct production costs plus depreciation for the year and provision for abandonment costs. The cost of sales is determined on a weighted average basis.

Oil products – Produced finished and semi-finished products value corresponds to their production cost, which includes the cost of raw and other materials consumption, direct labour costs and production overheads. If acquired to third parties their value corresponds to their cost, which includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis applied to families of products determined up considering the characteristics of the products.

The Petrogal Group includes, in the caption finished and semi-finished products, the Tax on Oil Products ("Imposto sobre Produtos Petrolíferos - ISP") relating to the introduction to consumption of finished goods dispatched subject to that tax, which is stated at cost. The cost of sales is determined on a weighted average basis.

Other finished and semi-finished products – Production costs include raw materials and variable and fixed production costs. The cost of sales is determined on a weighted average basis.

d) Merchandise

Cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis

The cost of imported natural gas also includes the costs incurred up to the Portuguese border, relating to transport and rights of passage through Moroccan territory.

As above mentioned, the Petrogal Group also includes, in the caption inventories, Tax on Oil Products relating to merchandise already dispatched subject to that tax.

Raw and subsidiary materials and merchandise in transit are not available for consumption or sale and they are segregated from the other inventories and recorded at specific cost.

e) Under/Over Lifting

In the case of oil exploration and production activity, where the Company has underlifted oil in relation to its production quota and the amount underlifted has been lend to other joint venture partners, it is recorded at market price as of the date the loans were granted in the caption "Other receivables" (Note 14). Whenever the market price at the end of the year is lower than the price considered for valuing the quantities lend it is recognised an impairment loss.

When the Company has overlifted oil in relation to its production quota, the amount overlifted is valued at the market price on the date the loan is entered in the caption "Other payables" (Note 24).

The Company considers that in substance over form the production shared under the Production Sharing Agreement is not subject to price risk since the operation is for use of the contractors and the settlement of the under and overlifting is made through is physical product delivery.

2.8. Government grants and other grants

Government grants are recognised at fair value when it is certain that they will be received and that the Group companies will comply with the conditions required for them to be granted.

Government grants for operating costs are recognised in the income statement in proportion of the costs incurred.

Non repayable government grants for tangible and intangible assets (conversions) are recorded as decreases in the amount of the assets and recognised in the consolidated income statement as a decrease in the amount of amortisation and depreciation for the year, in proportion of the amortisation and depreciation of the granted assets.

2.9. Provisions

Provisions are recorded when, and only when, the Group has an obligation (legal or implicit) resulting from a past event in which there probably will be an outflow of resources to resolve it and the amount can be reasonably estimated. Provisions are reviewed and adjusted on each balance sheet date so as to reflect the best estimate at that date. Provisions for restructuring costs are recognised by the Group whenever there is a formal detailed restructuring plan.

During 2009 there were no transactions that should be classified as restructuring provision.

2.10. Retirement liability

Petrogal, Sacor Marítima, Saaga, Galp Comercialización Oil España and some companies of the GDP Group (GDP Gás de Portugal, SGPS, S.A. and LisboaGás – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. (GDL)) have assumed the commitment to pay their employees' pension supplements for retirement due to age, disability and pensions to survivors, as well as early retirement and pre-retirement pensions. With the exception of early retirement and pre-retirement pensions, these payments are calculated on an incremental basis in accordance with the number of years of the employee. Early retirement and pre-retirement pensions correspond essentially to the employee's wage. When applicable, these commitments also include the payment of Social Security of pre-retired personnel, voluntary social insurance of early retirees and retirement bonuses payable upon normal retirement.

Petrogal, Sacor Marítima, Saaga, Galp Comercialización Oil España and the GDP Group companies have created autonomous pension funds managed by outside entities ("Fundo de Pensões Petrogal", "Fundo de Pensões Sacor Marítima", "Fundo de Pensão Saaga", "Fundo de Pensão Galp Comercialización Oil España", and "Fundo de Pensões GDP") to cover their liabilities relating to pension supplements for retirement due to age, incapacity and survivor pensions to current employees and retired personnel and, in the case of Petrogal, also to pre-retired and early retired personnel. However, the Petrogal Pension Fund does not cover the liability for early retirement and pre-retirement pensions, Social Security of pre-retired personnel and the payment of voluntary social insurance and retirement bonuses. These liabilities are covered by specific provisions included on the statement of financial position caption "Retirement and other benefit obligations" (Note 23).

In addition, the GDP pension plan does not cover the liability assumed by GDL to reimburse the retirement pension supplements payable by EDP to its retired personnel and pensioners relating to GDL, as well as retirement and survivor supplements payable to retired personnel at the time of creating the Fund. These liabilities are covered by specific provisions included in the balance sheet caption "Retirement and other benefit obligations" (Note 23).

At the end of each accounting period the companies obtain actuarial valuations calculated by a specialised entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with the market value of the funds and with the balance of the provisions, in order to determine the additional provisions to be recorded.

The actuarial gains and losses determined in a year for each of the benefits granted, resulting from adjustments to the actuarial assumptions, experience adjustments or adjustments to the scheme of benefits are only recorded if the net accumulated amount of these actuarial gains and losses not recognised (Total Deviation) at the end of the period exceeds in absolute amount the greater of: 10% of the total liability or 10% of the market value of the fund, being recognised in the income statement as from the year following that which it is determined, on a straight-line basis in accordance with the expected average number of working years of the employees participating in the benefit plan.

The benefit plans identified by the Petrogal Sub-Group for determination of these liabilities are:

- Pension supplements for retirement, disability and surviving orphan;
- Pre-retirement;
- Early retirement;
- Retirement bonus;
- Voluntary social insurance;
- Special flexible retirement age regime under Decree-Law 9/99;
- Defined contribution minimum benefit plan.

The benefit plans identified by the GDP Sub Group for determination of these liabilities are:

- Pension supplements for retirement, disability and surviving orphan;
- Pre-retirement;
- Special flexible retirement age regime under Decree-Law 9/99.

On 31 December 2002 the Portuguese Insurance Institute authorised the creation of the Galp Energia defined contribution Pension Fund. In 2003 Galp Energia, SGPS, S.A. created a defined contribution Pension Fund for its employees and allowed employees of other group companies to join this fund. Petróleos de Portugal – Petrogal, S.A., GDP – Gás de Portugal, SGPS, S.A., LisboaGás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and Galp eNova S.A. (on 17 December 2003 Galp eNova S.A. was merged into Galp Energia, S.A.) as associates of the Fund, to allow their employees choose between this new defined contribution pension plan and the previous defined benefits plan. In the case of options for the new plan the group companies contribute with an annually defined amount to the fund, corresponding to a percentage of the salary of each employee, which is recognised as a cost for that year.

2.11. Other retirement benefits – healthcare, life insurance and defined contribution minimum benefit plan

The Group's costs with respect to healthcare, life insurance and defined contribution minimum benefit plan are recognised over the period in which the employees entitled to these benefits are in service in the respective companies, the liability being reflected on the statement of financial position caption "Retirement and other benefit obligations" (Note 23). Payments to the beneficiaries each year are recorded as reductions in the provisions.

At the end of each accounting period the companies obtains actuarial valuations of the amount of its liability, calculated in accordance with the Projected Unit Credit method, and compares this with the provisions recorded in order to determine the additional amount to be recorded.

Actuarial gains and losses for the year are recorded as explained in Note 2.10 above.

2.12. Foreign currency balances and transactions

Transactions are recorded in the individual financial statements of subsidiaries in their functional currencies, at the exchange rates in force on the dates of the transactions.

All foreign currency monetary assets and liabilities in the individual financial statements of subsidiaries are translated to the functional currency of each subsidiary using the exchange rates in force at the end of the reporting period of each period. Foreign currency non monetary assets and liabilities recorded at fair value are translated to the functional currency of each subsidiary at the exchange rate in force on the date that fair value is determined.

Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the consolidated income statement caption "Exchange gain (loss)", except for those relating to non-monetary items, in which case the change in fair value is recorded directly in equity.

When the Group intends to reduce its exposure to exchange rate risk it contracts hedging derivative instruments (Note 2.17.f)).

2.13. Income and accruals basis

Sales income is recognised in the income statement when the risks and benefits of ownership of the assets are transferred to the buyer and the amount of the income can be reasonably measured. Sales are recognised at the fair value of the amount received or receivable, net of taxes (except for tax on petroleum products in the distribution of petroleum products segment), discounts and other costs incurred to realise them.

Costs and income are recorded in the period to which they relate, independently of when they are paid or received. Where the actual amounts of costs and income are not known they are estimated.

The "Other current assets" and "Other current liabilities" captions include the costs and income from the current period and whose financial receipt or disbursement will only occur in future periods, as well as financial receipt or disbursement that have already occurred, but relating to future periods and that will be charged to the results on the respective periods.

The sales price of natural gas to electricity producers companies is established in accordance with agreements entered into. The sales price of natural gas to entities subject to regulation is determined by ERSE. The selling price of natural gas is fixed quarterly in accordance with a formula established in the concession contract. Meter reading, invoicing and collections relating to the distribution and commercialisation of natural gas are made by the companies themselves or, in the case of meter reading and collections, through external partners.

As mentioned in the Introductory Note, the regulated tariffs used for invoicing natural gas in the national natural gas system are established by ERSE, so that they allow the recovery of the estimated regulated revenue for each gas year calculated for each regulated activity. Regulated revenue includes, in addition to operating costs for each activity, the following remuneration: (i) commercialisation activity, remuneration for the purchase and sale of natural gas, which corresponds to the effective cost of natural gas and remuneration of the operating commercialisation costs plus a commercialisation margin; (ii) activities of reception, transport and storage of natural gas, remuneration of 8% of the fixed assets net of depreciation and grants relating to these activities, (iii) activity of distribution of natural gas, remuneration of 9% of the fixed assets net of depreciation and grants relating to these activities. The regulated revenue of the pass-through activities/functions assumes recovery of the costs incurred. Consequently, each activity is compensated for the costs incurred whenever they exist plus its own remuneration.

As a result of the above mentioned and since each Group commercialisation regulated company holds the credit risk of the tariffs invoiced to the final clients, the Group's regulated companies income include the remuneration/recovery of all the previous activities.

Since the real regulated revenue of the Group's storage, distribution and retail commercialisation of last resort activities that result from the application of the above mentioned remuneration mechanism, is greater by an insignificant amount than the estimated regulated revenue defined by ERSE for the 2008-2009 and 2009-2010 (first half) gas year and assuming a conservative perspective, despite it this difference is expected to be reflected in the regulated revenue to be defined for the 2010-2011 gas year, the effect of this difference was not recognised. The companies only reflected in its financial statements, in accruals and deferrals captions, the effect of the difference between revenue resulting from application of the regulated tariffs in the invoicing to its clients and the estimated regulated revenue defined by ERSE for each gas year (Notes 14 and 24), allocated to each semester according to the seasonal coefficients of compensation mechanism agreed between the companies in the regulated market of natural gas.

In addition, as the real regulated revenue from the wholesale commercialisation of last resort activity was significantly less than the income that would result from application of the remuneration mechanism of the tariff regulation for that activity, essentially due to the effective cost of natural gas being greater than that forecast at the time of defining the tariff to recover that cost, regardless of the estimated permitted revenue defined by ERSE for the 2008-2009 and 2009-2010 gas year being based on new tariffs, the Group recognised in accruals and deferrals captions the difference between the effective cost of natural gas acquired and the sales price used as a result of the defined tariff, referred to as Tariff Deviation (Note 14).

As the natural gas regulation system is intended to result in a uniform tariff (applicable to all the country's regions) and considering the various levels of efficiency of the companies in the regulated market, ERSE published the compensation mechanism to be practiced between the companies in the sector, so as to allow approximation of income recovered by application of the regulated tariffs to permitted revenue of these companies. Therefore ERSE in its documents "Tariffs and prices of natural gas for 2008-2009" and "Tariffs and prices of natural gas for 2009-2010", identifies the amount of compensation to be transferred (debited) between companies of the national gas system. In order to ensure a practical, objective and transparent procedure for the referred settlement, the companies have agreed with the seasonal coefficients to be applied in the issuance of the invoice for the uniform tariff. A unique seasonal it was established for the whole national system of natural gas, and was adjusted between 2008-2009 and 2009-2010 gas years.

Sales of gas not invoiced are recorded monthly in the caption "Other receivables" based on the estimated amount to be invoiced, and corrected in the income statement in the period in which they are invoiced (Note 14).

2.14. Financial costs on loans obtained

Financial costs on loans obtained are recorded as financial costs on an accruals basis.

Financial costs on loans to finance investments in tangible assets are capitalised in fixed assets in progress in proportion to the total costs incurred on the investments, net of government grants received (Note 2.8), up to the time they start operating (Notes 2.3 and 2.4), the remaining financial costs being recorded in the income statement caption "Financial costs" (Note 8). Any interest income on loans obtained directly to finance tangible assets in construction is deducted from the capitalisable financial costs.

Financial costs included in tangible assets are depreciated over the period of useful life of the assets.

2.15. Income tax

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in force in the area in which each Galp Energia Group head office is located.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each balance sheet date in order to recognise deferred tax assets not recorded previously due to not fulfilling the conditions needed for them to be recorded and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery (Note 9).

Deferred taxes are recorded in the income statement for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

2.16. Non-current assets held for sale

Non-current assets (and groups of assets and liabilities related to them) are classified as held for sale if their book value is expected to be realised through sale and not through their continued use. This condition is considered to exist when the sale is very probable and the asset (and the group of assets and liabilities related to it) is available for immediate sale in its present condition. In addition, actions that allow to conclude that the sale is expected to be realised within a period of 12 months from the date the assets are classified in this caption must be in progress.

Non-current assets (and the groups of assets and liabilities to be sold related to them) classified as available for sale are recorded at the lower of their book value or fair value less costs to sell. These assets are not depreciated.

During 2009 there were no assets that should be classified under this accounting policy.

2.17. Financial instruments

Financial assets and liabilities are recognised on the statement of cash flows when the Group becomes a contractual party to the financial instrument.

a) Investments

Investments are classified as follows:

- Held-to-maturity investments;
- Investments at fair value through profit or loss;
- Available-for-sale investments.

Held-to-maturity investments are classified as non-current investments, unless they mature in less than 12 months from the balance sheet date. These investments have a defined maturity date which the Group intends and has the ability to retain up to their maturity.

Investments at fair value through profit or loss are classified as current investments.

Available-for-sale investments are classified as non-current assets.

All purchases and sales of these investments are recorded on the date of signing the respective purchase and sale contracts, independently of the financial settlement date.

Investments are initially recorded at cost, which is the fair value of the price paid, including transaction costs.

After initial recognition, investments at fair value through profit or loss and available-for-sale investments are revalued to fair value by reference to their market value at the financial statements date, with no deduction for transaction costs which could be incurred upon sale. Equity instruments not listed on a regulated market, where it is not possible to reliably estimate their fair value, are maintained at cost less any non-reversible impairment losses.

Gains and losses resulting from changes in the fair value of available-for-sale investments are recognised in the equity caption "Fair value reserve" until the investment is sold, redeemed or in some way disposed of, or until the fair value of the investment falls below cost over a long period, at which time the accumulated gain or loss is recognised in the income statement.

Gains and losses resulting from changes in the fair value of investments at fair value through profit or loss are recognised in the income statement.

Held-to-maturity investments are recorded at amortised cost using the effective interest rate, net of repayments of principal and interest received.

b) Receivables

Receivables are recognised at their nominal. In the end of each reporting period this amount is stated at its value deducted of impairment losses and recognised in the caption "Provision for impairment of receivables", so that they are reflected to their net realisable value.

Receivables usually do not bear interest.

c) Equity or liability classification

Financial liabilities and equity instruments are classified in accordance with their contractual substance, independently of their legal form.

d) Loans

Loans are recorded as liabilities at their nominal amount received, net of costs to issue the loans.

Financial costs are calculated at the effective interest rate and recognised in the income statement on an accruals basis.

Financial costs include interest and any origination fees incurred relating to project finance.

e) Trade and other payables

Payables do not bear interest and are recognised at their nominal value.

f) Derivatives Instruments**Hedge accounting**

The Group uses derivative instruments in managing its financial risks as a way to hedge such risks. Derivative instruments to hedge financial risks are not used for trading purposes.

Derivative instruments used by the Group to hedge cash flows correspond mainly to interest rate hedging instruments on loans obtained. The coefficients, calculation conventions, interest rate re-fixing dates and interest rate hedging instrument repayment schedules are in all ways identical to the conditions established in the underlying contracted loans, and so they correspond to perfect hedges.

The following criteria are used by the Group to classify derivative instruments as cash flow hedging instruments:

- The hedge is expected to be very effective in offsetting the changes in the cash flow of the risk hedged;
- The hedging effectiveness can be reliably measured;
- There is adequate documentation of the hedge at the beginning of the operation; and
- The hedged transaction is highly probable.

Interest rate hedging instruments are initially recorded at cost, if any, and subsequently revalued to fair value, calculated by independent external entities using generally accepted valuation methods (such as "Discounted Cash-flows", Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, among others, depending on the type and nature of the derivative financial derivative). Changes in fair value of these instruments are recognised in the equity caption "Hedging reserves", being transferred to the income statement when the hedged instrument affects results.

Hedge accounting is discontinued when the derivative instruments mature or are sold. Where the derivative instrument stops qualifying as a hedging instrument, the accumulated fair value differences deferred in the equity caption "Hedging reserves" are transferred to the income statement or added to the book value of the asset which gave rise to the hedging transaction, and subsequent revaluations are recognised directly in the income statement.

A review was made of the Galp Energia Group's existing contracts so as to detect embedded derivatives, namely contractual clauses that could be considered as financial derivatives. No financial derivatives that should be recognised at fair value having been identified.

When embedded derivatives exist in other financial instruments or other contracts, they are recognised as separate derivatives in situations in which the risks and characteristics are not intimately related to the contracts and in situations in which the contracts are not reflected at fair value with unrealised gains and losses reflected in the income statement.

In addition, in specific situations the Group also contracts interest rate derivatives to hedge fair value. In such situations the derivatives are recognised at fair value through the income statement. In cases in which the hedged instrument is not measured at fair value (namely loans measured at amortised cost), the effective portion of the hedge is adjusted to the book value of the hedged instrument through the income statement.

Trading instruments

The Group uses derivative financial instruments, essentially crude oil and finished product swaps and options and crude oil options, to hedge refining margin fluctuation risk. Although these instruments are contracted to hedge financial risk in accordance with the Group's risk management policies, they do not comply with the requirements of IAS 39 for hedge accounting, and so changes in their fair value are recognised in the income statement for the period in which they occur. At 31 December 2009 these investments were recorded at fair value.

g) Cash and cash equivalents

The amounts included in the caption "Cash and cash equivalents" correspond to cash, bank deposits, term deposits and other treasury applications that mature in less than three months, and that can be realised immediately with insignificant risk of change in their value.

For cash flow statement purposes the caption "Cash and cash equivalents" also includes bank overdrafts included on the statement of financial position caption "Bank loans and overdrafts".

2.18. CO₂ emission licences

CO₂ emitted by the Group's industrial plants and the "CO₂ emission licences" attributed to it under the National CO₂ Licence Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire emission licences in the market, which would be recognised by the recording of a provision or (ii) it is not estimated that such licences are sold in the event that they are excessive, in which case income would be recognised.

2.19. Statement of financial position classification

Assets realisable and liabilities payable in more than one year from the financial statement date are classified as non-current assets and non-current liabilities, respectively.

2.20. Subsequent events

Events that occur after the balance sheet date that provide additional information on conditions that existed at the end of the reporting period are recognised in the consolidated financial statements. Events that occur after the balance sheet date that provide information on conditions that exist after the balance sheet date, if material, are disclosed in the notes to the financial statements.

2.21. Operating Segments

All the business and geographic segments applicable to the Group are identified in each period.

Financial information regarding income by business segment identified is provided in Note 7.

2.22. Estimates and judgements

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates to be made that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and costs recognised each year. The actual results could be different depending on the estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgement required to record situations in which there is great uncertainty or are very susceptible to changes in the situation and; (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgements and estimates in the preparation of financial statements are: (i) proven crude oil reserves relating to petroleum exploration activity; (ii) tangible and intangible assets and goodwill impairment tests; (iii) provision for contingencies and environmental liabilities; and (iv) actuarial and financial assumptions used to calculate retirement benefits.

Crude oil reserves

The estimation of crude oil reserves is an integral part of the decision-making process relating to exploration activity assets and the development of crude oil, in addition to supporting the development or implementation of secondary recovery techniques. The volume of proved crude oil reserves is used to calculate depreciation of the petroleum exploration and production assets in accordance with the "Unit of Production" method, as well as to value impairment of investment in assets relating to that activity. Estimated proved crude oil reserves are also used to recognise annual abandonment costs.

Estimated proved reserves are subject to future revision, based on new information available, such as information relating to the development activities, drilling or production, exchange rates, prices, contract termination dates and development plans. The volume of crude oil produced and cost of the assets are known, while the proved reserves are very likely to be recovered and are based on estimates subject to adjustment. The impact on depreciation and provision for abandonment costs, of changes in the estimated proved reserves is treated on a prospective basis, the remaining net book value of the assets being depreciated and the provision for abandonment costs being increased, respectively, based on the expected future production. In 2009 and 2008, the Group recorded depreciation of tEuros 40,467 and tEuros 60,237, respectively, of tangible assets relating to the exploration and production of crude oil. If the proved reserves are revalued downwards, future net profit could be affected negatively by increased depreciation cost and provisions for abandonment costs.

The quantity and type of petroleum reserves used for accounting purposes are described in Note 31.

Goodwill

The Group performs annual impairment tests of goodwill as explained in Note 2.2.d). The recoverable amounts of the cash generating units were determined based on their value in use. In calculating value in use, the Group estimated the expected future cash flows from the cash generating units, as well as an appropriate discount rate to calculate the present value of the cash flows. The amount of goodwill at 31 December 2009 is referred in Note 11.

Provisions for contingencies

The final cost of legal processes, settlements and other litigation can vary due to estimates based on different interpretations of the rules, opinions and final assessment of the losses. Consequently, any change in circumstances relating to these types of contingency can have a significant effect on the recorded amount of the provision for contingencies.

Environmental liabilities

Galp Energia makes judgements and estimates to calculate provisions for environmental matters (relating essentially to the known requirements of soil decontamination), based on current information relating to expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, change in conditions of a specific location, as well as in decontamination technologies. Consequently, any change in the circumstances relating to such provisions, as well as in the legislation and regulations can significantly affect the provisions for such matters. The provision for environmental matters is reviewed annually. At 31 December 2009 and 2008 the amount of provision for environmental liabilities is referred in Note 25.

Actuarial and financial assumptions used to calculate retirement benefit liabilities

See Note 23.

2.23. Risk management and hedging

The Group's operations lead to the exposure to risks of: (i) market, as a result of the volatility of prices of oil, natural gas and its derivatives, exchange rates and interest rates; (ii) credit, as a result of its commercial activity; (iii) liquidity, as the Group could have difficulty in having the financial resources necessary to cover its commitments.

The Group has an organisation and systems that enable it to identify, measure and control the different risks to which it is exposed and uses several financial instruments to hedge them in accordance with the corporate directives common to the whole Group. The contracting of these instruments is centralised.

The accounting policies explained in this section contain more details of these hedges.

2.24. Changes in accounting policies

In the first half of 2009 Galp changed its accounting policies of consolidated participations in joint controlled entities. Until the end of 2008 Galp Energia consolidated participations in jointly controlled entities in accordance with the proportional consolidation method, supported by IAS 31. However, IAS 31 has as alternative treatment, the adoption of the equity method or accounting.

The IASB (International Accounting Standard Board), entity conducting the study and systematic review of the IAS / IFRS, published on that subject in September 2007 the "Exposure Draft" n.º 9 ("ED9") in which discussed the use of the proportional method in the recognition of participations in joint controlled entities, to the extent that in these cases participating entities individually do not have effective control in its share in assets and liabilities. In ED9 the adoption of the equity method is recommended.

Although the implementation of the ED9 had been delayed by IASB, since Galp Energia, agrees with the "Exposure Draft" basis and as it is already an alternative treatment by IAS 31, decided in year 2009 to change the accounting for participations in joint controlled entities from proportional consolidation method to the equity method.

Since it is not feasible to remake the consolidated financial statements of Galp Energia Group retrospectively for the whole year 2008, the Group will not present restated financial statements with change of this accounting policy. However, will strictly follow the recommendations contained in IAS 31, with regard to disclosures.

The companies affected by this change in the accounting police are: Sigás, ASA, CLC, Caiageste and the Ventinveste Group.

The mentioned changes in the accounting policies improve, according with the Group, the interpretation of financial statements by the users.

3. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation their head offices, percentage of interest held and their principal activities at 31 December 2009 and 2008 are as follows:

COMPANY	HEAD OFFICE		PERCENTAGE INTEREST HELD		MAIN ACTIVITY	
	CITY	COUNTRY	2009	2008		
A) Companies of the Group						
Parent company:						
Galp Energia, SGPS, S.A.	Lisbon	Portugal	-	-	Management of equity participations in other companies as an indirect form of realising business activities.	
Subsidiaries:						
Galp Energia, S.A.	Lisbon	Portugal	100%	100%	Business management and consultancy services	
Galp Energia E&P B.V.	Amsterdam	Holland	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.	
Next Priority SGPS, S.A.	(d)	Lisbon	Portugal	100%	-	Management of equity participations.
Petrogal sub-group:						
Petróleos de Portugal - Petrogal, S.A.	Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.	
Petróleos de Portugal – PETROGAL, SA Sucursal en España	Madrid	Spain	-	-	Management of participations in other refined products distributor companies in the Iberian peninsula.	
Subsidiaries:						
Galp Comercializacion Oil España, S.L. and subsidiaries:	Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives.	
Roc-Retail Operating Company, S.L.	Madrid	Spain	100%	100%	Exploration or direct or indirect management of service stations and related or complementary activities, such as workshops, the sale of lubricants, parts and accessories for motor vehicles, restaurants and hotels.	
Galp Energia España, S.A. and subsidiaries:	Madrid	Spain	100%	100%	Obtaining, representation and commercialisation of petroleum products, chemical products and all related matters.	
Galpgest - Petrogal Estaciones de Servicio, S.L.U.	Madrid	Spain	100%	100%	Management and operation of service stations.	
CLG - Companhia Logística del Gas, S.A.	Madrid	Spain	100%	100%	Storage and distribution of petroleum products.	
Petróleos de Valência, S.A. Sociedade Unipersonal	Valencia	Spain	100%	100%	Deposit, storage and distribution of petroleum products and chemical products and their derivatives and subproducts.	
Galp Serviexpress, S.L.U.	Madrid	Spain	100%	100%	Deposit, storage and distribution of petroleum products and chemical products and their derivatives and subproducts.	
Galp Distribución Oil España, S.A.U. and subsidiaries:	Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives.	
Galp Distribuição Portugal, S.A.	Lisbon	Portugal	100%	100%	All activity directly or indirectly related to the operation and management of service stations, including the exploration of stores and washing facilities in the service stations, as well as import, storage and distribution of petroleum products and derivatives.	
Sacor Marítima, S.A. and subsidiaries:	Lisbon	Portugal	100%	100%	Marine transport in own and chartered vessels.	
Gasmar - Transportes Marítimos, Lda.	Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels.	
Tripul - Soc. de Gestão de Navios, Lda.	Lisbon	Portugal	100%	100%	Technical management of ships, crews and supply.	
S.M. Internacional-Transp. Marítimos, Lda.	Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels.	
Probigalp - Ligantes Betuminosos, S.A.	Amarante	Portugal	60%	60%	Purchase, sale, manufacture, transformation, import and export of bituminous products of additives that transform or modify such products.	
Soturis - Sociedade Imobiliária e Turística, S.A.	Lisbon	Portugal	100%	100%	Real estate activities, namely the management, purchase, sale and resale of real estate.	
Sopor - Sociedade Distribuidora de Combustíveis, S.A.	Lisbon	Portugal	51%	51%	Distribution, sale and storage of liquid and gas fuel, lubricants and other petroleum derivatives; service stations and repair workshops, including related businesses, namely restaurants and hotels..	
Eival - Sociedade de Empreendimentos, Investimentos e Armazenagem de Gases, S.A.	(b)	(b)	(b)	-	100%	Wholesale commerce of gas products, lubricants, thermo domestic products and burning and gas installation material.

COMPANY	HEAD OFFICE		PERCENTAGE INTEREST HELD		MAIN ACTIVITY	
	CITY	COUNTRY	2009	2008		
Galp Exploração e Produção Petrolífera, S.A. and subsidiaries:	Funchal	Portugal	100%	100%	Petroleum commerce and industry, including prospecting, research and exploration of hydrocarbons.	
Galp Exploração Serviços Brasil, Lda.	Recife	Brazil	100%	100%	Business management and consultancy services.	
Gite - Galp International Trading Establishment	Vaduz	Liechtenstein	24%	24%	Petroleum commerce and industry, including prospecting, research and exploration of hydrocarbons.	
Galpbúzi - Agro-Energia, S.A.	Cidade da Beira	Mozambique	66.67%	66.67%	Development of projects and promotion of own or third party agricultural cultivation projects, of oil seeds, their transport and processing in own or third party facilities, for the production of vegetable oils transformable into biodiesel or other fuel that techniques permit, import and export of these vegetable oils thus produced or products extracted from them and the rendering of technical assistance and services within these activities.	
Moçamgalp Agroenergias de Moçambique, S.A.	Maputo	Mozambique	50%	50%	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.	
Galp Serviexpress - Serv. de Distrib. e Comercialização de Produtos Petrolíferos, S.A.	Lisbon	Portugal	100%	100%	Rendering of transport, storage and commercialisation services for liquid and gas fuels, base oils and other petroleum derivatives to individuals, small companies and farmers in the domestic and foreign markets. Direct and indirect operation of fuel distribution centres and supporting activities, namely service stations, workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial or commercial activity and the rendering of related services.	
Galpgeste- Gestão de Áreas de Serviço, Lda. and subsidiaries:	Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels.	
C.L.T. - Companhia Logística de Term. Marítimos, Lda.	Matosinhos	Portugal	100%	100%	Operation of marine terminals and related activities.	
Petrogal Brasil, Lda.	Recife	Brazil	100%	100%	Refining of crude oil and its derivatives, their transport, distribution and commercialisation and research and exploration of petroleum and natural gas.	
Petrogal Trading Limited	Dublin	Ireland	100%	100%	Crude oil and petroleum product trading.	
Petrogal Moçambique, Lda.	Maputo	Mozambique	100%	100%	Distribution, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations and vehicle assistance.	
Petrogal Angola, Lda.	Luanda	Angola	100%	100%	Distribution, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations.	
Galp Gambia, Limited	Banjul	Gambia	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.	
Galp Moçambique, Lda.	Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.	
Galp Swaziland (PTY) Limited	Matsapha	Suaziland	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.	
Galp Energia Portugal Holdings B.V. and subsidiaries:	(e)	Breda	Netherlands	100%	100%	Management of participations in other companies of the energy sector as na indirect form of economic activity.
Galp Comercialização Portugal, Lda. and subsidiaries:	(e)	Lisbon	Portugal	100%	100%	Exercise of all activities relating to petroleum, its derivatives and its substitutes in all its forms.
Galp Gás Propano, S.A. (Ex:PPQCGT-Petróleos, Produtos Químicos, Comércio Geral e Turismo, Lda.)	(e)	Lisbon	Portugal	100%	100%	The exercise of all and any activities related to petroleum, its derivatives and substitutes, exercise of commerce and industry of chemical products and their derivatives, the exercise of commerce of representations and consignments, the exercise of any activities relating to tourism.
CORS - Companhia de Exploração de Estações de Serviço e Retalho de Serviços Automóvel, Lda.	(e)	Lisbon	Portugal	100%	100%	Operation of and/or management of service stations and other activities exercised within them, including the management of personnel of the service stations.
COMG - Comercialização de Gás, Lda	(c) (e)	(c) (e)	(c) (e)	-	100%	Commercialisation of petroleum gas and any free exercise activities which the company decides to dedicate itself to through prior authorisation of the Shareholder's General Meeting.

COMPANY	HEAD OFFICE		PERCENTAGE INTEREST HELD		MAIN ACTIVITY
	CITY	COUNTRY	2009	2008	
Petrogal Guiné-Bissau, Lda. and subsidiaries:	Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	Bissau	Guinea-Bissau	80%	80%	Commerce of marine banks.
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda	Bissau	Guinea-Bissau	65%	65%	Importation, storage and distribution of LPG.
Galp Açores - Distrib. e Comercialização de Combustíveis e Lubrificantes, S.A. and subsidiaries:	Ponta Delgada	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives.
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	Ponta Delgada	Portugal	67.65%	67.65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores.
Galp Madeira - Distrib. e Comercializ. de Combustíveis e Lubrificantes, S.A. and subsidiaries:	Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives.
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular - Combustíveis do Atlântico, S.A.	Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the direct and indirect operation fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Tanquisado - Terminais Marítimos, S.A.	Setúbal	Portugal	100%	100%	Development and operation of Marine Terminals.
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items.
Combustíveis Líquidos, Lda.	Lisbon	Portugal	99.8%	99.8%	Sale of fuel, lubricants and vehicle accessories and any other business to which the partners agree and that does not require special authorisation.
Blue Flag Navigation - Transportes Marítimos, Lda.	Funchal	Portugal	100%	100%	Marine transport and commercial operation of ships in its own name, as owner or chartered, or in the name of third parties.
Fast Access - Operações e Serviços de Informação e Comércio Electrónico, S.A.	Lisbon	Portugal	100%	100%	Realisation of operations and rendering of information services and electronic commerce for mobile users as well as the rendering of on-line commerce management and operating services.
Tagus Re, S.A.	Luxembourg	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance.
Petrogal Cabo Verde, Lda.	St. Vincent	Cape Verde	100%	100%	Distribution and sale of liquid and gas fuel, base oils and lubricants as well as the operation of fuel stations and service stations.
Galp Exploração e Produção (Timor Leste), S.A.	Lisbon	Portugal	100%	100%	Commerce and industry of petroleum, including prospecting, research and exploration of hydrocarbons in East Timor.
GDP Sub-Group:					
GDP - Gás de Portugal, SGPS, S.A.:	Lisbon	Portugal	100%	100%	Management of equity investments.
Subsidiaries:					
GDP Serviços, S.A.	Lisbon	Portugal	100%	100%	Business management services.
Beiragás - Companhia de Gás das Beiras, S.A.	Viseu	Portugal	59.51%	59.51%	Operation, construction and maintenance of regional natural gas distribution networks.
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás - Companhia de Gás do Centro, S.A. (a)	Aveiro	Portugal	85.71%	85.25%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás Comercialização, S.A.	Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	Lisbon	Portugal	100%	100%	Obtain, store and distribute piped combustible gas.
Lisboagás Comercialização, S.A.	Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas.

COMPANY	HEAD OFFICE		PERCENTAGE INTEREST HELD		MAIN ACTIVITY
	CITY	COUNTRY	2009	2008	
Galp Gás Natural Distribuição SGPS, S.A. (d)	Lisbon	Portugal	100%	-	Management of equity investments.
Galp Gás Natural, S.A. and subsidiaries:	Lisbon	Portugal	100%	100%	Importation of natural gas, storage, distribution through high pressure networks, construction and maintenance of networks .
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A.	Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment.
Transgás, S.A.	Lisbon	Portugal	100%	100%	Wholesale comercialization or last resort of natural gas.
Galp Power Sub-Group:					
Galp Power , SGPS, S.A. and subsidiaries:	Lisbon	Portugal	100%	100%	Management of equity investments as an indirect way of exercising business activities.
Carrico Cogeração Sociedade de Geração de Electricidade e Calor, S.A.	Lisbon	Portugal	65%	65%	Production, in the form of co-generation, and sale of electric and thermic energy.
Powercer - Sociedade de Cogeração da Vialonga, S.A.	Lisbon	Portugal	70%	70%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy produced by co-generating and renewal energy systems, including the conception, construction and operation of systems or installations.
Galp Power, S.A.	Lisbon	Portugal	100%	100%	Purchase and sale of energy, as well as the rendering services and realisation of activities directly or indirectly related with energy.
Portogeração, S.A.	Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy.
Galp Central de Ciclo Combinado de Sines, S.A.	Lisbon	Portugal	100%	100%	Production and commercialisation of electric energy, including the conception, construction and operation o a cobined cycle thermal electric plant, as well as the exercise of any other related activities.

In the year ended 31 December 2009 the consolidation perimeter was changed as follows in relation to the preceding year:

(a) Companies acquired:

- The Group acquired an additional 0.4601% of the capital of Lusitaniagás - Companhia de Gás do Centro, S.A., for tEuros 755, resulting in goodwill of tEuros 329 (Note 11), therefore becoming holder of 85.71% of the capital of that company.

(b) Companies merged:

- The subsidiary Eival - Sociedade de Empreendimentos, Investimentos e Armazenagem de Gases, S.A., was merged into Petróleos de Portugal - Petrogal, S.A, effective as of 1 January 2009.

(c) Companies sold and liquidated:

- During 2009, the subsidiary Galp Comercialização Portugal, Lda. sold the participation held in COMG - Comercialização de Gás, S.A. (previously named Esso Gás, Lda.), according with the operation mentioned in Note 3.e) below.

(d) Companies founded:

- Galp Energia SGPS, S.A. subscribed for all the share capital of Next Priority, SGPS, S.A., which was founded in August 2009 and did not operate in that year.
- GDP - Gás de Portugal, SGPS, S.A. subscribed for all the share capital of Galp Gás Natural Distribuição SGPS, S.A., which was founded in 2 December 2009 and did not operate in that year.

(e) Companies consolidated:

- Galp Energia Portugal Holdings B.V. (previously named ExxonMobil Portugal Holdings B.V) and subsidiaries were not consolidated in the financial statements as of 31 December 2008, since the participation acquired on 1 December 2008 was subject to restrictions imposed by the European Union, and so part of its assets and operations had to be sold in the short term. As the operations that must be sold were under review, the Group opted not to consolidate the assets, liabilities and operations.

In 4 December 2009, the Group concluded the sale of the referred businesses and assets to Gestmin, SGPS, S.A., which was formalized in 31 July 2009: i) Trafaria park; ii) wholesale and bottled GPL business (excluding the pip line business of GPL); iii) the entire share capital of COMG - Comercialização de Gás, S.A. (previously named Esso Gás, Lda.); iv) part of the business of aviation fuels at Oporto airport and all of that business at the airports of Lisbon and Faro (including some co-ownership interests in joint ventures and joint airport companies.).

The sale value of these operations amounted to tEuros 46,000, having generated a loss of tEuros 1,559, recognized in income statement in the caption "Share of results of investments in associates" and jointly controlled entities (Note 4).

This sale was intended to give effect to the commitments made by Galp Energia to the European Commission under the acquisition of the Iberian ExxonMobil business in the end of year 2008.

After having completed the sale transaction the Group started to consolidate Galp Energia Portugal Holdings B.V. and its subsidiaries. Subsidiary PPQCGT - Petróleos, Produtos Químicos, Comércio Geral e Turismo, Lda changed its name to Galp Gás Propano, S.A..

(f) Jointly controlled entities:

- The consolidation perimeter in 31 December 2009 was changed when compared with 31 December 2008, to the extent that jointly controlled entities consolidated by the proportional method were accounted by the equity method (Note 2.24).

Financial Information as at 31 December 2009 on the jointly controlled entities is detailed in Note 4.

All the companies' referred above were consolidated in accordance with the full consolidation method.

4. INVESTMENTS IN ASSOCIATES

4.1. Participations in jointly controlled entities

Participation in jointly controlled entities, their head offices and the percentage or interest held in them at 31 December 2009 and 2008 are as follows:

COMPANY	HEAD OFFICE		PERCENTAGE INTEREST HELD		BOOK VALUE		FINANCIAL INFORMATION FROM JOINTLY CONTROLLED COMPANIES AS OF 31 DECEMBER 2009				MAIN ACTIVITY	
	CITY	COUNTRY	2009	2008	2009	2008	ASSETS	LIABILITIES	INCOME	RESULT FOR THE YEAR		
Galp Power Sub-Group:												
Ventinveste, S.A.	(a)	Lisbon	Portugal	34.00%	34.00%	-	-	22,051	(22,542)	625	(310)	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farm.
Ventinveste Eólica, SGPS, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	6,599	(7,064)	699	(40)	Management of equity investments in other companies as an indirect form of carrying out economic activities and the construction and operation of wind farms.
Parque Eólico da Serra do Oeste, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	654	(648)	1	(18)	Construction and operation of wind farms.
Parque Eólico de Torrinhelas, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	46	(1)	-	(2)	Construction and operation of wind farms.
Parque Eólico de Vale do Chão, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	362	(330)	-	(8)	Construction and operation of wind farms.
Parque Eólico do Cabeço Norte, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	329	(284)	-	(3)	Construction and operation of wind farms.
Parque Eólico de Vale Grande, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	586	(547)	-	(5)	Construction and operation of wind farms.
Parque Eólico do Douro Sul, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	3,721	(3,777)	1	(46)	Construction and operation of wind farms.
Parque Eólico do Pinhal Oeste, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	1,444	(1,461)	1	(22)	Construction and operation of wind farms.
Parque Eólico do Planalto, S.A.		Lisbon	Portugal	34.00%	34.00%	-	-	436	(419)	-	(19)	Construction and operation of wind farms.
Petrogal Sub-Group:												
C.L.C. - Companhia Logística de Combustíveis, S.A.		Aveiras de Cima	Portugal	65.00%	65.00%	32,194	-	214,536	(165,007)	40,602	14,745	Installation and operation of liquid and gas storage facilities, as well as the related transport structures, other industrial, commercial and investigation activities and of services related to those activities.

COMPANY	HEAD OFFICE		PERCENTAGE INTEREST HELD		BOOK VALUE		FINANCIAL INFORMATION FROM JOINTLY CONTROLLED COMPANIES AS OF 31 DECEMBER 2009				MAIN ACTIVITY	
	CITY	COUNTRY	2009	2008	2009	2008	ASSETS	LIABILITIES	INCOME	RESULT FOR THE YEAR		
Caiageste - Gestão de Áreas de Serviço, Lda.	(a)	Elvas	Portugal	50.00%	50.00%	-	-	103	(143)	978	(99)	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points.
Sigás - Armazenagem de Gás, A.C.E.		Sines	Portugal	60.00%	60.00%	-	-	21,361	(21,361)	7,252	-	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points.
Asa - Abastecimento e Serviços de Aviação, Lda.		Lisbon	Portugal	50.00%	50.00%	8	-	277	(261)	982	3	Aircraft fuel services .
					32,202	-						
Less: Provision for joint liabilities (Note 25)					(308)	-						
					31,894	-						

(a) On 31 December 2009, the provision for participations in jointly controlled companies, representing the Group commitment with the associates companies that had negative equity (Note 25).

The changes in the caption "Participations in jointly controlled entities" in the year ended 31 December 2009 were as follows:

COMPANIES	BEGINNING BALANCE	INVESTMENT AT 1 JANUARY 2009	GAIN / LOSS	RESULT OF PREVIOUS YEARS	DIVIDENDS	ENDING BALANCE
Investments						
C.L.C. - Companhia Logística de Combustíveis, S.A.	-	52,510	9,584	-	(29,900)	32,194
Asa - Abastecimento e Serviços de Aviação, Lda.	-	7	1	-	-	8
Sigás - Armazenagem de Gás, A.C.E.	-	-	-	-	-	-
	-	52,517	9,585	-	(29,900)	32,202
Provision for investment in associates						
Ventinveste, S.A. (Note 25)		(122)	(162)	(4)	-	(288)
Caiageste - Gestão de Áreas de Serviço, Lda. (Note 25)		29	(49)	-	-	(20)
	-	(93)	(211)	(4)	-	(308)
	-	52,424	9,374	(4)	(29,900)	31,894

The amount of tEuros 52,424 presented in the investment at 1 January 2009 is related with the amount of participation in jointly controlled entities as of 31 December 2008.

The jointly controlled entities were accounted by the equity method as of 31 December 2009, as explained in Note 2.b).

The separate financial information as of 31 December 2008, corresponding to the jointly controlled entities that were consolidated by the proportional consolidation method, is as follows:

COMPANIES	PERCENTAGE INTEREST HELD	IMPACT OF PROPORTIONAL CONSOLIDATION (a)				RESULT FOR THE YEAR
		ASSETS	LIABILITIES	INCOME	COST	
C.L.C. - Companhia Logística de Combustíveis, S.A.	65%	121,120	(68,611)	28,368	(17,489)	10,879
Caiageste - Gestão de Áreas de Serviço, Lda.	50%	150	(121)	584	(622)	(38)
Sigás - Armazenagem de Gás, A.C.E.	60%	14,721	(14,721)	4,285	(4,285)	-
Asa - Abastecimento e Serviços de Aviação, Lda.	50%	113	(107)	431	(430)	1
Ventinveste, S.A.(b)	34%	6,013	(5,772)	323	(531)	(208)
		142,117	(89,332)	33,991	(23,357)	10,634

(a) Before consolidation eliminations.

(b) The amounts represent the consolidated accounts of the Ventinveste Group, including only the wind generated electricity subsidiaries.

4.2. Participations in associate companies

Investments in associated companies, their head offices and the percentage or interest held as of 31 December 2009 and 2008 are as follows:

COMPANY	HEAD OFFICE		PERCENTAGE OR INTEREST HELD		BOOK VALUE		FINANCIAL INFORMATION FROM JOINTLY CONTROLLED COMPANIES AS OF 31 DECEMBER 2009				MAIN ACTIVITY	
	CITY	COUNTRY	2009	2008	2009	2008	ASSETS	LIABILITIES	INCOME	RESULT FOR THE YEAR		
Companhia Logística de Hidrocarbonos CLH, S.A.	(f) (j)	Madrid	Spain	5.00%	5.00%	57,873	59,826	1,845,061	(1,615,689)	522,466	164,227	Installation and operation of liquid and gas storage facilities and related transport structures.
EMPL - Europe Magreb Pipeline, Ltd.	(a)	Madrid	Spain	27.40%	27.40%	56,855	39,729	353,831	(146,330)	207,528	140,188	Construction and operation of the natural gas pipeline between Morocco and Spain.
Gasoduto Al-Andaluz, S.A.	(a)	Madrid	Spain	33.04%	33.04%	17,473	17,649	85,088	(32,204)	27,648	9,071	Construction and operation of Tarifa-Córdoba gas pipeline.
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	(g) (l)	Mindelo	Cape Verde	48.29%	40.43%	17,502	13,072	50,686	(23,797)	75,920	2,918	Commercialisation of hydrocarbonates and related activities.
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(h)	Setúbal	Portugal	45.00%	45.00%	16,246	12,608	125,171	(89,093)	26,197	8,079	Production and distribution of natural and its substitute gases.
Gasoduto Extremadura, S.A.	(a)	Madrid	Spain	49.00%	49.00%	15,063	15,070	38,740	(7,999)	19,654	7,735	Construction and operation of Córdoba-Campo Maior gas pipeline.
MDA-Mobil Disa Aviacion, S.A.	(i)	Santa Cruz de Tenerife	Spain	50.00%	50.00%	5,054	2,260	10,264	(177)	1,875	(1,863)	Rendering of aeronautical petroleum refuelling services directly or through companies in that sector.
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	(b)	Santarém	Portugal	41.33%	41.33%	4,096	3,721	58,440	(47,770)	19,146	1,896	Production and distribution of Natural Gas and other piped combustible gases.
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(e)	Luanda	Angola	49.00%	49.00%	1,962	-	121,416	(114,647)	94,775	5,907	Distribution and Commercialisation of liquid fuel, lubricants and other petroleum derivatives, operation of service stations and automobile assistance and related services.
Metragaz, S.A.	(a)	Tânger	Morocco	26.99%	26.99%	1,527	1,444	10,727	(5,070)	17,352	1,380	Construction, maintenance and operation of the Maghreb-Europe gas pipeline.
Terparque - Armazenagem de Combustíveis, Lda.	(d)	Angra do Heroísmo	Portugal	23.50%	23.50%	1,028	1,190	24,945	(19,438)	3,759	212	Construction and/or operation of storage facilities for combustibles.
Gásfomento - Sistemas e Instalações de Gás, S.A.	(b)	Lisbon	Portugal	20.00%	20.00%	104	144	3,509	(2,990)	6,791	(79)	Activities relating to construction and civil engineering in general, project and construction and maintenance of installations.
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	(n)	Lisbon	Portugal	35.00%	35.00%	-	-	31,299	(31,679)	35,289	(243)	Co-generation and sale of electric and thermic power.
C.I.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda.		Bissau	Guiné-Bissau	-	-	-	-	-	-	-	-	Management and operation of the liquid fuel storage facilities and of the Bandim Petroleum Terminal.
Galp Energia Portugal Holdings B.V.	(m)	Amsterdam	Netherlands	-	100%	-	130,000	-	-	-	-	All direct or indirect activities relating to the operation and management of service stations, including stores and washing facilities included, as well as importation, storage and distribution petroleum products and its derivatives.
Brisa Access, S.A.	(c) (g)	Cascais	Portugal	-	7.50%	-	755	-	-	-	-	Rendering of any assistance services to motorists.
						194,783	297,468					
Less: provision for joint responsibilities (Note 25)						(176)	(1,285)					
						194,607	296,183					

- (a) Participation held by Galp Gás Natural, S.A..
 (b) Participation held by GDP - Gás de Portugal, SGPS, S.A..
 (c) Company sold on 3 September 2009.
 (d) Participation held by Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A..
 (e) Participation held by Petrogal Angola, Lda..
 (f) Participation held by Galp Energia España, S.A..
 (g) Participation held by Petróleos de Portugal - Petrogal, S.A..
 (h) Participation held by GDP - Gás de Portugal, SGPS, S.A. and Petróleos de Portugal - Petrogal, S.A..
 (i) Participation held by Galp Comercialización Oil España, S.L..
 (j) Although the Group's participation is only of 5%, it has significant influence and so the participation is stated as explained in Note 2.2 c).
 (l) At 31 December 2008 the Group had 7.11% of the capital of Enacol which were recorded in caption "Other finance investments" in the amount of tEuro 3,507. During the year ended December 31, 2009 the Group acquired 0.75% of this subsidiary by tEuros 433 and recorded this amount and as well the amount of 2008 in the caption "Investments in associates". Resulting from the acquisition of 0.75% and the transfer of 7.11% was found a Goodwill of tEuros 1,767.
 (m) At 31 December 2009 the Company was consolidated has described in note 3f).
 (n) At 31 December 2008 the provision for equity participations in associates, representing the Group's joint commitment to the associated companies that had negative equity (Note 25).

The changes in the caption "Investments in associates" in the year ended 31 December 2009 were as follows:

COMPANY	BEGINNING BALANCE	INCREASE IN PARTICIPATION	DISPOSAL OF PARTICIPATION	GAIN / LOSS	EXCHANGE TRANSLATION ADJUSTMENT	HEDGING RESERVES ADJUSTMENT	RESULT OF PREVIOUS YEARS	DIVIDENDS	TRANSFERS / ADJUSTMENTS	ENDING BALANCE
Investments										
Compañía Logística de Hidrocarburos CLH, S.A. (a)	59,826	2,297	-	8,837	-	-	(2,129)	(10,958)	-	57,873
EMPL - Europe Magreb Pipeline, Ltd.	39,729	-	-	38,410	(2,578)	-	-	(18,706)	-	56,855
Gasoduto Al-Andaluz, S.A.	17,649	-	-	2,997	-	-	-	(3,173)	-	17,473
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	13,072	433	-	1,346	-	-	(184)	(672)	3,507	17,502
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	12,608	-	-	3,641	-	-	(3)	-	-	16,246
Gasoduto Extremadura, S.A.	15,070	-	-	3,790	-	-	-	(3,797)	-	15,063
MDA-Mobil Disa Aviacoims, S.A.	2,260	-	-	931	-	-	-	(1,035)	2,898	5,054
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	3,721	-	-	470	-	(569)	474	-	-	4,096
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	-	-	2,864	1,510	-	(1,373)	-	(1,039)	1,962
Metragaz, S.A.	1,444	-	-	373	(6)	-	-	(284)	-	1,527
Terparque - Armazenagem de Combustíveis, Lda.	1,190	-	-	(162)	-	-	-	-	-	1,028
Gásfomento - Sistemas e Instalações de Gás, S.A.	144	-	-	(16)	-	-	(20)	(4)	-	104
Galp Energia Portugal Holdings B.V. (b)	130,000	-	-	-	-	-	-	-	(130,000)	-
Brisa Access, S.A. (c)	755	-	(861)	105	-	-	1	-	-	-
	297,468	2,730	(861)	63,586	(1,074)	(569)	(3,234)	(38,629)	(124,634)	194,783
Provision for investments in associates										
Energin - Sociedade de Produção de Electricidade e Calor, S.A. (Nota 25)	(246)	-	-	(90)	-	-	160	-	-	(176)
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda	(1,039)	-	-	-	-	-	-	-	1,039	-
	(1,285)	-	-	(90)	-	-	160	-	1,039	(176)
	296,183	2,730	(861)	63,496	(1,074)	(569)	(3,074)	(38,629)	(123,595)	194,607

- (a) In accordance with the contract for the purchase of the investment in CLH - Compañía Logística de Hidrocarburos, S.A., the cost of the investment is revised annually for a period up to 10 years as from the date of the contract, based on the amount of CLH sales. The additional amount paid in 2009 amounted to tEuros 2,297.
 (b) Company included in consolidation (Note 3.e)).
 (c) Company disposed during the year.

The consolidated income statement caption "Share of results of associates and jointly controlled entities" for the year ended 31 December 2009 is made up as follows:

Effect of applying the equity method:

Associates	63,496
Associates - corrections related to prior years	(3,074)
Jointly controlled entities	9,374
Jointly controlled entities - corrections related to prior years	(4)
Group companies - corrections related to prior years	(145)
Effect of disposal of shares in group companies and associates:	
Net loss on disposal of COMG-Comercialização de Gás, Lda.	(1,559)
Net income on disposal of Brisa Access, S.A.	589
Others	123
	68,800

Dividends received in 2009 amounted to tEuros 67,726. However, tEuros 68,529, corresponding to the amount approved by the respective Shareholders' General Meetings, has been reflected in the caption "Investments in associates" (Note 4.1). The difference of tEuros 763 corresponds to amounts already approved but not yet received and tEuros 40 to exchange rate gains at the time of payment, which have been reflected in the income statement caption "Exchange gain (loss)".

As explained in Note 2.2 d), positive goodwill in associates is included in the caption "Investments in associates", the amount as of 31 December 2009 being made up as follows:

Companhia Logística de Hidrocarburos CLH, S.A.	50,199
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	4,329
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	172
	54,700

4.3. Participations in other companies

The Group's investments in other companies, the head office of the companies and the percentage of interest held as of 31 December 2009 and 2008 are as follows:

COMPANY	HEAD OFFICE		PERCENTAGE OF INTEREST HELD		BOOK VALUE	
	CITY	COUNTRY	2009	2008	2009	2008
Agência de Energia do Porto	Oporto	Portugal	-	-	13	13
Agene - Agência para a Energia, S.A.	Amadora	Portugal	10.98%	10.98%	114	114
Ambélis - Agência para a modernização Económica de Lisboa, S.A.	Lisbon	Portugal	2.00%	2.00%	20	20
CCCP - Cooperativa de Consumo de Pessoal da Petrogal, CRL	Lisbon	Portugal	0.07%	0.07%	-	(b)
Central-E, S.A.	Lisbon	Portugal	0.70%	0.70%	2	2
Clube Financeiro de Vigo	Vigo	Spain	-	-	19	19
Cooperativa de Habitação da Petrogal, CRL	Lisbon	Portugal	0.07%	0.07%	7	7
Corporación de Reservas Estratégicas de Productos Petrolíferos	Madrid	Spain	n.a.	-	1,683	-
EDEL - Empresa Editorial Electrónica, Lda.	(b) Lisbon	Portugal	2.22%	2.22%	-	-
FINA - Petróleos de Angola, S.A.	Luanda	Angola	0.44%	0.44%	-	144
Imopetro - Importadora Moçambicana de Petróleos, Lda.	Maputo	Mozambique	15.38%	15.38%	10	7
OEINERGE - Agência Municipal Energia e Ambiente de Oeiras	Oeiras	Portugal	1.45%	1.45%	1	1
Omegás - Soc. D'Étude du Gazoduc Magreb Europe	Tânger	Marroco	5.00%	5.00%	35	35
P.I.M. - Parque Industrial da Matola, S.A.R.L.	Maputo	Mozambique	1.50%	1.50%	16	18
PME Capital - Sociedade Portuguesa de Capital de Risco, S.A.	Oporto	Portugal	1.82%	1.82%	499	499
PME Investimentos - Sociedade de Investimento, S.A.	Lisbon	Portugal	1.82%	1.82%	499	499
Ressa	Barcelona	Spain	n.a.	-	23	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	Lisbon	Portugal	-	-	4	-
Servisa	(b) Madrid	Spain	n.a.	-	-	-
Ventinveste Industrial, S.G.P.S., S.A.	(a) Oliveira de Frades	Portugal	-	34.00%	-	17
					2,945	1,395
Impairment of associates						
Ambélis - Agência para a modernização Económica de Lisboa, S.A.					(7)	(7)
PME Capital - Sociedade Portuguesa de Capital de Risco, S.A.					(52)	(52)
PME Investimentos - Sociedade de Investimento, S.A.					(145)	(145)
P.I.M. - Parque Industrial da Matola, S.A.R.L.					(16)	(18)
					(220)	(222)
					2,725	1,173

a) Participation valued at cost, because the Group doesn't held control or significant influence in the Entity.

b) Investment less than tEuros 1.

Other investments are recorded at cost as explained in Note 2.2 paragraph c). The net book value of these investments amounts to tEuros 2,725.

5. OPERATING INCOME

The Group's operating income for the years ended 31 December 2009 and 2008 is made up as follows:

CAPTIONS	2009	2008
Sales:		
Merchandise	5,445,449	5,709,436
Products	6,282,998	9,151,023
	11,728,447	14,860,459
Services rendered	279,898	225,324
Other operating income:		
Supplementary income	48,514	57,970
Internally generated assets	13,824	18,111
Gain on fixed assets	4,693	5,615
Operating grants	10,566	6,230
Prior year adjustments	6,384	5,347
Others	46,053	8,836
	130,034	102,109
	12,138,379	15,187,892

The amount of product sales for the period ended December 31, 2009 was significantly reduced when compared to the same period of 2008, explained mainly by the decrease in the prices of fuel that has occurred in the second half of 2008 and by the decrease in the quantities sold in Portugal in the first half of 2009. The amount of merchandises sales remained stable when compared with the year ended December 31, 2008, despite the significant decrease in prices referred above, due to the increase in sales volumes of Spanish is if market with the acquisition of Agip and Esso networks in that country since the integration in the consolidated income statement for the year ended December 31, 2008 have a effect only in the last quarter of that year.

The caption "Sales – products" includes tEuros 47,913 related with the sale of fuel to Vitol, S.A. which was part of strategic reserve from Petróleos de Portugal – Petrogal, S.A. (Note 16).

Sales of fuel include the Tax on Petroleum Products.

The caption "Sales merchandise" includes tEuros 36,845 (Note 24) relating to the difference between the cost of acquiring natural gas from the Group's suppliers and the sales price defined by ERSE for the 2008-2009 (second half) and 2009-2010 (first half) gas year, which are updated quarterly.

In accordance with ERSE and as a result of the separation of the distribution and commercialization of natural gas activities remuneration relating to the distribution activity started being classified in the caption "Services rendered". In addition, as explained in Note 2.13, since the Company holds the credit risk relating to collections from the final natural gas clients of the tariffs for using the transport network and global use of the system debited to the Group by REN Gasodutos, which amounted to tEuros 23,304, this caption also includes that amount.

The caption "Supplementary income" includes essentially, income relating to operating rates, publicity rates and automatic washing rates among other rates charged to retailers for using the GALP brand.

The caption "Others" includes the amount of (i) tEuros 15,565 that is related to the compensation that Petróleos de Portugal - Petrogal, S.A., will received from the accident in the Sines refinery in January 2009 and (ii) tEuros 10,106 relating to sale of CO₂ emission licences (Note 34).

6. OPERATING COSTS

Operating costs for the years ended 31 December 2009 and 2008 are made up as follows:

CAPTIONS	2009	2008
Cost of sales:		
Merchandise	3,174,876	3,892,818
Raw and subsidiary materials	4,281,172	7,086,378
Tax on Oil Products	3,010,316	2,483,747
Variation in production	182,167	(130,831)
Decrease (increase) in inventories (Note 16)	(451,344)	384,365
Financial derivatives	(3,768)	9,510
	10,193,419	13,725,987
External supplies and services:		
Subcontracts	5,777	8,109
Rental costs	74,892	56,852
Maintenance and repairs	65,875	59,506
Publicity	17,291	21,315
Transport of goods	111,120	103,191
Insurance	33,315	20,945
Commission	23,264	14,281
Storage and filling	80,890	60,558
Port services and fees	9,338	9,470
Other external supplies and services	73,961	66,987
Other specialised services	205,447	205,956
Other costs	49,708	52,903
	750,878	680,073
Employee costs:		
Remuneration of the statutory boards (Note 29)	4,759	5,827
Remuneration of personnel	215,603	199,497
Social charges	52,835	42,064
Retirement benefits - pensions and insurances (Note 23)	44,388	30,550
Other insurance	7,730	7,361
Other costs	13,545	6,596
	338,860	291,895
Amortisation, depreciation and impairment:		
Depreciation and impairment of tangible assets (Note 12)	263,923	219,539
Amortisation and impairment of intangible assets (Note 12)	32,763	20,131
	296,686	239,670
Provision and impairment of receivables:		
Provisions and reversals (Note 25)	50,291	25,073
Provision for pensions (Note 25)	11	(31)
Impairment loss on trade receivables (Note 15)	21,750	11,431
Provisions and reversals to environmental risks (Note 25)	(3,659)	-
Impairment loss (gain) on other receivables (Note 14)	(4,756)	5,369
	63,637	41,842
Other operating costs:		
Other taxes	12,473	9,228
Loss on tangible assets	867	13,017
Other operating costs	22,783	18,855
	36,123	41,100
	11,679,603	15,020,567

The caption "Cost of sales" includes the following amounts: (i) tEuros 23,304 relating with cost charged by Ren Gasodutos and (ii) tEuros 49,188 relating the sale of diesel to Vitol, S.A., as explained in Note 5 and 16.

In addition Ren Gasodutos charges Galp Gás Natural by the use of the national transportation network of natural gas, which in the year ended December 31, 2009 amounted to tEuros 36,707.

The variation in caption "Decrease (increase) in inventories" is due to the reversal of the adjustment made in December 2008 as result of the international prices of oil products that on that date were close or exceeded the book value of inventories on that date.

The amount of tEuros 33,315 in the caption "Insurance" includes tEuros 7,000 relating to the risk assumed by the subsidiary Tagus RE on the fire occurred in the Sines refinery in January 2009.

The amount of tEuros 44,388 recorded under the caption "Retirement benefits - pensions and insurances" includes tEuros 1,178, relating with contributions made by associated companies during the year for the Galp Energia defined contribution Pension Fund in benefit of its employees.

The amount of tEuros 50,291 in the caption "Provisions and reversals", includes essentially the increase in provision to cover the settlement of the purchase and sale price of gas in the amount of tEuros 37,179 (Note 25).

The caption "Other operating costs" includes the amount of tEuros 2,018 relating to donations for the establishment of the Galp Energia Foundation, in which tEuros 1,860 were donated in cash and tEuros 158 in assets.

7. SEGMENT REPORTING

Business segments

For strategic reasons the Group is currently organised in the following four business segments:

- Gas and Power;
- Refining and Distribution of Petroleum Products;
- Exploration and Production;
- Other.

For the business segment “other”, the Group considered the holding company Galp Energia, SGPS, SA, and companies with different activities namely the Tagus Re, S.A. and Galp Energia, S.A..

The financial information on the previously identified segments as of 31 December 2009 and 2008 is presented bellow, being Gas and Power segment divided, for greater detail, between the natural gas and power areas:

	NATURAL GAS		REFINING AND DISTRIBUTION OF PETROLEUM PRODUCTS		EXPLORATION AND PRODUCTION	
	2009	2008	2009	2008	2009	2008
Income						
Sales and services rendered	1,374,912	1,906,409	10,667,613	13,223,870	167,662	200,179
Inter-segments	110,453	91,754	1,140	1,687	142,149	203,634
External	1,264,459	1,814,655	10,666,473	13,222,183	25,513	(3,455)
EBITDA IAS/IFRS (1)	174,572	252,357	520,939	(12,491)	112,534	199,199
Non cash costs						
Amortisation, depreciation and adjustments	(24,431)	(23,924)	(190,294)	(142,983)	(76,611)	(69,179)
Provisions (net)	(43,599)	(15,357)	(14,769)	(18,758)	(4,427)	(7,829)
Segment results IAS/IFRS	106,542	213,076	315,876	(174,232)	31,496	122,191
Results of investments in associates	48,085	42,013	20,865	7,345	-	-
Other financial results	(11,465)	(18,064)	(59,236)	(54,485)	(941)	(2,812)
Income tax	(33,665)	(63,607)	(53,364)	83,607	(10,658)	(48,952)
Minority interests	(3,037)	(2,842)	(1,755)	(688)	-	-
Net income IAS/IFRS	106,460	170,576	222,386	(138,453)	19,897	70,427
As of 31 December 2009 and 2008						
Other information						
Assets by segment (2)						
Investment (3)	106,909	86,873	121,730	211,301	306	-
Other assets	1,392,872	1,430,501	4,678,517	4,407,718	913,518	693,494
Total consolidated assets	1,499,781	1,517,374	4,800,247	4,619,019	913,824	693,494
Total consolidated liabilities	982,073	938,545	4,109,868	3,600,319	200,191	239,458
Investment in tangible and intangible assets	61,765	68,395	456,136	1,244,727	193,291	196,330

(1) EBITDA IAS/IFRS - Operating results plus amortisation, depreciation, adjustments and provisions.

(2) Net amount.

(3) In accordance with the equity method.

POWER		OTHERS		ELIMINATION		CONSOLIDATED	
2009	2008	2009	2008	2009	2008	2009	2008
49,866	35,896	111,046	127,082	(362,754)	(407,653)	12,008,345	15,085,783
16,392	121	92,620	110,457	(362,754)	(407,653)	-	-
33,474	35,775	18,426	16,625	-	-	12,008,345	15,085,783
11,454	5,771	(174)	4,030	(226)	(29)	819,099	448,837
(4,671)	(3,042)	(679)	(542)	-	-	(296,686)	(239,670)
13	123	(855)	(21)	-	-	(63,637)	(41,842)
6,796	2,852	(1,708)	3,467	(226)	(29)	458,776	167,325
(64)	(451)	(86)	(516)	-	-	68,800	48,391
(3,049)	(2,202)	(1,718)	16,529	226	29	(76,183)	(61,005)
(1,051)	(374)	141	(3,573)	-	-	(98,597)	(32,899)
(732)	(1,311)	-	-	-	-	(5,524)	(4,841)
1,900	(1,486)	(3,371)	15,907	-	-	347,272	116,971
306	17	459	450	-	-	229,710	298,641
168,899	141,823	2,005,741	1,551,120	(2,146,811)	(1,900,297)	7,012,736	6,324,359
169,205	141,840	2,006,200	1,551,570	(2,146,811)	(1,900,297)	7,242,446	6,623,000
164,994	139,552	1,543,468	1,386,604	(2,146,811)	(1,900,297)	4,853,783	4,404,181
15,567	47,944	3,058	2,148	-	-	729,817	1,559,544

INTER-SEGMENTS SALES AND SERVICES RENDERED

SEGMENTS	NATURAL GAS	REFINING AND DISTRIBUTION OF PETROLEUM PRODUCTS	EXPLORATION AND PRODUCTION	POWER	OTHERS	TOTAL
Natural gas	n.a.	605	-	-	20,159	20,764
Refining and distribution of petroleum products	60,694	n.a.	142,149	16,372	66,323	285,538
Exploration and production	-	15	n.a.	-	3,385	3,400
Power	49,759	63	-	n.a.	2,753	52,575
Others	-	457	-	20	n.a.	477
	110,453	1,140	142,149	16,392	92,620	362,754

The main transactions inter-segmental of sales and services related mainly to:

- **Supply and distribution of natural gas:** natural gas sales to the refining process of Sines and Porto refineries (refining and distribution of petroleum products), and for the production of electricity (electricity);
- **Refining and Distribution of petroleum products:** supply of vehicles in all segments;
- **Exploration and production:** sale of crude oil to the refining and distribution segment;
- **Electricity:** supply of steam for the refining process of Sines refinery;
- **Other:** back-office and management services.

Geographical segments

Income from sales and services rendered and total assets for the years ended 31 December 2009 and 2008 relate essentially to operations in Portugal. Exploration and production activities are carried out essentially in Angola and Brazil. In addition, there are some operations relating to the distribution and sale of fuel in Spain. Its respective income from sales and services rendered and total assets for the years ended 31 December 2009 and 2008 are as follows:

GEOGRAPHICAL AREA	INCOME FROM SALES AND SERVICES RENDERED		TOTAL ASSETS	
	2009	2008	2009	2008
Spain	3,636,185	3,270,199	1,490,965	1,455,667

8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2009 and 2008 are made up as follows:

	2009	2008
Financial income:		
Interest on bank deposits	3,238	5,215
Other financial income	7,724	4,113
Interest and other income - related companies (Note 28)	1,922	3,284
	12,884	12,612
Financial costs:		
Interest on bank loans and overdrafts	(75,219)	(45,423)
Interest capitalised in fixed assets	10,940	2,099
Securitisation of accounts receivable - Financial costs	-	(4,045)
Other financial costs	(22,500)	(15,983)
Interest - related companies (Note 28)	(1,096)	(233)
	(87,875)	(63,585)

As explained in Note 2.14, the Group has the accounting policy of capitalising in tangible and intangible assets in progress, the interest cost on loans obtained for the purpose of financing those assets. The percentage of interest capitalised is proportional to the amount of capital expenditure incurred in accordance with the provisions of IAS 23 – Borrowing Costs.

The variation in the balance of the caption “Interest on bank loans and overdrafts”, during the year ended December 31, 2009, is due to the fact the Group has contracted a new medium and long term loan with the European Investment Bank to finance the conversion of Sines and Porto refineries project, in the amount of tEuros 300,000, to a new bond loan in the amount of tEuros 700,000 (Note 22) and had contracted loans at the end of 2008 to acquire Agip and Esso operations in Portugal and Spain.

In the year ended 31 December 2009 the Group capitalised in the tangible assets in progress, the amount of tEuros 10,940 relating to interest cost on loans constructed to finance capital expenditure on tangible assets during their construction phase, which includes essentially the amount of tEuros 7,812 relating to the conversion of Sines and Porto refineries project and tEuros 1,316 relating to Sines refinery Co-generation plant.

9. INCOME TAX

Since 31 December 2001 the companies with head offices in continental Portugal in which the Group has a participation greater than 90% have been taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S.A..

However, estimated income tax of the Company and its subsidiaries is recorded based on their tax results which, for the year ended 31 December 2009, amounted to income tax recoverable of tEuros 1,807.

The following matters could affect income tax payable in the future:

- (i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years (Social Security can be reviewed for a period of 10 years up to 31 December 2000, inclusive and five years as from 2001), except when there are tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;
- (ii) During the years 2001 to 2009, the subsidiary Petrogal, S.A. had several inspections by the tax authorities relating the years 1997 to 2005, which are following its normal course taking into account the Company assessment. Paragraphs v) and ix) below detail the open inspections;
- (iii) During 2009, the tax authorities concluded the inspection to 2005 Galp Energia, SGPS, S.A. and subsidiary GDP - Gás de Portugal SGPS, S.A., tax returns which resulted in additional assessments summarized in paragraph (ix) below;
- (iv) The Group's tax returns for the years 2006 to 2009 are still subject to review. Galp's Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the consolidated financial statements as of 31 December 2009 and 2008;
- (v) As mentioned in paragraph ii) above, in 2001 the corporate income tax returns for the years 1997, 1998 and 1999 were inspected by the tax authorities, which resulted in proposed additional assessments of tEuros 68, tEuros 429 and tEuros 3,361, respectively, communicated to Petrogal. As Petrogal does not agree with the proposed additional assessments, it contested those for the years 1998 and 1999 and Petrogal's management believes that the basis presented in the appeals are valid. In 2006 the appeal relating to the year 1998 was denied. As Petrogal does not agree with the denial, it presented a legal appeal against the decision. Consequently, the financial statements as of 31 December 2009 do not include any provision for this contingency;
- (vi) As mentioned in paragraph ii) above, in 2004 the corporate income tax returns for the years 2000, 2001 and 2002 were inspected by the tax authorities, which resulted in additional assessments communicated to Petrogal of tEuros 740, tEuros 10,806 and tEuros 2,479, respectively, of which tEuros 11,865 has been paid. Petrogal has appealed against the additional assessment for the year 2001. Therefore, based on the principle of prudence, Petrogal has recorded a provision of tEuros 7,394 to cover the additional assessments (Note 25);
- (vii) As mentioned in paragraph ii) above, in 2006 the corporate income tax return for the year 2003 was inspected by the tax authorities, which resulted in an increase in taxable income of tEuros 12,098, which corresponds to an additional assessment communicated to Petrogal of tEuros 5,265, of which tEuros 2,568 was paid in 2008 and recognised in the income statement of the year ended in 31 December 2008;
- (viii) As mentioned in paragraph ii) above, in 2007 the corporate income tax return for the year 2004 was inspected by the tax authorities, which resulted in an increase in taxable income of tEuros 5,227, which corresponds to an additional assessment communicated to Petrogal of tEuros 1,626, which was paid in full and recognised in the income statement of the year ended in 31 December 2008;
- (ix) As mentioned in paragraphs ii) and iii) above, in 2009 the corporate income tax return for the year 2005 was inspected by the tax authorities, which resulted to additional assessment of tEuros 23,587 and for which during January 2010 the company has created a bank warranty in the amount of tEuros 27,010. The Company supported on its legal and tax consultants has contested the assessment, since it does not agree with the fiscal authorities understanding that the sale of part of the investments in associates where the investment of previous years gains was made is a condition for the taxation of the total amount of the gains;
- (x) The subsidiary Petrogal, SA as a result of inspecting process during the year 2009, had a correction of tEuros 4,577 in VAT. Given that the correction shall comply with a purely formal aspect, the Company believes that the above amount will be not owed, provided that the formalities required to be fulfilled, which have been already fulfilled. Consequently, the Company contested the correction;
- (xi) Regarding subsidiary Galp Comercializacion Oil España, there are several litigations in dispute with the Spanish tax authorities and that relate essentially to the corrections received by the Company from corporate income taxes for the years 1990 to 2003 which amount to tEuros 8,670 (Note 25). The Company recognized a provision for the total amount of the litigations;
- (xii) As result of the exploration and oil production operations in Angola, the Group is liable to pay Income Tax Oil ("IRP") determined on the basis of Angolan tax system, as applied to the Group's Production Sharing Agreements. On 31 December 2009, there are still pending payments of the additional assessment of IRP, relating with the corrections for the years 2005 to 2008 that are in discussion phase with the Angolan Ministry of Finance. The company recognized a provision for that effect. On 31 December 2009, the provision amounts to tEuros 5,250 (Note 25);
- (xiii) In accordance with current legislation tax losses in Portugal can be carried forward during a period of 6 years after they are incurred for deduction from taxable income arising during that period. There is no time limit for the period in which tax losses can be carried forward in Brazil. The Group has recognised deferred tax assets relating to the tax losses carried forward only for the subsidiaries in which there is a strong probability of their recovery. At 31 December 2009 the tax losses carried forward amounted to approximately tEuros 194,996 and corresponded essentially to companies with head offices in Spain and Brazil in the amounts of tEuros 161,357 and tEuros 37,090, respectively. The tax losses of the companies with head offices in Spain can be carried forward during a period of 15 years;
- (xiv) In accordance with current fiscal legislation, gains and losses resulting from recognition of the results of subsidiaries and associated companies through application of the equity method are not considered as income or expenses for corporate income tax purposes in the year they are recognised for accounting purposes, dividends being taxed in the year they are attributed.

Income tax for the years ended 31 December 2009 and 2008 are made up as follows:

	2009	2008
Current income tax	98,204	191,464
Excess/insufficiency of income tax for the preceding year	(1,735)	2,120
Deferred tax	2,128	(160,685)
	98,597	32,899

Following is a reconciliation of the income tax for the years ended in 31 December 2009 and 2008 and details of deferred taxes:

	2009	2008
Profit before Income Tax in accordance with IFRS/IAS:	451,393	154,711
Adjustment to Portuguese Accounting Standards	(72,447)	453,911
Restated profit before Income Tax in accordance with Portuguese Accounting Standards (a)	378,946	608,622
Adjustment for tax effect (accumulated effect) (a)	13,275	(30,486)
Taxable profit before Income Tax	392,221	578,136
Increase in taxable income	177,183	177,758
Non tax deductible provisions	113,238	72,583
Non tax deductible social costs	2,954	1,485
Other increases	57,913	101,842
Application of the equity method	3,078	1,848
Decrease in taxable income	(210,161)	(168,419)
Decrease/utilisation of provisions taxed in previous years	(62,756)	(50,416)
Excess estimated income tax	(4,126)	(3,233)
Other deductions	(11,232)	(60,863)
Application of the equity method	(73,170)	(52,690)
Negative amounts for tax purposes	(58,878)	(1,217)
Taxable income	359,242	587,475
Income tax	92,660	183,234
Municipal surcharge	4,358	6,852
Autonomous taxation	1,186	1,378
Estimated current income tax for the year	98,204	191,464
Deferred tax and excess estimate for the year	393	(158,565)
Income tax	98,597	32,899
Effective tax rate	21.84%	21.26%

(a) This amount corresponds to the sum of the results before income tax for the year in accordance with each local accounting standards of all the companies included in the consolidation perimeter in the years ended 31 December 2009 and 2008 and is affected by inclusion of the results obtained by the consolidation of income and costs between the group companies.

In accordance with article 15 of Decree-Law 35/2005 of 17 February, entities that prepare the financial statements in accordance with International Accounting Standards must, for tax purposes, maintain organised accounting records in accordance with Portuguese Accounting Standards and the legal requirements for their respective business sectors.

In the year ended 31 December 2009 the Company supported the Tax on Petroleum Income paid by its subsidiary Galp Exploração e Produção Petrolífera, S.A. in Angola, in the amount of tEuros 20,760, and includes essentially tEuros 19,610 relating to Tax on Petroleum Income on sales and crude oil lend, determined based on the Angolan tax regime applied to Production Sharing Agreements in which the Group participates.

Regarding the amount of IRP on the sale of crude oil, the subsidiary Galp Exploração e Produção Petrolífera, S.A. recognised in its financial statements the amount of tEuros 2,806 relating to tax resulting from sales made out of borrowings (overliftings) (Note 2.7 e)). For the effects of calculating the respective tax effect and it is used the tax reference price as of the date of the sale, which corresponds to that used to determine and pay IRP to the Ministry of Finance of Angola.

Due to the allocation of the fair value of assets and contingent liabilities acquired from Spanish subsidiaries acquired in 2008, was recognized during the year 2009 the respective deferred tax liabilities amounting to approximately tEuros 26,600.

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2009 and 2008 are made up as follows:

	DEFERRED TAX 2009		DEFERRED TAX 2008	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Accounting revaluations	-	(4,746)	-	(4,947)
Non tax deductible provisions	39,124	-	25,664	-
Tax losses carried forward	63,616	-	47,965	-
Pension benefits	68,142	(5,300)	65,896	(5,300)
Adjustments to accruals and deferrals	7,241	(3)	16,471	(274)
Overlifting adjustments	2,806	-	6,410	-
Reinvested capital gain	-	(554)	-	(300)
Capital gain	-	(1,707)	-	-
Adjustments to inventories	231	43	580	(4)
Financial instruments	2,496	(159)	966	(30)
Adjustments to tangible and intangible assets	6,638	(24,941)	17,235	-
Double economical taxation	15,618	-	13,413	-
Dividends	-	(19,222)	-	(3,879)
Others	4,033	(95)	5,434	(3,511)
	209,945	(56,684)	200,034	(18,245)

The deferred tax assets of tEuros 15,618 result from 2006 to 2009 CLH - Compañía Logística de Hidrocarburos, S.A. dividends received, which are recoverable by Galp Energía España, S.A., in accordance with the tax legislation in that country.

The significant increase in deferred taxes liabilities relates mainly to the allocation of the fair value of assets acquired, liabilities and contingent liabilities resulting from the acquisition of investments made on 31 December 2008 (Note 11).

The changes in deferred taxes for the years ended 31 December 2009 and 2008 were as follows:

	DEFERRED TAX 2009		DEFERRED TAX 2008	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Beginning balance	200,034	(18,245)	131,891	(128,700)
Adjustments to tangible and intangible assets initial Fair Value (Note 11)	2,462	(26,307)	-	-
Capital gain Initial Fair Value (Note 11)	-	(2,115)	-	-
Non tax deductible provisions initial Fair Value (Note 11)	1,702	-	-	-
Effect on results:				
Accounting revaluations	-	220	-	250
Non tax deductible provisions	11,720	-	2,452	-
Tax losses carried forward	9,785	-	26,135	15,458
Pension benefits	1,651	-	1,249	-
Adjustments to accruals and deferrals	(9,230)	271	(2,839)	2,399
Overlifting adjustments	(3,604)	-	6,410	-
Reinvested capital gain	-	154	-	1,142
Adjustments to inventories	(349)	47	576	113,172
Financial instruments	(181)	(129)	(86)	348
Adjustments to tangible and intangible assets	(9,226)	1,516	(1,013)	-
Double Economical Taxation	892	-	570	-
Dividends	-	(8,671)	-	(3,879)
Others	(637)	3,643	815	(2,474)
	821	(2,949)	34,269	126,416
Effect on equity:				
Hedging reserves	1,711	-	1,049	-
Transation reserve	(11,493)	-	13,365	-
Changes in the consolidation perimeter	152	95	19,460	(15,565)
Other adjustments	14,555	(7,164)	-	(396)
Ending balance	209,945	(56,685)	200,034	(18,245)

The amount of tEuros 14,405 in other adjustments is mainly related with deferred taxes from tax losses carried forward from Spanish companies, included special taxation regime of groups of societies in Petrogal, S.A. Sucursal en España, and therefore not recorded in the deferred tax.

The change in deferred taxes reflected in the equity caption "Hedging reserves" in the amount of tEuros 1,897 refers to change in deferred taxes of financial derivatives of consolidated companies in the amount of tEuros 1,711 less deferred taxes relating to minority interest in the amount of tEuros 186.

10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2009 and 2008 are as follows:

	2009	2008
Net income		
"Net income for purposes of calculating earnings per share (net profit for the year)	347,272	116,971
Number of shares	829,250,635	829,250,635
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	0.42	0.14
Basic earnings per share (amounts in Euros):		

As there are no situations that give rise to dilution, the diluted earnings per share are the same as the basic earnings per share.

11. GOODWILL

During the year ended December 31, 2009, the group carried out the allocation of the cost of business combination to recognize the assets liabilities and contingent liabilities of subsidiaries acquired during the year ended 31 December 2008 at their fair value at the acquisition date, as required by IFRS 3.

The difference between the amounts paid for the acquisition of participations in Group companies and the fair value of the equity acquired at 31 December 2009 is made up as follows:

SUBSIDIARIES	YEAR OF ACQUISITION	ACQUISITION COST	PROPORTION OF EQUITY ACQUIRED AS OF THE ACQUISITION DATE		GOODWILL				
			%	AMOUNT	2008	INCREASE / (DECREASE) FROM FAIR VALUE ADJUSTMENTS	INCREASE	DECREASE	2009
Galp Energia Portugal Holdings B.V.	2008	146,000	100.00%	69,027	16,000 (a)	60,973	-	(26,417) (b)	50,556
Galp Distribución Oil España, S.A.U.	2008	172,822	100.00%	123,611	71,983 (a)	(19,082)	-	(3,690) (c)	49,211
Galp Comercialización Oil España, S.L.	2008	176,920	100.00%	129,471	46,684 (a)	(1,255)	2,020 (c)	-	47,449
Galp Swaziland (PTY) Limited	2008	18,117	100.00%	651	14,913 (a)	2,553	-	-	17,466
Petróleos de Valência, S.A. Sociedad Unipersonal	2005	13,937	100.00%	6,099	7,838	-	-	-	7,838
Galpgest - Petrogal Estaciones de Servicio, S.L.U.	2003	6,938	100.00%	1,370	6,265	-	-	(697) (d)	5,568
Galp Gambia, Limited	2008	6,447	100.00%	1,693	2,175 (a)	2,579	-	-	4,754
Galp Moçambique, Lda	2008	5,943	100.00%	2,978	2,491 (a)	474	-	-	2,965
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	2006	3,094	25.00%	1,454	1,640	-	-	-	1,640
Lusitaniagás - Companhia de Gás do Centro, S.A.	2002/3 and 2007/8/9	1,440	1.543%	856	255	-	329 (e)	-	584
Probigalp - Ligantes Betuminosos, S.A.	2007	720	10.00%	190	530	-	-	-	530
Gasinsular - Combustíveis do Atlântico, S.A.	2005	50	100.00%	(353)	403	-	-	-	403
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	2005	858	67.65%	580	278	-	-	-	278
Beiragás - Companhia de Gás das Beiras, S.A.	2003/6 and 2007	152	0.94%	107	51	-	-	-	51
					171,506	46,242	2,349	(30,804)	189,293

(a) Goodwill at the acquisition date (IFRS 3 p.62 and 69) and due to the fact that the acquisition of those subsidiaries was concluded in the last quarter of 2008.

(b) Goodwill decrease due to sell of Comercializadora de Gás (ex- Esso Gás).

(c) Adjustments to the acquisition cost.

(d) Acquisition cost adjustment -impairment losses added to the net value of service stations.

(e) Increase due to the acquisition of investments (Nota 3 a).

Goodwill on acquisitions prior to the date of transition to IFRS is recorded as explained in Note 2.2.d).

During the period ended December 31, 2009, the caption "Goodwill" have increased tEuros 17,787, relating with the allocation of fair value to assets, liabilities and contingent liabilities resulting from the acquisition of investments in the year ended December 31, 2008.

The valuation of the fair value of assets, liabilities and contingent liabilities related with the acquisitions were made as follows:

Exxon Mobil BV Group

On 1 December 2008, Galp Energia Group acquired 100% of the shares of Exxon - Mobil BV Group (renamed Galp Energia Portugal Holding BV), whose activity consists of the distribution of oil and rented products, including GPL, commercialization and management of service stations, being constituted on the date of acquisition as follows:

- **Exxon Mobil B.V (owned at 100%) and subsidiaries:**
 - Esso Portuguesa, S.A. (owned at 100%);
 - Esso Gás, S.A. (owned at 100%);
 - Cors (owned at 100%);
 - Exxon (owned at 100%);
 - Saba (owned at 100%).

The subsidiaries acquired contributed to operating income with tEuros 196,317 and net profits of tEuros 13,399 for the year ended 2009.

Detail of net assets acquired and goodwill are as follows:

Acquisition cost	146,000
Fair value of net assets acquired	69,027
Goodwill	76,973

The goodwill is attributable to the profitability of the business as well as to the synergies already achieved and expected to obtain with the integration of business on the existing structure of the Galp Energia Group.

The assets and liabilities (presented in aggregate) resulting from the acquisition are as follows:

CAPTION	NET BOOK VALUE AT THE ACQUISITION DATE (A)	FAIR VALUE	FAIR VALUE ADJUSTMENT
ASSET	101,086	135,837	34,751
Assets (Note 12)	40,905	75,656	34,751
Inventories	11,727	11,727	-
Trade receivables	15,816	15,816	-
Other receivables	20,855	20,855	-
Cash and cash equivalents	11,783	11,783	-
LIABILITIES	57,130	66,810	9,680
Loans	10,543	10,543	-
Deferred tax liabilities (Note 9)	-	9,680	9,680
Trade payables	29,792	29,792	-
Provisions	2,051	2,051	-
Current income tax	4,610	4,610	-
Other payables	10,134	10,134	-
Net assets	43,956	69,027	25,071

(a) Fair value, goodwill and book values presented in 2008 were provisory. Values presented above are final.

During 2009, the Group recognized in the income statement the fair value adjustments in accordance with the applicable accounting standards. The impacts on income statement are detail as follows:

Amortisation and depreciation for the year	(1,745)
Accounting gain	(1,540)
COMG gain (ex-Esso Gás)	(15,312)
Deferred taxation	408
	(18,189)

The tangible assets amortizations and depreciations increased tEuros 1,745 resulting from the fair value attributed to tangible assets. The gain in the amount of tEuros 1,546 from the sale of land property that had been valued, on the acquisition date, by an amount higher than its book value, was canceled.

When selling Esso Gás (named as COMG – Comercialização de Gás, S.A.), for tEuros 18,189 fair value and tEuros 26,417 of goodwill relating to that business unit were derecognised from statement of financial position and recognized as part of the loss in value calculated during the year 2009.

The other effects in income statement result from deferred taxes related with the fair value amounts.

The overall impact of the partial recognition of fair value in the income statement for the year 2009 resulted on an decrease in net income of tEuros 18,189.

Esso Española Group

At the same date, 1 December 2008, Galp Energia Group acquired 100% of the shares of Esso Española Group (renamed Galp Comercialización Oil España, S.L.) whose activity consists in the distribution of oil and resulted products, including GPL, commercialization and management of service stations, being constituted on the date of acquisition as follows:

- **Esso Española, S.L. (owned at 100%) and subsidiary and associate, respectively:**
 - ROC, S.L. (owned at 100%);
 - MDA, S.A. (owned at 50%).

The subsidiaries acquired contribute to operating revenue with tEuros 400,204 and net loss of tEuros 8,274 in the year ended 2009.

The details of net assets acquired and goodwill are as follows:

Acquisition cost	176,920
Fair value of net assets	129,471
Goodwill	47,449

The goodwill is attributable to the profitability of the business as well as to the synergies already achieved and expected to obtain with the integration of business on the existing structure of the Galp Energia Group.

The assets and liabilities resulting from the acquisition are as follows:

CAPTION	NET BOOK VALUE AT THE ACQUISITION DATE (a)	FAIR VALUE	FAIR VALUE ADJUSTMENT
ASSET	245,805	258,597	12,792
Assets (Note 12)	112,091	133,220	21,129
Other non-current assets	7,014	7,014	-
Inventories (Note 16)	47,199	36,790	(10,409)
Trade receivables	23,583	23,583	-
Other receivables	11,934	11,934	-
Deferred tax assets (Note 9)	12,645	14,717	2,072
Cash and cash equivalents	31,339	31,339	-
LIABILITIES	112,748	129,126	16,378
Loans	4,666	4,666	-
Deferred tax liabilities (Note 9)	-	7,708	7,708
Trade payables	78,591	78,591	-
Provisions (Note 25)	73	8,743	8,670
Other payables	29,418	29,418	-
Net assets	133,057	129,471	(3,586)

(a) Fair value, goodwill and book values presented in 2008 were provisory. Values presented above are final.

During 2009 the Group recognized in the income statement the fair value adjustment in accordance with the applicable accounting standards. The impacts on the income statement are detailed as follows:

Amortisation and depreciation for the year	(1,807)
Inventory reductions	10,409
Service stations write-offs	636
Provisions	8,670
Land surface rights impairment	1,231
Image impairment	3,309
Service station impairment	1,261
Deferred taxation	(1,737)
	21,972

The tangible assets amortizations and depreciations increased tEuros 1,807 resulting from the fair value attributed to tangible assets. It was canceled the reduction in inventories amounting to tEuros 10,409, due to the sale of those inventories in 2009. Land Surface Rights, Service Stations and Esso Image in the amount of tEuros 5,801, recognized at fair value in the statement of financial position at the acquisition date were wrote off. Provisions in net results of tEuros 8,670, as well as other irrelevant amounts were also reversed.

The overall impact of the partial recognition of fair value in the income statement for the year 2009 resulted on an increase in net income of tEuros 21,972.

Agip España Group

On 1 October 2008, Galp Group has acquired 100% of the shares of the Agip España group (renamed Galp Distribucion Oil España S.A.U), whose activity consists in the distribution of oil and related products, including GPL, commercialization and management of service stations, being constituted on the date of acquisition as follows:

- **Agip España, S.A. (owned at 100%) and subsidiary:**
 - Agip Portugal, S.A. (owned at 100%).

The subsidiary acquired contributed to operational revenue with tEuros 1,542,113 and net loss of tEuros 14,840 from 1 January to 31 December 2009.

The details of net assets acquired and goodwill are as follows:

Acquisition cost	172,822
Fair value of net assets	123,611
Goodwill	49,211

The goodwill is attributable to the profitability of the business as well as to the synergies already achieved and expected to obtain with the integration of business on the existing structure of the Galp Energia Group.

The assets and liabilities resulting from the acquisition are as follows:

CAPTION	NET BOOK VALUE AT THE ACQUISITION DATE (a)	FAIR VALUE	FAIR VALUE ADJUSTMENT
ASSET	637,954	631,755	(6,199)
Assets (Note 12)	181,373	214,704	33,331
Other non-current assets	4,829	4,829	-
Inventories (Note 16)	235,877	196,438	(39,439)
Trade receivables (Note 15)	189,098	186,915	(2,183)
Other receivables	18,142	18,142	-
Recoverable current income tax	313	313	-
Deferred tax assets (Note 9)	187	2,279	2,092
Cash and cash equivalents	8,135	8,135	-
LIABILITIES	491,767	508,144	16,377
Loans	208,149	208,149	-
Deferred tax liabilities (Nota 9)	107	11,140	11,033
Trade payables (b)	221,898	225,588	3,690
Provisions (Nota 25)	2,215	3,869	1,654
Current income tax	87	87	-
Other payables	59,311	59,311	-
Asset deducted from liabilities	146,187	123,611	(22,576)

(a) Fair value, goodwill and accounting values presented in 2008 were provisory. Values presented above are final.

(b) These amounts refers to interests totally paid during the exercise ending at 31 December 2009.

During 2009 the group recognized in the income statement the fair value adjustment in accordance with the applicable accounting standards. The impacts on income statement are detail as follows:

Amortisation and depreciation for the year	(4,894)
Interests correction	3,690
Provisions	3,147
Intangible assets impairment	2,050
Service station impairment	6,429
Image impairment	2,822
Accounts receivable impairment	690
Deferred taxation	(904)
	13,030

The tangible assets amortization and depreciation increased tEuros 4,894 resulting from the fair value assigned to tangible assets. Impairments related to intangible assets, service stations, Agip image and accounts receivable recognized at fair value in the financial position and based on acquisition date, amounting to tEuros 11,991, were reversed.

Impairments related to interest costs amounting to tEuros 3,690 were also reversed.

The remaining impacts on results are due to deferred taxes related with fair value recognized in the income statement.

The overall impact of the partial recognition of fair value in the income statement for the year 2009 resulted in an increase in the net income of tEuros 13,030.

12. TANGIBLE AND INTANGIBLE ASSETS

TANGIBLE ASSETS

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	MACHINERY AND EQUIPMENT	TRANSPORT EQUIPMENT	TOOLS AND UTENSILS
Acquisition cost:					
Balance at 1 January	276,389	875,380	4,479,192	24,591	5,030
Initial fair value balance (a)	8,243	-	84,249	-	-
Additions	781	5,855	16,794	282	228
Write-offs/sales	(3,722)	(7,957)	(70,197)	(1,343)	(88)
Adjustments	(1,548)	3,194	(15,002)	172	(7)
Transfers	4,896	26,216	428,733	1,443	320
Changes in the consolidation perimeter (Note 3)	9,705	(18,599)	(84,053)	1,298	178
Gross acquisition cost at 31 December	294,744	884,089	4,839,716	26,443	5,661
Accumulated impairments at 1 January	(3,436)	(12,025)	(19,215)	(66)	(63)
Increase in impairment	-	(8,885)	8,921	-	(1)
Reversal of impairment	238	278	112	-	-
Utilisation of impairment	-	-	-	-	-
Balance of impairments at 31 December	(3,198)	(20,632)	(10,182)	(66)	(64)
Balance of investment government grants at 1 January	(2,146)	(6,776)	(292,319)	-	(8)
Increase in government grants	(41)	(952)	(16,352)	-	-
Decrease in government grants	-	-	1,027	-	-
Write-offs/sales	-	-	-	-	-
Adjustments	186	187	2,071	-	-
Balance of investment government grants at 31 December	(2,001)	(7,541)	(305,573)	-	(8)
Balance at 31 December	289,545	855,916	4,523,961	26,377	5,589
Accumulated depreciation and impairment losses:					
Balance at 1 January:	(3,335)	(504,810)	(3,118,657)	(21,025)	(3,885)
Initial fair value balance (a)	-	-	(2,050)	-	-
Depreciation for the year	(255)	(35,493)	(170,178)	(1,380)	(507)
Write-offs/sales	4	5,739	54,427	1,304	70
Adjustments	46	480	5,097	80	(2)
Transfers	(288)	399	(6)	(5)	-
Changes in the consolidation perimeter (Note 3)	-	10,098	48,243	(1,236)	(113)
Balance at 31 December	(3,828)	(523,587)	(3,183,124)	(22,262)	(4,437)
Balance of recognised government grants at 1 January	248	3,073	111,071	-	7
Increase in government grants	67	328	6,356	-	2
Decrease in government grants	-	-	-	-	-
Write-offs/sales	-	-	(42)	-	-
Adjustments	208	213	2,314	-	-
Balance of recognised government grants at 31 December	523	3,614	119,699	-	9
Accumulated balance	(3,305)	(519,973)	(3,063,425)	(22,262)	(4,428)
Net amount:					
at 31 December	286,240	335,943	1,460,536	4,115	1,161

(a) Changes due to final goodwill value from investments in Agip and Esso in both, Portugal and Spain (Note 11).

2009						2008	
ADMINISTRATIVE EQUIPMENT	REUSABLE CONTAINERS	OTHER TANGIBLE ASSETS	TANGIBLE ASSETS IN PROGRESS	ADVANCES TO SUPPLIERS OF TANGIBLE ASSETS	TOTAL TANGIBLE FIXED ASSETS	TOTAL TANGIBLE FIXED ASSETS	
159,867	157,317	159,572	866,061	8,180	7,011,579	6,053,907	
-	-	-	-	-	92,492	-	
822	314	1,446	608,114	5	634,641	695,406	
(1,356)	(5,849)	(1,262)	(8,542)	-	(100,316)	(99,205)	
3,167	(482)	(251)	46,021	(6,037)	29,227	(5,554)	
5,941	2,952	1,104	(474,509)	-	(2,904)	(21,410)	
(6,585)	-	-	(2,392)	-	(100,448)	388,435	
161,856	154,252	160,609	1,034,753	2,148	7,564,271	7,011,579	
(4,539)	(1)	(2,521)	(10,094)	-	(51,960)	(53,621)	
(19)	-	(2,948)	(36,026)	-	(38,958)	(9,155)	
-	-	62	7,088	-	7,778	9,051	
-	-	-	9,186	-	9,186	1,765	
(4,558)	(1)	(5,407)	(29,846)	-	(73,954)	(51,960)	
(769)	-	(311)	(2,881)	-	(305,210)	(291,985)	
(5)	(12)	(3)	-	-	(17,365)	(4,256)	
-	-	-	18	-	1,045	1,297	
-	-	-	-	-	-	328	
-	-	-	-	-	2,444	(10,594)	
(774)	(12)	(314)	(2,863)	-	(319,086)	(305,210)	
156,524	154,239	154,888	1,002,044	2,148	7,171,231	6,654,409	
(127,207)	(138,730)	(92,093)	-	-	(4,009,742)	(3,706,033)	
-	-	-	-	-	(2,050)	-	
(8,632)	(4,875)	(9,751)	-	-	(231,071)	(227,867)	
1,054	5,849	1,050	-	-	69,497	74,997	
(1,518)	87	(389)	-	-	3,881	2,096	
124	-	40	-	-	264	145	
6,349	(8)	-	-	-	63,333	(153,080)	
(129,830)	(137,677)	(101,143)	-	-	(4,105,888)	(4,009,742)	
770	-	306	-	-	115,475	105,468	
15	1	6	-	-	6,775	8,432	
-	-	-	-	-	-	(289)	
-	-	-	-	-	(42)	(523)	
-	-	-	-	-	2,735	2,387	
785	1	312	-	-	124,943	115,475	
(129,045)	(137,676)	(100,831)	-	-	(3,980,945)	(3,894,267)	
27,479	16,563	54,057	1,002,044	2,148	3,190,286	2,760,142	

Tangible assets and depreciations are recorded in accordance with the accounting policies explained in Note 2.3. The amortization rates are in the same note.

The non repayable government grants attributed to the Group to finance tangible and intangible assets (mainly conversions to natural gas) are reflected as deductions from the corresponding assets and recognised in the consolidated income statement as a deduction from depreciation and amortisation for the year, in proportion to depreciation of the subsidised assets, as explained in Note 2.8.

Adjustments of tangible assets in the amount of tEuros 29,227 relates mainly with to the valuation of the Brazilian Real against the Euro and the consequent increase intangible assets of Brazil subsidiaries.

The change in the consolidation perimeter is due to the entry of tangible assets of the companies referred to in Note 3 as of the date of their acquisition.

INTANGIBLE ASSETS

	INSTALLATION COSTS	RESEARCH AND DEVELOPMENT COSTS	INDUSTRIAL PROPERTY AND OTHER RIGHTS
Acquisition cost:			
Balance at 1 January:	4,496	6,960	325,741
Additions	-	-	68,265
Write-offs/sales	(22)	-	(1,394)
Adjustments	264	(4,077)	16,738
Transfers	(55)	(62)	21,336
Changes in the consolidation perimeter (Note 3)	-	2,420	11,504
Gross acquisition cost at 31 December	4,683	5,241	442,190
Accumulated impairments at 1 January	-	(5)	(5,551)
Increase in impairment	-	-	(96)
Reversal of impairment	-	-	54
Balance of impairments at 31 December	-	(5)	(5,593)
Balance of government grants at 1 January	(1)	(238)	(570)
Increase in government grants	-	-	-
Adjustments	-	-	-
Balance of government grants at 31 December	(1)	(238)	(570)
Balance at 31 December	4,682	4,998	436,027
Accumulated amortisation and impairment losses:			
Balance at 1 January:	(3,980)	(6,696)	(148,445)
Initial fair value balance (a)	-	-	(1,231)
Amortisation for the year	(61)	(462)	(24,357)
Write-offs/sales	22	-	970
Adjustments	(364)	4,412	(15,798)
Transfers	57	63	484
Changes in the consolidation perimeter (Note 3)	-	(2,448)	(4,001)
Balance at 31 December	(4,326)	(5,131)	(192,378)
Balance of recognised government grants at 1 January	1	784	474
Increase in investment government grants	-	6	33
Write-offs/sales	-	-	-
Adjustments	-	-	-
Balance of recognised government grants at 31 December	1	790	507
Accumulated balance	(4,325)	(4,341)	(191,871)
Net amount:			
at 31 December	357	657	244,156

(a) Changes due to final goodwill value from investments in Agip and Esso in both, Portugal and Spain (Note 11).

Intangible assets and depreciations are recorded in accordance with the accounting policies explained in Note 2.4.

Amortization and depreciation of fixed assets for 2009 are made up as follows:

	TANGIBLE ASSETS	INTANGIBLE ASSETS
Amortisation and depreciation for the year	(231,071)	(35,312)
Increase in government grants (Nota 13)	6,775	3,822
Increase in impairment	(38,958)	(96)
Decrease in impairment	7,778	54
Fair value adjustments	(8,447)	(1,231)
Amortisation and depreciation (Note 6)	(263,923)	(32,763)

2009				2008		
GOODWILL	RECONVERSION OF CONSUMPTION TO NATURAL GAS	INTANGIBLE ASSETS IN PROGRESS	ADVANCES TO SUPPLIERS OF INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS	
29,460	331,907	15,042	1,378	714,984	577,236	
2,151	844	29,338	-	100,598	45,092	
(387)	-	(28)	-	(1,831)	(6,112)	
10,681	(4)	(77)	-	23,525	(10,404)	
509	18,016	(35,366)	(1,378)	3,000	27,651	
-	-	3,941	-	17,865	81,521	
42,414	350,763	12,850	-	858,141	714,984	
(236)	-	-	-	(5,792)	(7,532)	
-	-	-	-	(96)	-	
-	-	-	-	54	1,740	
(236)	-	-	-	(5,834)	(5,792)	
-	(63,060)	-	-	(63,869)	(47,508)	
-	(5,245)	-	-	(5,245)	(24,121)	
-	-	-	-	-	7,760	
-	(68,305)	-	-	(69,114)	(63,869)	
42,178	282,458	12,850	-	783,193	645,323	
(11,125)	(89,662)	-	-	(259,908)	(225,185)	
-	-	-	-	(1,231)	-	
(751)	(9,681)	-	-	(35,312)	(25,020)	
125	-	-	-	1,117	1,885	
(1)	(357)	-	-	(12,108)	6,598	
-	-	-	-	604	1,281	
-	-	-	-	(6,449)	(19,467)	
(11,752)	(99,700)	-	-	(313,287)	(259,908)	
-	22,729	-	-	23,988	12,491	
-	3,783	-	-	3,822	3,149	
-	-	-	-	-	(158)	
-	-	-	-	-	8,506	
-	26,512	-	-	27,810	23,988	
(11,752)	(73,188)	-	-	(285,477)	(235,920)	
30,426	209,270	12,850	-	497,716	409,403	

Main occurrences in 2009

The increase in the tangible and intangible assets captions in the amount of tEuros 735,239 includes essentially:

(i) Oil Exploration and Production segment

- tEuros 100,013 relating to exploration and development costs in blocks in Brazil;
- tEuros 72,886 relating to exploration and development costs in Block 14 in Angola;
- tEuros 5,072 relating to exploration costs on Block 32 in Angola;
- tEuros 2,505 relating to oil exploration costs on Portuguese coast;
- tEuros 1,891 relating to natural gas exploration costs in Angola;
- tEuros 751 relating to exploration costs on blocks in East Timor;
- tEuros 471 relating to exploration costs on Block 4 in Mozambique.

During the year 2009, from the total investments in Block 14 in Angola, the amount of tEuros 226,022 was transferred, from the caption "Tangible assets in progress" to the caption "Machinery and equipment".

(ii) Gas and Power segment

- tEuros 42,605 relating to the construction of natural gas infrastructures (networks, branches, lots and other facilities);
- tEuros 14,116 relating to the initial activities regarding the conception and construction of the Sines and Oporto co-generation Centrals;
- tEuros 16,157 relating to investments in co-participation of shared networks and re-conversion of consumption to natural gas.

(iii) Petroleum Products Refining and Distribution segment

- The Sines and Oporto refineries have made a total investment of tEuros 308,035;
- tEuros 43,256 relating to the retail Business Sector, essentially in the remodelling of service stations and convenience stores, business expansion and development of the information systems.

In 2009 intangible and tangible assets, comprising mostly fully amortised and depreciated items, were sold as a result of updating the fixed assets register during the year and include:

(i) tEuros 5,242 relating to the sale of natural gas assets;**(ii) tEuros 8,442 relating to the return of Blocks, in the exploration phase, operated by the Group in Brazil.**

Following the renewal of existing vessels, the ships Galp Leixoes and Galp Lisbon were sold by the amounts of tEuros 1,345 and tEuros 505, respectively, and generated gains of tEuros 1,345 and tEuros 463, respectively.

At 31 December 2009 the following impairment losses, totalling tEuros 79,788 relating to adjustments to the amount of tangible assets, had been recognised:

(i) tEuros 30,634 for impairment of service stations in the Portuguese and Spanish distribution networks;**(ii) tEuros 26,840 for financial impairment of blocks operated in Brazil;****(iii) tEuros 8,446 for impairment of the monobuoy;****(iv) tEuros 6,310 for impairment of the installations in Aveiro;****(v) tEuros 4,905 for impairment of the power plant of Sines refinery;****(vi) tEuros 2,318 for impairment of blocks operated in Angola.**

Tangible and intangible assets in progress (including advances on account of tangible and intangible assets, less grants and impairment losses) at 31 December 2009 are made up as follows:

	GROSS ASSETS	INVESTMENT SUBSIDIES	NET ASSETS
Conversion projects of the Sines and Oporto refineries	347,565	-	347,565
Research and exploration of petroleum in Brazil	211,738	-	211,738
Research and exploration of petroleum in Angola	162,662	-	162,662
Industrial investment relating to the refineries	125,876	-	125,876
Renewal and expansion of the network	42,945	(722)	42,223
Other research in portuguese coast, Moçambique and Timor	20,384	-	20,384
Co-generation plants in Sines and Oporto	18,374	-	18,374
Combined cycle co-generation plant - Sines	11,449	-	11,449
Substitution of cargo arms of the terminal and tubes at Porto Leixões	10,483	-	10,483
Underground storage of natural gas	10,673	(1,938)	8,735
Research of gas in Angola and Guiné	7,853	-	7,853
Construction of a ship	6,279	-	6,279
Other projects	41,476	(203)	41,273
	1,017,757	(2,863)	1,014,894

13. GOVERNMENT GRANTS

Government grants received and receivable as of 31 December 2009 and 2008 are as follows:

PROGRAM	AMOUNT RECEIVED		AMOUNT RECEIVABLE	
	2009	2008	2009	2008
Energy Program	114,919	114,242	-	465
Interreg II	19,176	19,176	-	-
Protede	19,708	19,708	-	-
Economy Operating Program	226,411	213,678	1	2,293
Dessulphurisation of Sines	39,513	39,513	-	-
Dessulphurisation of Oporto	35,307	35,307	-	-
Others	19,479	11,608	-	-
Total	474,513	453,232	1	2,758

These grants for investment are recognised in the income statement in accordance with the estimated of useful life of the respective tangible and intangible assets, as explained in Note 2.8. In the year ended 31 December 2009, the amount of tEuros 10,597 (Note 12) was recognised, of which tEuros 6,775 relates to tangible assets and tEuros 3,822 relates to intangible assets.

In addition, in 2009 government grants of tEuros 24,039 were received, which include the amount of tEuros 7,743 relating with the agreement between CLCM – Companhia Logística de Combustíveis da Madeira, S.A., the Madeira Regional Government and the Republic Government, for the construction of a logistic project. The remaining amount is relating with incentive programs for expansion of the natural gas network.

The amount of tEuros, reflected in the caption “Other receivables” corresponds to incentive programs for expansion of the natural gas network (Note 14).

14. OTHER RECEIVABLES

The non-current and current captions "Other receivables" as of 31 December 2009 and 2008 are made up as follows:

CAPTIONS	2009		2008	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
State and Other Public Entities:				
Corporate Income Tax	317	-	21	-
Value Added Tax - Reimbursement requested	7,586	-	19,413	-
Others	1,649	-	1,512	-
Advances to suppliers of fixed assets	84,015	-	20,317	-
Advances to trade suppliers	33,565	-	8,082	-
ISP - Tax on petroleum products	22,237	-	25,595	-
Other receivables - associated, related and participated companies (Note 28)	11,822	12,237	19,433	764
Underlifting - Block 14 consortium in Angola	9,939	-	-	-
Means of payment	5,910	-	1,767	-
Personnel	2,734	-	2,069	-
Pension fund payment recovery	2,230	-	2,117	-
Advances to the operator Petrobras	2,165	-	5,186	-
Receivable from the Block 14 consortium in Angola (excess profit-oil receivable)	1,566	-	9,058	-
Loans to clients	538	2,148	547	2,239
Contract ceding the rights to use telecommunications infrastructures	287	-	6,951	-
Loans to associated, related and participated companies (Note 28)	130	42,335	10,543	43,260
Subsidies receivable (Note 13)	1	-	2,758	-
Recovery of VAT of clients	-	-	20,617	-
Spanish Bitumen process (Note 26)	2,568	-	2,568	-
Captive bank accounts EIB loan	-	-	-	96
Others	81,543	11,115	85,938	5,238
	270,802	67,835	244,492	51,597
Accrued income:				
Sales and services rendered not yet invoiced	73,735	-	121,142	-
Tariff deviation	69,170	-	32,325	-
Income permitted - ERSE regulation	38,657	-	6,886	-
Receivable compensation	16,586	-	-	-
Sale of finished goods to be invoiced by the service stations	9,262	-	2,188	-
Accrued management and structure costs	6,221	-	4,753	-
Commercial discount on purchases	750	-	1,708	-
Compensation for the uniform tariff	475	-	-	-
Accrued interest	208	-	3,237	-
Crude oil swap Block 14	-	-	12,028	-
Other	24,348	-	16,301	-
	239,412	-	200,568	-
Deferred costs:				
Costs relating to service station concession contracts	43,290	-	43,349	-
Interest and other financial costs	8,899	-	727	37
Catalyser costs	4,310	-	6,527	-
Prepaid insurance	344	-	349	-
Prepaid rent	194	-	2,099	-
Retirement benefits (Note 23)	-	30,839	-	31,959
Other deferred costs	10,671	-	12,986	148
	67,708	30,839	66,037	32,144
	577,922	98,674	511,097	83,741
Impairment of other receivables	(6,227)	-	(10,622)	-
	571,695	98,674	500,475	83,741

The changes in the caption "Impairment of other receivables" in the year ended 31 December 2009 were as follows:

CAPTION	BEGINNING BALANCE	INCREASE	DECREASE	UTILISATION	ADJUSTMENTS	CHANGE IN PERIMETER (NOTE 3)	ENDING BALANCE
Other receivables	10,622	805	(5,561)	(20)	356	25	6,227

The increases and decreases in impairment losses on other receivables in the net amount of tEuros 4,756 were recognised in the caption "Provision for impairment of receivables" (Note 6).

The significant increase in the caption "Advance to suppliers of fixed assets" is mainly related with advance payments made to Petrobrás - Petróleo Brasileiro, S.A. to deal with investment in exploration in blocks located in Brazil.

The amount of tEuros 33,565 in caption "Advance to suppliers" include: i) tEuros 8,464 relating to payments to ExxonMobil Group for the purchase of lubricants under the agreement concerning the acquisition of its operations in Portugal and Spain; ii) tEuros 7,750 relating payments to Ren Group.

The amount of tEuros 22,237 in the caption "ISP – Tax on petroleum products" corresponds to the amount receivable from the Customs House relating to the exemption of bio-fuels from ISP, which is under a tax suspense regime in accordance with Circular 79/2005 of 6 December.

The caption "Means of payment" in the amount of tEuros 5,910 corresponds to amounts receivable for sales by visa/multibanco cards, which at 31 December 2009 were pending collection.

Non-current loans to associated companies relate mainly to loans granted by subsidiaries:

- Galp Gás Natural, S.A., to the Gasodutos Al-Andaluz and Extremadura in the amounts of tEuros 9,467 and tEuros 4,749, respectively. The interests related with the above mentioned loans for the period ended 31 December 2009, amount to tEuros 533, of which tEuros 331 are related with Gasoduto Al-Andaluz and tEuros 202 with Gasoduto Extremadura and are capitalized under this caption;
- GDP Gás de Portugal, SGPS, S.A., to Setgás - Sociedade de Produção e Distribuição de Gás, S.A. and to Tagusgás - Empresa Gás do Vale do Tejo, S.A. in the amounts of tEuros 8,687 and tEuros 3,281, respectively. The interests related with the above mentioned loans for the period ended 31 December 2009, amount to tEuros 607, from which tEuros 384 are related with Setgás and tEuros 223 to Tagusgás, and are capitalized under this caption;
- Galp Power, SGPS, S.A. to Energin - Sociedade de Produção de Electricidade e Calor, S.A. and to Ventinveste, S.A. in the amounts of tEuros 7,759 and tEuros 5,365, respectively. The interests related with the above mentioned loans for the period ended 31 December 2009 amount to tEuros 549, of which tEuros 370 is related with Energin and tEuros 179 with Ventinveste;
- Petróleos de Portugal - Petrogal, S.A., to Setgás - Sociedade de Produção e Distribuição de Gás, S.A. in the amount of tEuros 2,884. The interests related with the above mentioned loans for the period ended 31 December 2009 amount to tEuros 128.

These loans bear interest at market rate and have no defined repayable term.

The receivable of tEuros 24,059 in the caption "Other receivables - associated, related and participated companies" refers to companies that were not consolidated by the full consolidation method (Note 28).

The caption "Pension fund payment recovery", in the amount of tEuros 2,230, corresponds to amounts receivable from BPI Pensões relating to pensions processed in December and not yet reimbursed.

The amount of tEuros 287 in the caption "Contracts ceding the rights to use telecommunications infrastructures", of which the most significant is the ceding contract entered into between Galp Gás Natural, S.A. and Onitelem on 1 July 1999 for a 20 year period, and is being received in successive equal annual instalments of tEuros 5,860 up to 31 July 2009, each instalment being increased by interest at market rates. Income resulting from the contract is deferred in the liability caption "Other payables" and recognised in the income statement on a straight-line basis over the period of the contract, which ends on 1 June 2019.

The caption "Other receivables" includes the amount of tEuros 15,875 relating with the amount receivable from Gestmin, SGPS, S.A., for the purchase of COMG – Comercialização de Gás, S.A..

The accrued income caption "Sales and services rendered not yet invoiced" refers essentially to natural gas consumed, for which the corresponding invoices are issued in the following month by Galp Gás Natural, S.A., LisboaGás Comercialização, S.A. and Transgás, S.A. in the amounts of tEuros 41,682, tEuros 11,493 and tEuros 8,951, respectively.

The caption "Tariff deviation" regarding the accumulated difference between the cost of acquisition of natural gas to suppliers of the Group and the regulated energy tariffs set by ERSE, for the gas year 2008-2009 in the amount of tEuros 69,170 and for the gas year 2009-2010 (first half), charged to costumers, which will be recovered through the review of future tariffs. In 2009 which includes the second half of the gas year 2008-2009 and the first half 2009-2010, the amount of tEuros 36,845 regarding this issue was recorded in the income statement.

The caption "Accrued Income – Permitted income - ERSE regulation" is detailed as follows:

CAPTIONS	2009
Distribution of Natural Gas (ORD)	
Gas Year 2008-2009	443
Gas Year 2009-2010	19,005
Commercialization of retail natural gas (CURR)	
Gas Year 2008-2009	3,637
Gas Year 2009-2010	6,383
Tariff deviation UGS and URT	
Gas Year 2009-2010	4,008
Commercialization of wholesale natural gas (CURG)	
Gas Year 2008-2009	2,638
Gas Year 2009-2010	2,543
	38,657

CAPTIONS	2008	VARIATION	2009
Distribution of Natural Gas (ORD)	317	19,131	19,448
Commercialization of retail natural gas (CURR)	1,437	8,583	10,020
Tariff deviation UGS and URT	2,386	1,622	4,008
Tariff deficit	2,746	2,435	5,181
	6,886		38,657

In terms of presentation of financial statements, the amounts payable or receivable relating with each gas year are presented on a net basis, depending on the nature of each gas year.

The caption accrued income - indemnities receivable in the amount of tEuros 16,586 in related with the estimate of the indemnity resulting from the incident of the utilities unit of the Sines refinery.

The amount of tEuros 9,262 in the caption "Sale of finished goods to be invoiced by the service stations" relates to consumptions in 2009 through Galp Frota cards, that with only be invoiced in 2010.

The change in the caption "Accrued interest", when compared with December 2008, is due to the end of the contract of ceding the right to use infrastructures with the E3G - Telecomunicações, S.A..

Deferred costs relating to service station concession contracts are amortised over the period of the concessions, which varies from 20 to 25 years.

Following is an aging schedule of other receivables as of 31 December 2009 and 2008:

AGING	NOT YET DUE	OVER DUE UP TO 90 DAYS	OVER DUE UP TO 180 DAYS	OVER DUE UP TO 365 DAYS	OVER DUE UP TO 545 DAYS	OVER DUE UP TO 730 DAYS	OVER DUE UP TO 730 DAYS	TOTAL
2009 Gross	665,135	2,301	1,534	2,065	1,158	228	4,175	676,596
Adjustments	(406)	(326)	(381)	(882)	(90)	(104)	(4,038)	(6,227)
	664,729	1,975	1,153	1,183	1,068	124	137	670,369
2008 Gross	511,193	27,656	18,270	27,198	1,297	1,868	7,356	594,838
Adjustments	(316)	(13)	(2)	(5,877)	(169)	(350)	(3,895)	(10,622)
	510,877	27,643	18,268	21,321	1,128	1,518	3,461	584,216

The Group considers as amounts not yet due, the balance of other receivables which are not yet overdue. Overdue balances which have not been subject to adjustments correspond to receivables for which there are payment agreements or which are expected to be collected.

15. TRADE RECEIVABLES

The caption "Trade receivables" as of 31 December 2009 and 2008 is made up as follows:

CAPTIONS	2009	2008
Clients - current accounts	750,850	955,952
Clients - doubtful accounts	112,967	100,984
Clients - notes receivable	12,859	14,813
	876,676	1,071,749
Impairment of trade receivables	(98,292)	(84,045)
	778,384	987,704

The changes in the caption "Impairment of trade receivables" in 2009 were as follows:

CAPTIONS	BEGINNING BALANCE	FAIR VALUE ADJUSTMENT (NOTE 11)	INCREASES	DECREASES	UTILISATION	ADJUSTMENTS	CHANGES IN PERIMETER	ENDING BALANCE
Impairment of trade receivables	84,045	2,183	36,482	(14,732)	(15,120)	2,308	3,126	98,292

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of tEuros 21,750 was recorded in the caption "Provision and impairment loss on receivables" (Note 6).

Following is an aging schedule of Group trade receivables as of 31 December 2009 and 2008:

AGING OF TRADE RECEIVABLES	NOT YET DUE	OVERDUE UP TO 90 DAYS	OVERDUE UP TO 180 DAYS	OVERDUE UP TO 365 DAYS	OVERDUE UP TO 545 DAYS	OVERDUE UP TO 730 DAYS	OVERDUE MORE THAN 730 DAYS	TOTAL
2009 Gross	468,307	261,953	32,096	22,002	12,273	23,316	56,729	876,676
Adjustments	-	(51)	(14,161)	(10,685)	(5,044)	(15,937)	(52,414)	(98,292)
	468,307	261,902	17,935	11,317	7,229	7,379	4,315	778,384
2008 Gross	678,164	192,507	79,208	24,870	16,261	6,858	73,881	1,071,749
Adjustments	(104)	(949)	(1,687)	(12,914)	(9,501)	(4,365)	(54,525)	(84,045)
	678,060	191,558	77,521	11,956	6,760	2,493	19,356	987,704

The Group considers as amounts not yet due, the balance of other receivables which are not overdue. Overdue balances which have not been subject to adjustments correspond to receivables for which there are payment agreements or which are expected to be collected.

16. INVENTORIES

Inventories as of 31 December 2009 and 2008 are made up as follows:

CAPTIONS	2009	2008
Raw, subsidiary and consumable materials:		
Crude oil	192,227	211,866
Other raw materials	11,646	37,732
Raw material in transit	115,893	64,960
	319,766	314,558
Adjustments to raw, subsidiary and consumable materials	(6,506)	(114,370)
	313,260	200,188
Finished and semi-finished products:		
Finished products	252,113	421,473
Semi-finished products	265,130	277,135
Finished products in transit	7,466	758
	524,709	699,366
Adjustments to finished and semi-finished products	-	(210,737)
	524,709	488,629
Work in progress	264	223
Merchandise	392,058	522,545
Merchandise in transit	-	383
	392,058	522,928
Adjustments to merchandise	(1,504)	(135,520)
	390,554	387,408
Advances on account of purchases	46	46
	1,228,833	1,076,494

The fair value of inventory in the amount of tEuros 39,439 refers to the acquisition of the Agip Spain Group and was also recognized in the income statement of 2008 on the sale of these inventories (Note 11).

Merchandise as of 31 December 2009, in the amount of tEuros 392,058 corresponds essentially to natural gas in the gas pipelines in the amount of tEuros 46,652, inventories of crude oil derivative products of the subsidiary Galp Energia España, S.A., Galp Distribución Oil España, Galp Distribuição Portugal, S.A., and Group Galp Comercializacion Oil España, S.L. in the amounts of tEuros 295,390, tEuros 9,691, tEuros 6,348 and tEuros 16,443 respectively.

At 31 December 2009 the Group's responsibility to competitors for strategic reserves, which can only be satisfied by delivery of the products, amounted to tEuros 170,126 and is reflected in the caption "Advances on account of sales" (Note 24).

In November 2004, under Decree-law 339-D/2001 of December, Petrogal together with Petrogal Trading Limited entered into a contract to purchase, sell and exchange crude oil for finished products for the constitution of strategic reserves with "Entidade Gestora de Reservas Estratégicas de Produtos Petrolíferos, EPE" ("EGREP"). Under the contract entered into in 2004 the crude oil acquired by EGREP, which is not reflected in the financial statements, is stored in a non-segregated form in Petrogal's installations, where it must remain so that EGREP can audit it in terms of quantity and quality, whenever it so wishes. In accordance with the contract, Petrogal must, when so required by EGREP, exchange the crude sold for finished products, receiving in exchange an amount representing the refining margin as of the date of exchange.

On 17 December 2009, it was signed a contract for the purchase and sale of 136,000 cubic meters of "Diesel 10ppm" with Vitol, S.A.. The product was sold by Galp by the amount of 47,913 to that entity and was recorded in "Cost of sales" by the amount of tEuros 49,188, resulting from the application of the valuation method of the inventories. According to the agreement with Vitol, S.A., it is assured that it makes available the quantities acquired when required by law in order to comply with major force motives, and that this product or equivalent is also located on Portuguese soil in order to comply with strategic reserves that are an obligation of Petrogal. Under this agreement Petrogal has to pay a compensation for the immobilization of diesel in Portugal, receiving as return a compensation for storage on its facilities. In addition the risk/gain from the valuation of inventories is a liability of Vitol, reason why it was not recognized in the financial statements as of 31 December 2009.

The changes in the caption "Impairment of inventories" in the year ended 31 December 2009 were as follows:

CAPTIONS	BEGINNING BALANCE	ADJUSTMENT TO FAIR VALUE (NOTE 11)	INCREASES	DECREASES	UTILISATION	ADJUSTMENTS	CHANGE IN PERIMETER (NOTE 3)	ENDING BALANCE
Impairment of raw, subsidiary and consumable material	114,370	-	2,395	(103,348)	-	(6,911)	-	6,506
Impairment of finished and semi-finished products	210,737	-	93	(210,830)	-	-	-	-
Impairment of merchandise	135,520	10,409	3,210	(142,864)	(13,415)	7,242	1,402	1,504
	460,627	10,409	5,698	(457,042)	(13,415)	331	1,402	8,010

The net increase in impairment, in the amount of tEuros 451,344 was recorded by corresponding entry to the operating cost caption "Cost of sales" in the income statement (Note 6).

17. OTHER INVESTMENTS

Non-current investments as of 31 December 2009 and 2008 are made up as follows:

CAPTIONS	2009	2008
Derivatives over commodities (Note 27)	300	-
Financial instruments	300	-
Other securities and investments	161	4,789
Other current investments	161	4,789
	461	4,789

Current investments as of 31 December 2009 and 2008 are made up as follows:

CAPTIONS	2009	2008
Derivatives over commodities (Note 27)	300	114
Financial instruments	300	114
Shares in participated companies	7	7
Term deposits	1,414	1,884
Demand deposits	82	898
Other current investments (Note 18)	1,503	2,789
	1,803	2,903

As of 31 December 2009 and 2008 the financial instruments are recorded at their fair value reported at that dates (Note 27).

18. CASH AND CASH EQUIVALENTS

The caption "Cash and cash equivalents" as of 31 December 2009 and 2008 is made up as follows:

CAPTIONS	2009	2008
Cash	8,773	14,971
Demand deposits	114,832	93,037
Term deposits	7,064	9,441
Other negotiable securities	1,777	2,414
Other treasury applications	111,393	7,305
Cash and cash equivalents in the balance sheet	243,839	127,168
Other current investments (Note 17)	1,503	2,789
Bank overdrafts (Note 22)	(306,632)	(368,792)
Cash and cash equivalents in the cash flow statement	(61,290)	(238,835)

The caption "Other treasury applications" includes applications of cash surplus, with maturities less than five months, of the following Group companies:

	2009
Galp Gás Natural, S.A.	79,706
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	14,200
Petróleos de Portugal - Petrogal, S.A.	9,718
Beiragás - Companhia de Gás das Beiras, S.A.	3,590
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	2,000
Galp Energia España, S.A.	1,288
Galp Exploração Serviços Brasil, Lda.	791
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	100
	111,393

19. SHARE CAPITAL**Capital structure**

The capital structure as of 31 December 2009 was unchanged in relation to the preceding year. The Company's fully subscribed and paid up share capital consists of 829,250,635 shares (Note 10) of 1 Euro each, divided into the following categories:

TYPE OF SHARES	2009	2008
A shares	40,000,000	40,000,000
B shares	789,250,635	789,250,635
Total number of shares	829,250,635	829,250,635

In accordance with article 4 of Galp Energia, SGPS, S.A.'s by laws, the A shares have the following special rights:

- (i) Election of the president of the board of directors can only be approved by a majority of A share votes;
- (ii) Any decision aimed at authorising the signing of parity group or subordination contracts, and any decisions which in any way can endanger the safety of the national supply of petroleum, gas, electricity or related products, cannot be approved in a first or second calling against a majority of class A votes.

As a result of the above, the Company's fully subscribed and paid up share capital as of 31 December 2009 was held as follows:

	N.º OF SHARES	% OF CAPITAL
Amorim Energia, B.V.	276,472,161	33.34%
Caixa Geral de Depósitos, S.A.	8,292,510	1.00%
ENI S.P.A.	276,472,161	33.34%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%
Other shareholders	209,934,289	25.32%
	829,250,635	100.00%

20. OTHER RESERVES

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been utilized.

As of 31 December 2009 and 2008 this captions were made up as follow:

	2009	2008
Legal reserve	165,850	146,966
Free reserves	27,977	27,977
Special reserve	(463)	(463)
	193,364	174,480

In 2009 the caption legal reserve was increased by tEuros 18,884 as a result of the appropriation of profit for the year ended 31 December 2008. The legal reserve was determined based on statutory profit for 2008 in accordance with Portuguese generally accepted accounting principles (the Official Chart of Accounts), which amounted to tEuros 472,973 for that year. This amount is less than 5% of the result for 2008 determined in accordance with POC, arises from the legal reserve had reached 20% of share capital.

The amount of tEuros 463 in the caption "Special reserve" corresponds to a correction of deferred tax – revaluations, in the equity of the subsidiary LisboaGás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A. (Note 9).

21. MINORITY INTERESTS

The equity caption "Minority interests" as of 31 December 2009 and 2008 refers to the following subsidiaries:

		BALANCE AS OF 31 DECEMBER 2008	CAPITAL AND RESERVES	DIVIDENDS GRANTED	PRIOR YEAR RESULTS	EXCHANGE TRANSLATION RESERVES	HEDGING RESERVES	NET RESULT FOR THE YEAR	BALANCE AS OF 31 DECEMBER 2009
Lusitaniagás - Companhia de Gás do Centro, S.A.	(a)	12,867	(94)	-	(365)	-	5	2,137	14,550
BeiraGás - Companhia de Gás das Beiras, S.A.		6,166	-	-	16	-	(54)	900	7,028
Sopor - Sociedade Distribuidora de Combustíveis, S.A.		3,036	-	-	(51)	-	-	163	3,148
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		1,834	-	(485)	-	-	-	197	1,546
Carrico Cogeração Sociedade de Geração de Electricidade e Calor, S.A.		1,763	-	(1,400)	-	-	-	740	1,103
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		1,142	-	(262)	-	-	-	674	1,554
Probialp - Ligantes Betuminosos, S.A.		672	-	(111)	-	-	-	34	595
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda		516	-	(106)	(23)	-	-	383	770
Powercer - Sociedade de Cogeração da Vialonga, S.A.		383	-	(389)	-	-	(7)	(7)	(20)
Gite - Galp International Trading Establishment		37	-	-	-	(1)	-	-	36
Galpbúzi - Agro-Energia, S.A.		5	-	-	-	(1)	-	-	4
Combustíveis Líquidos, Lda.		2	-	-	-	-	-	-	2
Moçamgalp Agroenergias de Moçambique, S.A.		-	-	-	32	(3)	-	-	29
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda		(287)	-	-	-	-	-	24	(263)
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	(b)	(3,161)	-	-	-	-	(16)	279	(2,898)
		24,975	(94)	(2,753)	(391)	(5)	(72)	5,524	27,184

(a) Acquisition by the Group of an additional 0.4601% of the capital of Lusitaniagás - Companhia de Gás do Centro, S.A., the Group's participation being increased to 85.7139%.

(b) At 31 December 2009 this subsidiary had negative shareholders' equity. Consequently, the Group only recognised accumulated losses in proportion to its participation in that subsidiary as the other shareholders have the capacity and intention to cover the losses, and so the minority interests balance is debtor.

22. LOANS

Details of loans

Loans obtained as of 31 December 2009 and 2008 are made up as follows:

	2009		2008	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Bank loans:				
Domestic loans	80,784	556,374	284,602	1,089,140
Foreign loans	26,777	491,235	30,187	215,549
Bank overdrafts (Note 18)	306,632	-	368,792	-
Discounted Notes	7,841	-	1,084	-
	422,034	1,047,609	684,665	1,304,689
Other loans obtained:				
IAPMEI	239	16	284	255
	422,273	1,047,625	684,949	1,304,944
Project Finance Fees	-	(511)	-	(866)
	422,273	1,047,114	684,949	1,304,078
Bonds:				
Lisboagás, S.A. 1998 issue	1,369	-	1,711	-
Galp Energia, SGPS, S.A. 2009 issue	-	700,000	-	-
	1,369	700,000	1,711	-
	423,642	1,747,114	686,660	1,304,078

The non-current loans, excluding project finance fees, as of 31 December 2009 are repayable as follows:

2011	510,193
2012	306,459
2013	450,843
2014	36,361
2015	48,733
2016 and subsequent years	395,036
	1,747,625

Domestic and foreign loans as of 31 December 2009 and 2008 are expressed the following currencies:

CURRENCY	2009		2008		
	TOTAL AMOUNT	AMOUNT DUE (tEUROS)	TOTAL AMOUNT	AMOUNT DUE (tEUROS)	
United States dollars	USD	3,176	945	3,176	1,279
Euros	EUR	1,284,991	1,151,762	1,678,026	1,566,524
Cape Verde francs	CFA	229,585	93	229,585	184
Lilangeni Suazi	SZL	731	69	-	-
Meticais	MZM	96,413	2,301	57,893	1,609
			1,155,170		1,569,596

The average interest rates on the loans and bank overdrafts, including commissions and other financial cost or by in 2009 and 2008 were of 3.80% and 5.10%, respectively.

Description of the main loans

Bank loans

As of 31 December 2009 the Group subscribed for underwritten commercial paper programs totalling tEuros 1,100,000, of which tEuros 650,000 in medium and long term and tEuros 450,000 in short term. Of these amounts the Group had used up tEuros 100,000 of medium and long term loans since it is the Group's intention to maintain them up to 2012, and their renewal depends only on the Group.

The loans bear interest at the Euribor rate, for the period of the issue, in force on the second business day prior to the subscription date, plus variable spreads defined in the contractual conditions of the commercial paper programs subscribed by the Company. The interest rates are applied to the amount of each issue and remain unchanged during the period of the issue.

In addition, the Group has recognised medium and long term loans of tEuros 456,374 relating essentially to project finance realised by the companies Petróleos de Portugal – Petrogal, S.A. Sucursal en España, CLCM – Companhia Logística de Combustíveis da Madeira, S.A. and Beiragás – Companhia de Gás das Beiras, S.A..

The Group contracted a medium and long term loan of tEuros 58,000 from the European Investment Bank for the exclusive purpose of implementing a project relating to the construction and operation of a cogeneration unit in the Sines refinery.

The loan was received in two tranches, tEuros 39,000 and tEuros 19,000, respectively, and it bears interest at the Euribor six month rate plus a variable spread.

In 2008 the Group contracted an additional medium and long term loan of tEuros 50,000 from the European Investment Bank for the exclusive purpose of constructing and operating a co-generating plant in the Matosinhos refinery. The loan bears interest at a fixed rate adjusted periodically.

In 2009 the Group contracted the first tranche of a medium and long term loan of tEuros 300,000 with European Investment Bank, which purpose is to financing the conversion project of Sines and Oporto refineries. The loan bears interest at a fixed rate adjusted periodically. The total amount of the loan is tEuros 500,000 with the maturity of sixteen years, including three additional years capital payment and thirteen of repayment.

These loans from the European Investment Bank are granted by Petrogal through warranty contracts.

The remaining loans with European Investment Bank, in the amount of tEuros 106,604 are granted by Banking Syndicates.

Petrogal has issued comfort letters in favour of group and associated companies, relating to short term credit lines, in the amount of tEuros 520,361.

Bonds

Lisboagás GDL- Sociedade Distribuidora de Gás Natural de Lisboa, S.A. 1998 Issue.

On 12 August 1998 Lisboagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. issued bonds totalling tEuros 49,880 at par, for private subscription, which were fully subscribed for and paid up.

If the Portuguese State ceases to be direct or indirect majority shareholder of GDP – Gás de Portugal, SGPS, S.A. or if GDP – Gás de Portugal, SGPS, S.A. ceases to have a direct majority participation in Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A., the bondholders can demand early redemption of their bonds.

As the Portuguese State stopped being the major shareholder of Galp Energia S.G.P.S, S.A., the Company published the corresponding announcement on 22 September 2006 and received requests for early redemption of the bonds in the amount of tEuros 34,107 and so the amount of the bonds amounts actually to tEuros 15,772.

On 12 August 2008, in exercising a put option, the Company received requests for early repayment of bonds totalling tEuros 14,403 and so the total amount of the bonds outstanding is of tEuros 1,369.

The Company approved on 7 October 2009, the exercise of the Call Option, and so the bonds will be fully repaid on 12 February 2010.

Galp Energia, SGPS, S.A. 2009 Issue

On 13 May 2009 Galp Energia, SGPS, S.A. issued bonds totaling tEuros 700,000, for private subscription, to financing its investment plan. The bonds bear interest at the Euribor six month rate plus a variable spread and has reimbursement of 40% in 20 May 2012 and 60% in 20 May 2013.

The issue was leaded by Banco Santander Totta, S.A. and Caixa – Banco de Investimento, S.A..

The issue was participated by a group of fourteen banks, national and international: Banco Santander Totta, S.A., Caixa – Banco de Investimento, S.A., Banco Espírito Santo de Investimento, S.A., Banco BPI, S.A., Banco Bilbao Vizcaya Argentaria (Portugal), S.A., BNP Paribas e a Caixa d'Estalvis y Pensiones de Barcelona (la Caixa) acting as Joint Lead Managers. As Co-lead Managers: Caixa Económica Montepio Geral, Banco Millennium BCP Investimento, S.A., BB Securities Ltd. (Banco do Brasil), The Bank of Tokyo-Mitsubishi UFJ, Ltd, Banco Itaú Europa, S.A. – Sucursal Financeira Internacional, Merrill Lynch International and Société Générale.

23. RETIREMENT AND OTHER BENEFIT LIABILITIES

As explained in Notes 2.10 and 2.11 some Group companies assumed liabilities relating to retirement benefits. As the Group recognises its post employment benefits in accordance with IAS 19, which establishes that the rate to be used for discounting post employment benefits must be determined based on market interest rates for high quality company bonds, in 2009 the rate of discount was changed from 6.10% to 5.25%. This change in actuarial assumptions resulted in an actuarial gain through decrease in the past service liability of the Petrogal Pension Plan and GDP Pension Plan.

In 2009, Petrogal Group companies contributed with tEuros 5,007 to their Pension Funds to partially cover their liabilities.

As of 31 December 2009 and 2008 the Petrogal Pension Fund, Sacor Marítima Pension Fund, Saaga Pension Fund and GDP Pension Fund assets were as follows in accordance with a report of the fund management entity:

	2009	2008
Bonds	224,592	213,135
Shares	60,175	52,196
Other investments	11,258	16,808
Real state	35,226	32,814
Liquidity	8,917	17,912
Effect of projection	(1,808)	-
	338,360	332,866

The effect of the projection is due to the fact that it was used an estimate for the valuation of assets as of, which was different from the real valuation of assets as of 31 December 2009.

Evolution of the pension fund assets in 2009 and 2008 were as follows:

	2009	2008
Beginning balance	332,866	365,023
Contributions to the fund	5,007	3,960
Estimated return on the assets	11,337	18,790
Actuarial gain/(loss)	14,534	(30,909)
Pensions paid in the year	(25,384)	(24,723)
Saaga Initial Liabilities	-	725
Ending balance	338,360	332,866

In addition Galp Comercializacion Oil España contributed with tEuros 1,481 to their Pension Funds.

As of 31 December 2009 and 2008 the Group had the following provisions to cover the liability for pensions and other benefits:

	GROUP	
	2009	2008
Retirement benefits		
Current personnel	790	764
Early retirement	43,591	28,043
Pre-retirement	27,866	25,964
Retired personnel	4,259	4,684
Retirement bonus	6,447	6,183
Flexible retirement age	9,906	9,906
Relating to the Pension Fund	-	5,353
	92,859	80,897
Other benefits:		
Healthcare	172,071	169,825
Life insurance	2,685	2,586
Defined contribution plan minimum benefit	3,144	2,588
	177,900	174,999
	270,759	255,896

The caption pre-retirement in the amount of tEuros 27,866 includes: (i) tEuros 107 relating to the cost of pre-retirements granted to the employees of Sacor Marítima, that will be used up to 2011 and 2013; and (ii) tEuros 190 relating to the cost of pre-retirements granted to the employees of Tanquisado, that will be used up to 2014.

The assumptions used to calculate the retirement benefits are those considered by the Group and the entity specialised in the actuarial studies as those that best meet the obligations established in the pension plan, and are as follows:

GROUP IN PORTUGAL		
	2009	2008
Asset remuneration rate	4.80% - 5.10%	5.00% - 5.60%
Technical interest rate	5.25%	6.10%
Salary increase rate	3.00%	3.00%
Pension increase rate	0.00% - 1.50%	1.50%
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90
Retired personnel mortality table	TV 88/90	TV 88/90
Disability table	EVK80-50%	EVK80-50%
Normal retirement age	65	65
Method	Projected credit unit	Projected credit unit
Liability and corresponding coverage:		
(i) Liability relating to the pension fund:		
Current personnel	68,185	64,437
Pre-retired personnel	11,390	10,365
Early retired personnel	22,238	16,207
Retired personnel and pensioners	272,868	258,097
	374,681	349,106
Coverage relating to the pension fund:		
By the pension fund assets	338,360	332,866
Retirement and other benefit liability	-	5,353
By accruals and deferrals (Note 14)	(30,534)	(31,684)
Unrecognised (gain) and loss (Note 2.10)	66,855	42,571
	374,681	349,106
(ii) Liability not relating to the pension fund:		
Current personnel	556	534
Pre-retired personnel	30,162	28,761
Early retired personnel	42,503	22,436
Retirement bonus	6,941	6,149
Retired personnel	5,320	5,520
Voluntary social insurance	352	365
Flexible retirement age (DL 9/99)	11,075	11,075
Total	96,909	74,841
Covered by requirement and other benefit liabilities:		
Current personnel	790	726
Pre-retired personnel	27,569	25,504
Early retired personnel	43,591	27,167
Retirement bonus	6,447	6,183
Retired personnel	4,259	4,684
Voluntary social insurance (Note 14)	(290)	(275)
Flexible retirement age (DL 9/99)	9,906	9,906
Sub-Total	92,272	73,895
(Gain) and loss not recognised:		
Current personnel	(234)	(192)
Pre-retired personnel	2,593	3,257
Early retired personnel	(1,088)	(4,731)
Retirement bonus	494	(34)
Retired personnel	1,061	836
Voluntary social insurance	642	640
Flexible retirement age (DL 9/99)	1,169	1,169
Sub-Total	4,637	945
Total	96,909	74,841

GROUP IN SPAIN	
	2009
Asset remuneration rate	5.50%
Technical interest rate	5.50%
Salary increase rate	3.00%
Pension increase rate	0.00% - 1.50%
Current personnel and pre-retirees mortality table	GRMF 95
Retired personnel mortality table	GRMF 95
Normal retirement age	65
Method	Projected credit unit
Liability and corresponding coverage:	
i) Liability relating to the pension fund:	
Current personnel	386
Pre-retired personnel	1,100
Retired personnel and pensioners	6,728
	8,214
Coverage relating to the pension fund:	
By the pension fund assets	7,086
By accruals and deferrals (Note 14)	(15)
"Asset ceiling"	(1,353)
Unrecognised (gain) and loss (Note 2.10)	2,496
	8,214

The Group has distinct asset return rates between 4.80% and 5.50% for the Petrogal Group and 4.90% for the GDP Group. These differences are due to the application profile of the Funds' assets, which depend on the position of their portfolios, which have resulted in different return rates.

Evolution of the Group's pension liability in 2009 was as follows:

GROUP IN PORTUGAL			
	RELATING TO THE PENSION FUND	NOT RELATING TO THE PENSION FUND	TOTAL
Total liability at 31 December 2008	349,106	74,841	423,947
Current service cost	2,714	392	3,106
Interest cost	20,491	3,689	24,180
Benefits paid in the year	(25,462)	(13,772)	(39,234)
Pre-retired and early retired personnel starting during the year	-	18,113	18,113
Actuarial (gain) / loss for the year	39,468	527	39,995
Transfers	(13,562)	13,119	(443)
Initial liability of Galp Comercialização Portugal, S.A.	1,926	-	1,926
Total liability at 31 December 2009	374,681	96,909	471,590
Costs for 2009			
Interest and current service cost	23,205	4,081	27,286
Pre-retirements and early retirements in the year	-	16,929	16,929
Expected return on assets	(16,104)	-	(16,104)
Amortisation of the "corridor" excess	2,592	(337)	2,255
	9,693	20,673	30,366

In the amount of transfers allocated to the Pension Fund, is recorded an amount of tEuros 443 relating with the decrease in fifty-seven employees from the active population of Galp Comercialização Portugal, S.A. at 1 November 2009.

GROUP IN SPAIN	
RELATING TO THE PENSION FUND	
Initial liability of Galp Comercialización Oil España	8,262
Current service cost	12
Interest cost	490
Benefits paid in the year	(702)
Actuarial (gain) / loss for the year	152
Total liability at 31 December 2009	8,214
Costs for 2009	
Interest and current service cost	502
Expected return on assets	(367)
Amortization of variances	2,246
Amortisation of the "corridor" excess	27
"Asset ceiling"	(901)
	1,507

The current service cost and interest cost, net of the expected return on fund assets, totalling tEuros 11,317, was recorded in the caption "Employee costs" (Note 6).

The increase of tEuros 18,113 in the Group's liability for pre-retirements and early retirements in the year ended 31 December 2009 was recorded by corresponding entry to: (i) the amount of tEuros 1,184 relating to pre-retirements and early retirements negotiated in 2008; and (ii) employee costs for the year in the amount of tEuros 16,929.

The actuarial (Gain)/Loss for the year amounted to tEuros 40,147, as follows:

- (Gain)/Loss due to change in the discount rate from 6.10% to 5.25% – tEuros 32,167;
- (Gain)/Loss due to actuarial experience – tEuros 7,980.

As a result of the “corridor” excess on 31 December 2008, the amount of tEuros 2,282, corresponding to amortisation for the year 2009, was recognised in the caption “Employee costs” (Note 6).

As explained in Note 2.10 on 31 December 2002 the Portuguese Insurance Institute authorised Galp Energia to create a defined contribution Pension Fund, giving the employees the possibility of choosing between the new defined contribution pension plan and the existing defined benefits plan. In 2009 the amount of tEuros 1,178 was recognised in the caption “Employee costs”, relating to contributions for the year of the companies associated with the Galp Energia defined contribution Pension Fund, in benefit of their employees, by transfer of that amount to the fund managing entity.

As explained in Note 2.10, actuarial gains and losses are recognised in the financial statements, only to the extent that they exceed the 10% limit defined for the “corridor”, and are amortised as from the year following that in which they were determined, as explained below.

The following table summarises, by benefit plan, the liability included in the “corridor” mechanism and its maximum interval (10%).

BENEFITS	UNRECOGNISED (GAIN) AND LOSS	“CORRIDOR” INTERVAL (10%)	EXCESS OF THE “CORRIDOR” INTERVAL	AMOUNT TO BE RECOGNISED IN 2010
PORTUGAL				
Petrogal Group				
Retirement benefit (Fund)	61,550	34,978	26,572	8,073
Pre-retirements	2,502	2,843	-	-
Early retirements	(3,915)	2,907	(1,007)	(308)
Retirement bonus	494	694	-	-
Voluntary social insurance	642	35	607	186
Flexible retirement age (DL 9/99)	1,156	1,078	78	-
	62,429	42,535	26,250	7,951
GDP Group				
Retirement supplement (Fund)	5,305	2,490	2,815	692
Retirement supplement (not covered by the Fund)	1,026	566	530	130
Pre-retirements	91	175	-	-
Early retirements	2,827	1,343	1,484	364
Flexible retirement age (DL 9/99)	13	30	-	-
	9,262	4,604	4,829	1,186
Other Groups				
Retirement supplement (not covered by the Fund)	(199)	21	(178)	(13)
SPAIN				
Other Groups				
Retirement benefit (Fund)	2,496	821	1,675	101

The accumulated gains and losses not recognised of Petrogal Group, relating to the liability for pre-retirements, early retirements, voluntary social insurance and flexible retirement age (DL 9/99) exceed the 10% “corridor” limit by the net amount of tEuros 26,250. This amount will be recognised as cost and/or income in future years based on the expected average future period of service of the employees covered by the plans which, at 31 December 2009, was of 3.27 years for Petrogal, 4.78 years for Sacor Marítima, 17.25 years for Galp Comercialização Portugal and 22.18 years for Saaga. Consequently, costs, net of income, in the amount of tEuros 7,951 resulting from amortisation of the excess of the “corridor”, will be recognised in 2010.

The accumulated gains and losses not recognised of the GDP Group, relating to the liability for retirement supplements (not covered by the Fund) exceeds the 10% by “corridor” limits by the net amount of tEuros 4,829. This amount will be recognised as cost and/or income in future years based on the expected average future period of service of the employees covered by the plans, was 4.07 years for LisboaGás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A., and 6.73 years for GDP. Consequently, costs, net of income, in the amount of tEuros 1,186, resulting from amortisation of the excess of the “corridor”, will be recognised in 2010.

The accumulated gains and losses not recognised of the remaining companies relating to retirement pension supplements (covered by the Fund) exceeds the 10% “corridor” limits by tEuros 178. This amount will be recognised as cost and/or income in future years based on the expected average future period of service of the employees covered by the plans, which at 31 December 2009, was of 14.08 years for Galp Energia, S.A.. Consequently, net income of tEuros 13, resulting from amortisation of the excess of the “corridor”, will be recognised in 2010.

The accumulated gains and losses not recognised by Spanish companies, relating to the liability for retirement benefits (not covered by the Fund) exceeds the 10% “corridor” limits by the net amount of tEuros 1,675. This amount will be recognised as cost and/or income in future years based on the expected average future period of service of the employees covered by the plans, is of 16.58 years for Galp Comercialización Oil España. Consequently, costs, net of income, in the amount of tEuros 101, resulting from amortisation of the excess of the “corridor”, will be recognised in 2010.

Other retirement benefits – Healthcare, life insurance and defined contribution minimum benefit plan (disability and survivor)

As explained in Note 2.11, at 31 December 2009 the Group had a provision to cover its liability for healthcare, past service life insurance of current personnel and the full amount of the liability for the remaining personnel and for the defined contribution plan minimum benefit. The present value of past service liability and actuarial assumptions used in the calculation are as follows:

	GROUP					
	HEALTHCARE		LIFE INSURANCE		DEFINED CONTRIBUTION PLAN MINIMUM BENEFIT	
	2009	2008	2009	2008	2009	2008
Technical interest rate	5.25%	6.10%	5.25%	6.10%	5.25%	6.10%
Cost increase rate	4.00%	4.00%	3.00%	3.00%	3.00%	3.00%
Current and pre-retired employee mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90
Disability table	EVK80-50%	EVK80-50%	EVK80-50%	EVK80-50%	EVK80-50%	EVK80-50%
Normal retirement age	65	65	65	65	65	65
					2009	2008
METHOD					PROJECTED CREDIT UNIT	PROJECTED CREDIT UNIT
Liability and corresponding coverage:						
(i) Healthcare						
Total liability:					194,496	170,910
Coverage:						
Retirement and other benefit liabilities					172,071	169,825
(Gain) and loss not recognised (Note 2.11)					22,425	1,085
					194,496	170,910
(ii) Life insurance						
Total liability:					3,368	2,828
Coverage:						
Retirement and other benefit liabilities					2,685	2,586
(Gain) and loss not recognised (Note 2.11)					683	242
					3,368	2,828
(iii) Defined contribution plan minimum benefit						
Total liability:					2,772	2,288
Coverage:						
Retirement and other benefit liabilities					3,144	2,588
(Gain) and loss not recognised (Note 2.11)					(372)	(300)
					2,772	2,288

Evolution of the liability and related costs of Petrogal, and GDP Group companies and other Group companies for healthcare, life insurance and defined contribution plan minimum benefit in 2009 was as follows:

	GROUP			
	HEALTHCARE	LIFE INSURANCE	DEFINED CONTRIBUTION MINIMUM BENEFIT PLAN	TOTAL
Total liability at 31 December 2008	170,910	2,828	2,288	176,026
Current service cost	1,960	98	402	2,460
Interest cost	10,118	167	141	10,426
Benefits paid in the year	(9,422)	(181)	-	(9,603)
Actuarial (Gain) / Loss for the year	20,930	456	(59)	21,327
Total liability at 31 December 2009	194,496	3,368	2,772	200,636
COSTS FOR 2009				
Interest cost and current service cost	12,078	265	543	12,886
Amortisation of the "corridor" excess	(410)	14	(7)	(403)
Settlements, Cuts and Transfers	-	-	32	32
	11,668	279	568	12,515

Current service and interest cost totalling tEuros 12,886 was recorded by the above companies in the consolidated income statement caption "Employee costs".

As a result of the excess of the "corridor" at 31 December 2008, tEuros 403 relating to amortisation of the excess for the year, based on the estimated average future period of service of each company, was recorded in 2009 in "Employee costs".

The actuarial (Gain)/Loss for the year relating to healthcare amounted to tEuros 20,930 as follows:

- (Gain)/Loss due to change in the discount rate from 6.10% to 5.25% – tEuros 18,623;
- (Gain)/Loss due to actuarial experience – tEuros 2,307.

As explained in Note 2.11, actuarial gains and losses are recognised in the financial statements, only to the extent that they exceed the 10% “corridor” limits, and are amortised as from the year following that in which they were determined, as explained below.

The following table summarizes, by benefit plan, the liability included in the “corridor” mechanism, and the limits thereof:

BENEFITS	UNRECOGNISED (GAIN) AND LOSS	“CORRIDOR” INTERVAL (10%)	EXCESS OF THE “CORRIDOR” INTERVAL	AMOUNT TO BE RECOGNISED IN 2010
Petrogal Group				
Healthcare	21,428	18,308	3,261	996
Life insurance	615	283	374	113
Defined contribution plan minimum benefit	(181)	144	44	(2)
	21,862	18,735	3,679	1,107
GDP Group				
Healthcare	960	1,087	126	29
Life insurance	99	39	65	15
Defined contribution plan minimum benefit	(76)	20	(56)	(4)
	983	1,146	135	40
Other groups				
Healthcare	37	54	-	-
Life insurance	(31)	15	24	1
Defined contribution plan minimum benefit	(115)	113	2	-
	(109)	182	26	1
	22,736	20,063	3,840	1,148

The “corridor” excess, in the amount of tEuros 3,700, relating to the liability for healthcare, life insurance and defined contribution plan minimum benefit, will be recognised as a cost in future years based on the average expected period of service of the employees covered by the plans as follows:

BENEFITS	EXPECTED AVERAGE FUTURE SERVICE TIME
Healthcare	
Galp Energia, S.A.	15.63
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	4.06
Petróleos de Portugal - Petrogal, S.A.	3.27
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	19.08
Sacor Marítima, S.A.	4.78
Life insurance	
Beiragás - Companhia de Gás das Beiras, S.A.	23.60
Galp Energia, S.A.	26.13
Galp Exploração e Produção Petrolífera, Lda.	29.24
Galp Gás Natural, S.A.	21.52
Galp Power, SGPS, S.A.	24.49
GDP - Gás de Portugal, SGPS, S.A.	7.66
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	4.06
Lusitaniagás - Companhia de Gás do Centro, S.A.	24.01
Petróleos de Portugal - Petrogal, S.A.	3.27
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	19.08
Sacor Marítima, S.A.	4.78
Defined contribution plan minimum benefit	
Galp Energia, S.A.	21.11
Galp Exploração e Produção Petrolífera, Lda.	23.43
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	14.46
Petróleos de Portugal - Petrogal, S.A.	22.24

Therefore in 2010 costs net of income, in the amount of tEuros 1,148, relating to amortisation of the “corridor” excess, will be recognised in the caption “Employee costs”.

Sensitivity analysis

A sensitivity analysis was prepared by the Group in order to measure the impact on liabilities caused by the change in the discount rate. For this purpose an increase of 25 b.p. in the discount rate was considered.

Companies that present 96% of the liabilities	652,820
Other liabilities	27,620
	680,440

LIABILITIES	DISCOUNT RATE 5,25%	DISCOUNT RATE 5,50%	VARIATION
Retirement benefits:			
Relating to the pension fund	366,350	357,085	-2.53%
Not relating to the pension fund	85,834	84,716	-1.30%
	452,184	441,801	
Other benefits:			
Healthcare	194,496	188,669	-3.00%
Life insurance	3,368	3,286	-2.43%
Defined contribution plan minimum benefit	2,772	2,713	-2.15%
	200,636	194,668	
	652,820	636,469	

From the analysis of the above table, we conclude that the increase of 1 basis point in the discount rate, being all the other assumptions constant results in a decrease of liabilities for past services in approximately:

LIABILITIES	PERCENTAGE
Retirement benefits:	
Relating to the pension fund	-10.12
Not relating to the pension fund	-5.21
Other benefits:	
Healthcare	-11.98
Life insurance	-9.73
Defined contribution plan minimum benefit	-8.59

24. OTHER PAYABLES

The non-current and current caption "Other payables" as of 31 December 2009 and 2008 is made up as follows:

CAPTION	2009		2008	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
State and Other Public Entities:				
ISP - Tax on petroleum products	128,073	-	177,279	-
Value Added Tax	131,102	-	170,868	-
Other taxes	8,622	-	8,381	9
Social Security contributions	5,870	-	5,426	-
Personnel and Corporate Income Tax Withheld	4,710	-	4,639	-
Loans - Associated, participated and related companies (Note 28)	-	2,902	-	2,902
Loans - Other shareholders	-	5,094	-	4,669
Suppliers of fixed assets	274,923	56,714	221,917	247
Advances on sales (Note 16)	170,126	-	190,611	-
Overlifting - Block 1 and 14 partners	34,301	-	26,739	-
Guarantee deposits and guarantees received	15,164	-	15,671	-
Personnel	6,004	-	4,397	-
Other payables - Associated, participated and related companies (Note 28)	5,756	-	364	-
Credit balances of clients	3,899	-	3,630	-
Advances from customers	1,206	-	850	-
Other payables - Other shareholders	358	-	173	-
Other creditors	21,876	4,006	21,841	3,243
	811,990	68,716	852,786	11,070
Accrued costs:				
External supplies and services	37,788	-	30,705	-
Vacation pay, vacation subsidy and corresponding personnel costs	26,881	-	34,445	-
Adjustment to tariff deviation - Permitted revenue - ERSE regulation	12,771	-	7,467	-
Accrued interest	10,463	-	4,619	-
Discounts, bonuses and volume discounts on sales	5,907	-	6,161	-
Fast GALP prizes	4,693	-	4,618	-
Accrued insurance premiums	1,387	-	1,300	-
Financial costs	1,116	-	917	-
Accrued personnel costs - others	80	-	86	-
Productivity bonus	55	-	18,070	-
Other accrued costs	10,495	-	6,988	-
	111,636	-	115,376	-
Deferred costs:				
Fibre optics	4,263	37,849	4,263	42,508
Services rendered	22,803	-	6,441	-
Others	10,626	3,348	3,155	2,578
	37,692	41,197	13,859	45,086
	961,318	109,913	982,021	56,156

The caption "Advances on sales" includes tEuros 170,126 relating with liabilities of the group with its competitors for strategic reserves (Note 16).

The amount of tEuros 34,301 in the caption "Overlifting – Block 1 and 14 partners" corresponds to the Group's liability for excess crude oil lifted regarding its production quota and is stated at market value (Note 2.7 e)).

The amount of tEuros 15,164 recorded in the caption "Guarantee deposits and guarantees received" includes tEuros 13,815 relating to Petrogal's liability as of 31 December 2009 for guarantees received for ceding gas bottles, recorded at cost, which corresponds, approximately, to their fair value.

The amount of tEuros 5,094 in the caption "Loans – Other shareholders" corresponds essentially to:

- tEuros 1,009, tEuros 1,009 and tEuros 505 recorded as medium and long term payable to E.E.M. - Empresa de Electricidade da Madeira, S.A., Procomlog - Combustíveis e Logística, Lda and AIE - Atlantic Island Electricity (Madeira) Produção, Transporte e Distribuição de Energia, S.A., relating to shareholders loans obtained by the subsidiary CLCM - Distribuição e Comercialização de Combustíveis e Lubrificantes, Lda., which bear interest at market rates and do not have defined repayment dates;
- tEuros 1,060 recorded as a medium and long term liability payable to EDP Cogeração, S.A. relating to shareholders loans obtained by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A., which bear interests at market rates and does not have defined repayment dates;
- The amount of tEuros 263 recorded as a medium and long term liability payable to Companhia Finerge - Gestão de Projectos Energéticos, S.A. relating to shareholders loans obtained by the subsidiary Powercer - Sociedade de Cogeração da Vialonga, S.A., which bear interests at market rates and does not have defined repayment dates;
- The amount of tEuros 1,247 recorded as a medium and long term liability payable to Visabeira Telecomunicações, SGPS, S.A., relating to shareholders loans obtained by the subsidiary Beiragás - Companhia de Gás das Beiras, S.A., which bears interest at market rates and does not have defined repayment dates.

The amount of tEuros 4,693 in the accrued costs caption "Fast Galp prizes" corresponds to Petrogal's liability for Fast Galp card points issued but not yet claimed up to 31 December 2009, which are expected to be exchanged for prizes in subsequent years.

Income relating to the cession of rights to use telecommunications infrastructures contract reflected in the "Deferred income – Fibre optics" caption is recognised in the income statement over the period of the contract. As of 31 December 2009 the deferred income to be recognised in future years amounts to tEuros 42,112.

The caption "Adjustment to tariff derivation– permitted income – ERSE regulation" is detailed as follows:

CAPTIONS	2009
Distribution of Natural Gas (ORD)	
Gas Year 2008-2009	11,861
Gas Year 2009-2010	536
Commercialization of natural gas (CURR)	
Gas Year 2008-2009	374
	12,771

CAPTIONS	2008	VARIATION	2009
Distribution of Natural Gas (ORD)	5,483	6,914	12,397
Commercialization of natural gas (CURR)	1,883	(1,509)	374
Natural Gas storage	101	(101)	-
	7,467		12,771

In terms of presentation of financial statements, the amounts payable or receivable related with each gas year are presented on a net basis, depending on the nature of each gas year.

25. PROVISIONS

The changes in provisions in the year ended 31 December 2009 were as follows:

CAPTIONS	BEGINNING BALANCE	FAIR VALUE ADJUSTMENT (NOTE 11)	INCREASES	DECREASES	UTILISATION	ADJUSTMENTS	CHANGE IN PERIMETER (NOTE 3)	ENDING BALANCE
Legal processes	11,590	-	5,389	(676)	(4,405)	2,816	187	14,900
Investments	1,285	-	238	-	(1,039)	-	-	484
Taxes	13,492	10,324	-	(13)	-	1,019	-	24,822
Environment	8,839	-	-	(3,659)	(555)	-	-	4,625
Other risks and charges	64,262	-	45,744	(142)	(8,680)	7,716	(488)	108,413
	99,468	10,324	51,371	(4,490)	(14,679)	11,551	(301)	153,244

The increase in provisions net of decreases was recorded by corresponding entry to the following consolidated income statement captions:

Provisions (Note 6)	46,643
Financial costs	238
	46,881

Legal processes

The amount of tEuros 14,900 in the caption "Legal processes" includes tEuros 5,604 relating to liabilities for the payment of taxes for occupation of the subsoil by the Petrogal Group imposed to the Group by Municipal Council of Matosinhos and tEuros 1,759 relating with the Singer process (entity that performed collect receivable collection on behalf of the subsidiary Lisboaágas Comercialização, S.A.).

Investments

The provision for investments represent the Group's joint liability in the associates that have negative shareholder's equity (Note 4), as follows:

Energin - Sociedade de Produção de Electricidade e Calor, S.A.	176
Ventinveste, S.A.	288
Caiageste - Gestão de Áreas de Serviços, Lda.	20
	484

Taxes

The caption provision for taxes in the amount of tEuros 24,822 includes essentially:

- (i) tEuros 8,670 to cover the tax contingency relating with inspections on the subsidiary Galp Comercializacion Oil España for the years 1990 to 2003 (Note 9);
- (ii) tEuros 7,394 to cover the tax contingency relating to additional assessments for taxes of the subsidiary Petrogal for the years 2001 and 2002 (Note 9);
- (iii) tEuros 3,377 to cover the tax risk relating to sale of the participation of ONI, SGPS, to Galp Energia, S.A.;
- (iv) tEuros 2,547 relating to Municipal Contribution, currently Municipal Tax on Properties, for the years from 1998 to 2007 relating to the transport of natural gas transferred to REN – Rede Eléctrica Nacional, S.A. in 2006, but for which the responsibility is of Galp Gás Natural, S.A.. The amount of Municipal Tax on Properties has not yet been fixed by the tax authorities.

Environment

The amount of tEuros 4,625 reflected in the caption "Environment" is to cover costs of decontaminating some installations occupied by the Company where it has been decided to decontaminate due to legal requirements.

The decrease of tEuros 3,659 is related with the write-off of decontamination provision for Sacavém installations due to the fact that external evaluation made proved that the amount posted in statement of financial position was higher than the costs of decontamination and perspective net book value.

Other risks and charges

The increase of tEuros 45,744 in the provision for other risks and charges refers essentially to:

- (i) tEuros 37,179 relating the review of purchase and selling prices of natural gas (Note 6);
- (ii) tEuros 4,427 relating to an increase in the provision for the cost of abandoning block 14 which is estimated by applying, to the total estimated abandonment cost, a coefficient corresponding to the proportion of the volume of production in each amortisation period, to the volume of proved developed reserves at the end of that period plus production for the period, as referred in Note 2.3;
- (iii) tEuros 2,273, relating the recognition of the provision to meet legal requirements in Spain with the mixture type of bio fuels in gasoline and gasoil.

During 2009, the grove additional tax assessments of the IRP relating the years is of 2003 and 2004, in the amount of tEuros 8,661, of which tEuros 833 were provisioned as of 31 December 2008. Since, part of these assessments resulted from costs deducted in advance and given the liquidation are available in future years it is understanding of the management that the amount of tEuros 7,501 relating the tax credit corresponding to the amount paid (Note 14).

The caption "Provisions for other risks and charges" in the amount of tEuros 108,413 as of 31 December 2009 corresponds essentially to the following:

- (i) tEuros 67,179 relating the review of purchase and selling prices of natural gas;
- (ii) tEuros 22,006 to cover the cost of abandoning the exploration installations in Blocks 1 and 14 in Angola. This provision is to cover the total costs to be incurred by Galp Exploração at the end of the useful production life of those oil fields;
- (iii) tEuros 5,250 to cover additional tax assessments relating to revision of costs of IRP and profit-oil in Angola (Note 9);
- (iv) tEuros 1,202 relating to a provision for petroleum tax on biofuels;
- (v) tEuros 1,150 relating to compensatory interests due to the non acceptance of the write off of the Leixões Ocean Terminal as deductible cost in 2002 income tax;
- (vi) tEuros 2,273, relating the recognition of the provision to meet legal requirements in Spain with the mixture of biofuels in gasoline and gasoil.

26. TRADE PAYABLES

The trade payables caption as of 31 December 2009 and 2008 is made up as follows:

	2009	2008
Suppliers - current accounts	414,560	504,571
Suppliers - invoices pending	706,985	488,641
Suppliers - Notes payable	29	54
	1,121,574	993,266

The caption "Suppliers – invoices pending" corresponds essentially to purchases of crude oil raw material, natural gas and goods in transit as of those dates.

27. OTHER FINANCIAL INSTRUMENTS - DERIVATIVES

The Group uses financial derivatives to hedge interest rate and refining margin fluctuation risks, namely risks of variation in crude oil prices, finished products and refining margins, which affect the amount of assets and future cash flows resulting from its operations.

In addition, the Group is exposed to market fluctuation risks, namely risks of variation in crude oil prices, finished products and refining margins, which affect the amount of assets and expected future cash flows resulting from its operations.

The changes in fair value reflected in Equity are detailed below:

FAIR VALUE VARIATION IN EQUITY	2009	2008
Fair value variation in subsidiaries	(6,428)	(4,019)
Fair value variation in minority interests	(94)	(481)
	(6,522)	(4,500)
Fair value variation due to participation in associated companies	(774)	5

The Group's derivative financial instruments evolved as follows in 2009 and 2008:

INTEREST RATE DERIVATIVES	ASSETS		LIABILITIES	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Fair value at 1 January 2008	1,216	592	(6)	-
Purchased during the year	-	-	-	-
Payment / (Receipt) of interest during the year	(687)	(811)	(208)	-
Receipt / (Payment) of interest reflected in the income statement	687	811	208	-
Increase / (decrease) in fair value reflected in the income statement	-	(316)	-	(12)
Increase / (decrease) in fair value reflected in equity	(1,216)	(276)	(3,008)	-
Fair value at 31 December 2008	-	-	(3,014)	(12)
Fair value at 1 January 2009	-	-	(3,014)	(12)
Purchased during the year	-	-	-	-
Payment / (Receipt) of interest during the year	-	-	2,959	12
Receipt / (Payment) of interest reflected in the income statement	-	-	(2,959)	(12)
Increase / (decrease) in fair value reflected in the income statement	-	-	1	12
Increase / (decrease) in fair value reflected in equity	-	-	(6,282)	(240)
Fair value at 31 December 2009	-	-	(9,295)	(240)

Interest cost and income from interest rate derivatives are reflected in captions "Financial costs" and "Financial income".

The accounting effect on cost of sales for the years ended 31 December 2009 and 2008 is as follows:

COMMODITY DERIVATIVES	ASSETS		LIABILITIES	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Fair value at 1 January 2008	-	99	-	-
Purchased during the year	-	-	-	-
Sold during the year	-	2,774	-	(3,131)
Increase / (decrease) on the sale reflected in the income statement	-	(2,773)	-	3,131
Increase / (decrease) in fair value reflected in the income statement	-	15	-	(1,491)
Increase / (decrease) in fair value reflected in equity	-	-	-	-
Fair value at 31 December 2008	-	115	-	(1,491)
Fair value at 1 January 2009	-	115	-	(1,491)
Purchased during the year	-	-	-	-
Sold during the year	-	(287)	-	1,642
Increase / (decrease) on the sale reflected in the income statement	-	287	-	(1,642)
Increase / (decrease) in fair value reflected in the income statement	300	185	-	1,491
Increase / (decrease) in fair value reflected in equity	-	-	-	-
Fair value at 31 December 2009 (Note 17)	300	300	-	-

The Galp Energia Group also trades commodity futures financial instruments. Given their high liquidity, as they are traded on the Stock Exchange, they are classified as Cash and cash equivalents. The gain and loss on commodity futures were also classified in the caption "Cost of sales". As the futures are traded on the Stock Exchange, subject to a Clearing House, the gain and loss are recognised in the income statement as follows:

COMMODITY FUTURES	ASSETS		LIABILITIES	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Fair value at 1 January 2008	-	938	-	-
Purchased during the year	-	122,442	-	-
Sold during the year	-	(113,386)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	(9,534)	-	-
Fair value at 31 December 2008	-	460	-	-
Fair value at 1 January 2009	-	460	-	-
Purchased during the year	-	61,733	-	-
Sold during the year	-	(63,961)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	3,146	-	-
Fair value at 31 December 2009	-	1,378	-	-

In 2008 Galp Energia Group purchased financial derivatives in auctions (known as VPP's – Virtual Electric Power Production capacity), namely options over electric energy. Galp Energia records these financial derivatives at cost. At 31 December 2008 there were no open positions.

The purchase of electricity underlying the exercise of options is recorded in the caption "Cost of sales" and its sale in the caption "Sales". The impact as of 31 December 2008 in the "Cost of sales" caption amounts to tEuros 2,135 and in the "Sales" caption amounts to tEuros 2,434.

ELECTRICITY DERIVATIVES	ASSETS		LIABILITIES	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Fair value at 1 January 2008	-	-	-	-
Purchased during the year	-	128	-	-
Sold during the year	-	(427)	-	-
Increase /(decrease) on the sale reflected in the cost of sales	-	(2,135)	-	-
Increase /(decrease) on the sale reflected in sales	-	2,434	-	-
Fair value at 31 December 2008	-	-	-	-
Fair value at 1 January 2009	-	-	-	-
Purchased during the year	-	-	-	-
Sold during the year	-	-	-	-
Increase /(decrease) on the sale reflected in the cost of sales	-	-	-	-
Fair value at 31 December 2009	-	-	-	-

As of 31 December 2009 there are no transactions of financial derivatives over electricity or open positions.

The Group's derivative financial instruments as of 31 December 2009 were as follows:

TYPE OF DERIVATIVE OVER INTEREST RATE	INTEREST RATE	NOMINAL VALUE	MATURITY	FAIR VALUE OF THE DERIVATIVES IN TEUROS
LIABILITY	CASH FLOW HEDGE			
Collar	Pays between 3.25% and 1.75% Receives Euribor 6m	tEur 12,645	2010	(100)
Caps	Pays cap of 3.25% Receives Euribor 6m	tEUR 4,215	2010	(15)
Cap with "Knock out"	Pays Euribor 12m with cap 3.49% and knock-out of 5.25% Receives Euribor 3m	tEUR 5,180	2010	(31)
Interest rate Swaps	Pays between 3.16% and 6.24% Receives between Euribor 3m and 6m	tEUR 323,746	2010 to 2013	(9,389)
				(9,535)

TYPE OF DERIVATIVE OVER COMMODITIES	NATURE	MATURITY	FAIR VALUE OF THE DERIVATIVES IN TEUROS
ASSETS			
Swaps	Natural Gas	2010-2013	600
		TOTAL ASSETS	600
		Non-current	300
		Current	300
		TOTAL LIABILITIES	(9,535)
		Non-current	(9,295)
		Current	(240)

Fair value was determined by banks based on generally accepted models and valuation techniques.

28. RELATED PARTIES

Balances and transactions with related parties in 2009 and 2008 are as follows:

Receivables

	2009						ACCRUALS AND DEFERRALS
	TOTAL OF RELATED PARTIES	NON-CURRENT		TRADE RECEIVABLES	CURRENT		
		LOANS GRANTED (NOTE 14)	OTHER RECEIVABLES (NOTE 14)		LOANS GRANTED (NOTE 14)	OTHER RECEIVABLES (NOTE 14)	
Associated companies							
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	12,174	11,571	-	295	-	259	49
Gasoduto Al-Andaluz, S.A.	10,681	9,467	-	-	-	-	1,214
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	10,544	7,759	-	2,785	-	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	10,201	3,281	-	1,530	-	4,590	800
Gasoduto Extremadura, S.A.	6,498	4,749	-	-	-	-	1,749
EMPL - Europe Magreb Pipeline, Ltd	3,347	-	-	-	-	89	3,258
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda	2,949	-	-	1,554	-	1,395	-
Setgás Comercialização, S.A.	2,037	-	-	734	-	2	1,301
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	1,349	-	-	674	-	675	-
Gásfomento - Sistemas e Instalações de Gás, S.A.	173	-	-	171	-	(1)	3
MDA-Mobil Disa Aviacioms S.A.	170	-	-	-	-	170	-
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda	110	-	-	2	108	-	-
Metragaz, S.A.	64	-	-	-	-	36	28
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	26	-	-	-	22	4	-
Brisa Access, S.A.	7	-	-	7	-	-	-
	60,330	36,827	-	7,752	130	7,219	8,402
Jointly controlled companies							
Sigás - Armazenagem de Gás, A.C.E.	12,813	-	12,237	3	-	571	2
Ventinveste, S.A.	5,381	5,365	-	1	-	-	15
C.L.C. - Companhia Logística de Combustíveis, S.A.	350	-	-	63	-	283	4
Caiageste - Gestão de Áreas de Serviço, Lda.	63	-	-	21	-	40	2
Parque Eólico do Pinhal Oeste, S.A.	34	-	-	33	-	-	1
Ventinveste Eólica, SGPS, S.A.	16	-	-	3	-	10	3
Parque Eólico do Planalto, S.A.	14	-	-	13	-	-	1
Parque Eólico do Douro Sul, S.A.	11	-	-	10	-	-	1
Parque Eólico da Serra do Oeste, S.A.	5	-	-	4	-	-	1
Parque Eólico de Vale do Chão, S.A.	3	-	-	2	-	-	1
Parque Eólico de Vale Grande, S.A.	1	-	-	1	-	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
	18,692	5,365	12,237	154	-	905	31
Related companies							
ENI, S.p.A.	3,764	-	-	74	-	3,690	-
Agene - Agência para a Energia, S.A.	90	90	-	-	-	-	-
Cooperativa de Habitação da Petrogal, CRL	53	53	-	-	-	-	-
Italgás	8	-	-	-	-	8	-
PME Capital - Sociedade Portuguesa de Capital de Risco, S.A.	1	-	-	1	-	-	-
PME Investimentos - Sociedade de Investimento, S.A.	1	-	-	1	-	-	-
	3,917	143	-	76	-	3,698	-
	82,939	42,335	12,237	7,982	130	11,822	8,433

2008

	NON-CURRENT		CURRENT			ACCRUALS AND DEFERRALS	
	TOTAL OF RELATED PARTIES	LOANS GRANTED (NOTE 14)	OTHER RECEIVABLES (NOTE 14)	TRADE RECEIVABLES	LOANS GRANTED (NOTE 14)		OTHER RECEIVABLES (NOTE 14)
Associated and participated companies:							
Galp Comercialização Portugal, Lda	28,647	-	-	7,250	10,543	10,769	85
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	15,239	3,058	-	5,710	-	5,530	941
Gasoduto Al-Andaluz, S.A.	13,105	12,450	-	-	-	-	655
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	12,654	11,079	-	918	-	638	19
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	9,969	8,868	-	1,101	-	-	-
Gasoduto Extremadura, S.A.	8,513	7,625	-	-	-	-	888
Setgás Comercialização, S.A.	5,853	-	-	3,890	-	50	1,913
EMPL - Europe Magreb Pipeline, Ltd	3,457	-	-	(3)	-	150	3,310
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda	2,890	-	764	1,436	-	658	32
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	1,916	-	-	773	-	1,143	-
Terparque - Armazenagem de Combustíveis, Lda	497	-	-	497	-	-	-
Gásfomento - Sistemas e Instalações de Gás, S.A.	177	-	-	180	-	(5)	2
Galp Energia Portugal Holdings B.V.	120	-	-	-	-	120	-
Metragaz, S.A.	23	-	-	(5)	-	-	28
Moçamgalp Agroenergias de Moçambique, S.A.	16	-	-	-	-	16	-
Brisa Access, S.A.	7	-	-	7	-	-	-
COMG - Comercialização de Gás, Lda	4	-	-	-	-	4	-
	103,087	43,080	764	21,754	10,543	19,073	7,873
Related companies:							
Ventinveste Industrial, SGPS, S.A.	374	37	-	-	-	340	(3)
FINA - Petróleos de Angola, S.A.	148	-	-	-	-	-	148
Agene - Agência para a Energia, S.A.	91	90	-	1	-	-	-
ENI, S.p.a.	85	-	-	74	-	11	-
Cooperativa de Habitação da Petrogal, CRL	53	53	-	-	-	-	-
Italgás	9	-	-	-	-	9	-
PME Capital - Sociedade Portuguesa de Capital de Risco, S.A.	1	-	-	1	-	-	-
	761	180	-	76	-	360	145
	103,848	43,260	764	21,830	10,543	19,433	8,018

Payables

2009

	NON-CURRENT		CURRENT		ACCRUALS AND DEFERRALS
	TOTAL OF RELATED PARTIES	LOANS OBTAINED (NOTE 24)	TRADE PAYABLES	OTHER PAYABLES (NOTE 24)	
Associated companies					
EMPL - Europe Magreb Pipeline, Ltd	13,657	-	13,657	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	4,484	-	1,265	2,579	640
Companhia Logística de Hidrocarburos CLH, S.A.	2,297	-	-	2,297	-
Gasoduto Extremadura, S.A.	1,863	-	1,863	-	-
Gasoduto Al-Andaluz, S.A.	1,823	-	1,823	-	-
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	1,282	-	927	5	350
Gásfomento - Sistemas e Instalações de Gás, S.A.	507	-	12	495	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	431	-	431	-	-
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda	218	-	-	218	-
Setgás Comercialização, S.A.	59	-	56	-	3
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda	33	-	1	32	-
Brisa Access, S.A.	6	-	6	-	-
	26,660	-	20,041	5,626	993
Jointly controlled companies					
C.L.C. - Companhia Logística de Combustíveis, S.A.	90,394	-	90,394	-	-
Sigás - Armazenagem de Gás, A.C.E.	479	-	479	-	-
Asa - Abastecimento e Serviços de Aviação, Lda	148	-	148	-	-
	91,021	-	91,021	-	-
Related companies					
ENI, S.p.A.	7,201	2,902	284	103	3,912
Central-E, S.A.	43	-	43	-	-
Other related companies	27	-	-	27	-
	7,271	2,902	327	130	3,912
	124,952	2,902	111,389	5,756	4,905

	2008				ACCRUALS AND DEFERRALS
	NON-CURRENT		CURRENT		
	TOTAL OF RELATED PARTIES	LOANS OBTAINED (NOTE 24)	TRADE PAYABLES	OTHER PAYABLES (NOTE 24)	
Associated companies					
EMPL - Europe Magreb Pipeline, Ltd	12,076	-	12,076	-	-
Gasoduto Extremadura, S.A.	1,877	-	1,877	-	-
Gasoduto Al-Andaluz, S.A.	1,788	-	1,788	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	1,178	-	958	-	220
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	873	-	666	-	207
Gásfomento - Sistemas e Instalações de Gás, S.A.	369	-	51	318	-
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	316	-	302	14	-
Setgás Comercialização, S.A.	93	-	-	(2)	95
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda	34	-	1	33	-
Brisa Access, S.A.	24	-	23	1	-
Galp Comercialização Portugal, Lda	8	-	8	-	-
	18,636	-	17,750	364	522
Related companies					
ENI, S.p.A.	16,320	2,902	10,480	-	2,938
Central-E, S.A.	(84)	-	(84)	-	-
	16,236	2,902	10,396	-	2,938
	34,872	2,902	28,146	364	3,460

The amount of tEuros 2,902 reflected in the long term payable to Eni, S.p.a. corresponds to shareholders' loans obtained by the subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A., which bear interests at market rates and do not have a defined repayment plan.

Transactions

	2009			
	OPERATING COSTS	OPERATING INCOME	FINANCIAL COSTS (NOTE 8)	FINANCIAL INCOME (NOTE 8)
Associated and participated companies				
Energim - Sociedade de Produção de Electricidade e Calor, S.A.	-	(28,293)	-	(370)
Setgás Comercialização, S.A.	208	(17,699)	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	2,818	(6,244)	-	(326)
EMPL - Europe Magreb Pipeline, Ltd	57,850	(3,339)	-	-
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda	-	(3,116)	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	4,352	(1,535)	-	(512)
Gasoduto Extremadura, S.A.	10,932	(861)	-	(202)
Gasoduto Al-Andaluz, S.A.	10,670	(559)	-	(331)
Metragaz, S.A.	-	(470)	-	-
Gásfomento - Sistemas e Instalações de Gás, S.A.	32	(278)	-	-
Brisa Access, S.A.	200	(78)	-	-
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda	-	(2)	-	-
MDA - Mobil Disa Aviacoims, S.A.	-	-	-	(2)
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	5	1,126	-	-
	87,067	(61,348)	-	(1,743)
Jointly controlled companies				
C.L.C. - Companhia Logística de Combustíveis, S.A.	22,151	(1,233)	-	-
Sigás - Armazenagem de Gás, A.C.E.	4,264	(3,155)	-	-
Caiageste - Gestão de Áreas de Serviço, Lda	10	(298)	-	-
Parque Eólico do Douro Sul, S.A.	-	(50)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	(28)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	(21)	-	-
Ventinveste Eólica, SGPS, S.A.	(61)	(17)	-	-
Ventinveste, S.A.	-	(14)	-	(179)
Parque Eólico do Planalto, S.A.	-	(11)	-	-
Parque Eólico de Vale do Chão, S.A.	-	(7)	-	-
Parque Eólico de Vale Grande, S.A.	-	(4)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	(1)	-	-
Parque Eólico de Torrinhelas, S.A.	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda	562	-	-	-
	26,926	(4,840)	-	(179)
Related companies				
ENI, S.p.A.	32,404	(11,556)	1,096	-
PME Capital - Sociedade Portuguesa de Capital de Risco, S.A.	-	(25)	-	-
Agene - Agência para a Energia, S.A.	-	(6)	-	-
PME Investimentos - Sociedade de Investimento, S.A.	-	(5)	-	-
Central-E, S.A.	178	-	-	-
	32,582	(11,592)	1,096	-
	146,575	(77,780)	1,096	(1,922)

2008

	OPERATING COSTS	OPERATING INCOME	FINANCIAL COSTS (NOTE 8)	FINANCIAL INCOME (NOTE 8)
Associated and participated companies				
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	-	(24,246)	-	(587)
Galp Comercialização Portugal, Lda	39	(20,631)	-	(85)
Setgás Comercialização, S.A.	95	(20,209)	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	1,514	(8,924)	-	(260)
EMPL - Europe Magreb Pipeline, Ltd	-	(2,849)	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	3,345	(1,953)	-	(827)
Metragaz, S.A.	-	(456)	-	-
Terparqás - Armazenagem de Combustíveis, Lda	-	(443)	-	-
Gásfomento - Sistemas e Instalações de Gás, S.A.	23	(166)	-	-
Brisa Access, S.A.	232	(108)	-	-
Gasoduto Al-Andaluz, S.A.	-	(70)	-	(830)
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda	-	(41)	-	-
Gasoduto Extremadura, S.A.	-	(27)	-	(546)
Moçamgalp Agroenergias de Moçambique, S.A.	-	(16)	-	-
Ecogen - Serviços de Energia Descentralizada, S.A.	-	(1)	-	-
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	2	6,796	-	(149)
	5,250	(73,344)	-	(3,284)
Related companies:				
ENI, S.p.A.	1,865	(90,415)	233	-
PME Capital - Sociedade Portuguesa de Capital de Risco, S.A.	-	(34)	-	-
Agene - Agência para a Energia, S.A.	-	(7)	-	-
Central-E, S.A.	164	(3)	-	-
PME Investimentos - Sociedade de Investimento, S.A.	-	(3)	-	-
	2,029	(90,462)	233	-
	7,279	(163,806)	233	(3,284)

The amount of tEuros 77,780 in the caption "Operating income" corresponds essentially to sales and services rendered.

29. REMUNERATION OF THE MEMBERS OF THE CORPORATE BOARDS

The remuneration of Galp Energia members of corporate boards for the years 2009 and 2008 amounted to tEuros 6,753 and tEuros 7,732, respectively and are detailed as follows:

NAME	2009					2008				
	SALARY	BONUSES	PPR	ALLOWANCES FOR RENT AND TRAVELS	TOTAL	SALARY	BONUSES	PPR	ALLOWANCES FOR RENT AND TRAVELS	TOTAL
Executive management										
Manuel Ferreira De Oliveira	1,068	44	267	62	1,441	1,073	617	268	62	2,020
Claudio De Marco	350	-	88	45	483	234	78	59	32	403
Carlos Nuno Gomes da Silva	350	-	88	-	438	234	78	59	-	371
Fabrizio Dassogno	350	-	88	45	483	234	78	59	31	402
André Freire de Almeida Palmeiro Ribeiro	349	30	88	-	467	335	122	80	-	537
Fernando Manuel dos Santos Gomes	349	30	88	62	529	335	122	80	56	593
Francesco Antonietti	-	-	-	-	-	96	-	24	17	137
Massimo Giuseppe Rivara	-	-	-	-	-	-	-	-	(4)	(4)
	2,816	104	707	214	3,841	2,541	1,095	629	194	4,459
Non-executive management										
José António Marques Gonçalves	425	15	106	-	546	425	206	106	-	737
João Pedro Leitão de Figueiredo Brito	319	30	88	-	437	339	122	57	-	518
Francisco Luís Murteira Nabo	210	(39)	-	-	171	210	7	-	-	217
Luigi Spelli	219	-	55	29	303	-	-	-	-	-
Luigi Piro	131	-	33	16	180	234	78	59	16	387
Paolo Grossi	42	-	-	-	42	28	-	-	-	28
Giuseppe Ricci	42	-	-	-	42	28	-	-	-	28
Rui Paulo Gonçalves	42	-	-	-	42	28	-	-	-	28
Manuel Domingos Vicente	42	-	-	-	42	42	-	-	-	42
Joaquim José Borges Gouveia	42	-	-	-	42	33	-	-	-	33
Camillo Gloria	25	-	-	-	25	42	-	-	-	42
Massimo Mondazzi	23	-	-	-	23	-	-	-	-	-
Alberto Chiarini	19	-	-	-	19	28	-	-	-	28
Francesco Giunti	6	-	-	-	6	-	-	-	-	-
Alberto Alves de Oliveira Pinto	-	(8)	-	-	(8)	13	8	-	-	21
Pedro António do Vadre Castelino e Alvim	-	(8)	-	-	(8)	13	8	-	-	21
Enrico Grigesi	-	-	-	-	-	84	-	21	-	105
	1,587	(10)	282	45	1,904	1,547	429	243	16	2,235
Supervisory Board										
Daniel Bessa Fernandes Coelho	42	-	-	-	42	42	-	-	-	42
José Gomes Honorato Ferreira	25	-	-	-	25	25	-	-	-	25
José Maria Rego Ribeiro da Cunha	25	-	-	-	25	25	-	-	-	25
	92	-	-	-	92	92	-	-	-	92
Shareholder's Assembly										
Daniel Proença de Carvalho	2	-	-	-	2	-	-	-	-	-
Victor Manuel Pereira Dias	1	-	-	-	1	1	-	-	-	1
Rui Machete	-	-	-	-	-	2	-	-	-	2
	3	-	-	-	3	3	-	-	-	3
Management of Associates										
	879	(19)	-	53	913	891	53	1	(2)	943
	5,377	75	989	312	6,753	5,074	1,577	873	208	7,732

From the amounts of tEuros 6,753 and tEuros 7,732, recorded on 2009 and 2008, respectively, tEuros 4,759 and tEuros 5,827 were recorded as payroll costs (Note 6) and tEuros 1,994 and tEuros 1,905 were recorded as professional services.

In accordance with the current policy, remuneration of Galp Energia management includes all the remuneration due for the positions exercised in the Galp Energia Group.

30. DIVIDENDS

Dividends out of net profit for 2008 attributed to the Group's shareholders amounted to tEuros 265,360 in accordance with the decision of the shareholders meeting of 27 April 2009. Interim dividends of tEuros 124,095 have been paid during the year ended 31 December 2008 and the remaining amount of tEuros 141,265 have been paid in the year ended 31 December 2009.

In addition, in accordance with a decision by electronic vote on 25 September 2009, the board of directors approved interim dividend of tEuros 49,755 out of profit for 2009.

In 2009 subsidiaries of the Petrogal group and subsidiaries of the Galp Power Group paid dividends in the amount of tEuros 2,576.

Consequently, in the year ended 31 December 2009, the Group paid dividends in the total amounts of tEuros 193,596.

31. PETROLEUM RESERVES

As of 31 December 2009, the total proved reserves including developed and undeveloped reserves, used in amortization of tangible assets and recognition of provisions for abandonment costs, were assessed by an independent Entity.

The methodology used is in accordance with the Petroleum Resources Management System ("PMRS"), approved in March 2007 by the Society of Petroleum Engineers ("SPE"), the World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers.

This report only presents reverses for blocks 14 and 14K in Angola, since the remaining investments of the Company in other partnerships are still in the exploratory phase for which there are only discovered contingent resources.

The reference price for the assessment of the Company net-entitlement reserves, which correspond to available for sale reserves in accordance with the terms of the Production Sharing Agreements ("PSA") was the average market price of "Brent" during the year 2009 of 61.5 U.S. Dollars.

As of 31 December 2009 and 2008 the developed and undeveloped proved net entitlement reserves, as well as the average reference price are as follows:

	2009	(kbbbl) 2008
Proved reserves:		
Developed	9,760	6,891
Undeveloped	14,731	12,911
	24,491	19,802
Price per barrel in USD	\$61.5	\$97

The variation in the proved petroleum reserves between the years results from production, changes in the estimates, new discoveries resulting from investments and variation in the selling price of the petroleum barrel.

The increase in reserves had a direct impact in the amount of depreciation, recorded in accordance with the unit of production method as explained in Note 2.3.

32. FINANCIAL RISK MANAGEMENT

Risk management

Galp Energia is exposed to several types of market risks (price risk, exchange rate and interest rate risk) inherent in the petroleum and natural gas industries, which affect the Group's results. The main market risks result from fluctuation of the price of crude oil and derivatives and exchange rate.

Market risk

(a) Commodity price risk

Because of the nature of its business, Galp Energia is exposed to the risk of volatility of the international price of crude oil and derivatives and natural gas. The frequent changes in the price of crude oil and refined products generates uncertainty and has a significant impact on operating results.

The Company controls and manages this risk through the oil derivatives market, to protect the refining margin and inventories from adverse market changes.

The Group controls and manages risk in the natural gas market through the establishment of purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

(b) Exchange rate risk

The US dollar is the currency used for the reference price in the oil and natural gas markets. As Galp Energia's Group financial statements have as functional currency the Euros, this factor, among others, exposes the operations to exchange risk. Given that the operating margin is related mainly to US dollars, the Company is exposed to fluctuations in the rates of exchange, which can contribute positively or negatively to income and margins.

As this is a currency risk relating to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the balance sheet and cash flows. The level of exposure of cash flows is mainly in the balance sheet and results from the prices of oil and natural gas.

Therefore, Galp Energia controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The objective of risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not allowed. At 31 December 2009 there were no exchange rate hedging contracts in force.

(c) Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans. The objective of managing interest rate risk is to reduce the volatility of financial costs on the income statement. The interest rate risk management policy is aimed at reducing exposure to variable rates through fixing interest rate risk on loans, using simple derivatives such as swaps.

(d) Sensitivity analysis to market risks resulting from financial instruments, as required by IFRS 7

The analysis prepared by the Group in conformity with IFRS 7 is intended to illustrate the sensitivity of results before taxes and equity to potential variations in the price of Brent, exchange rates and interest rates of financial instruments, defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the balance sheet as of 31 December 2009 and 2008. The financial instruments affected by the above mentioned market risks include Trade receivables, Other receivables, Trade payables, Other payables, Under and Overlifting, Loans, Cash and Financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption "Hedging reserves" only if it is shown that the hedge is efficient.

There may be financial instruments subject to more than one market risk, in which case the sensitivity analysis is made of one variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is not usually.

Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Therefore, the sensitivity analysis serves as an example and does not represent the actual current loss or gain, or other variations in equity.

The following assumptions were considered in the sensitivity analysis of the commodity:

- Price variation of +/- 10% of the price of the commodity;
- Correlation between market risks was ignored;
- A sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes in proved petroleum reserves in relation to changes in the price of a barrel of Brent was not calculated.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- Exchange rate variation of +/-10%;
- The sensitivity analysis includes significant balances in foreign currency with Trade receivables, Other receivables, Trade payables, Other payables, Loans, Financial derivatives and Cash.

The following assumptions were considered in the sensitivity analysis of interest rates:

- Parallel variation of 0.01% in the time structure of interest rates;
- Analysis of interest rate risk includes variable interest rate loans and interest rate financial derivative;
- The result before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affects Equity.

Following is a summary of the sensitivity analysis made of the financial instruments reflected on the statement of financial position:

SENSITIVITY ANALYSIS

		2009		2008	
		INCOME STATEMENT	EQUITY	INCOME STATEMENT	EQUITY
+/-10% variation in the price of the underlying derivatives over commodities	€EUR	+1,417/-291	-	-724/-1,940	-
+/- 10% variation in USD/EUR	€EUR	-/+3,474	-	-/+3,283	-
+/- 0.01% parallel variation in the interest rate	€EUR	-/+148	+/-46	-/+148	+/-75

Liquidity risk

Liquidity risk is defined as the amount by which profit and/or cash flow of the business are affected as a result of the Group's difficulty in obtaining the financial resources necessary to meet its operating and investment commitments.

The Galp Energia Group finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans. The Group has access to credit amounts not fully used but that are at its disposal. These credit can cover all loans that are repayable in 12 months. The available short and medium and long term not used are enough to meet any immediate demand.

Credit risk

Credit risk results from potential non-compliance by third parties of contractual obligations to pay and so the risk level depends on the financial credibility of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp Energia and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

Impairment of accounts receivable is explained in Notes 14 and 15.

33. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets

- (i) Following the sale in 1999 of 40% of OPTEP SGPS, S.A.'s share capital, corresponding to 440,000 shares with a nominal value of Euros 5 per share, the base selling price of tEuros 189,544 was contractually established, of which tEuros 74,818 was attributed to the 093X segment and tEuros 114,726 to the E3G/Edinet segment.

The sale by GDP, SGPS, S.A. (currently designated Galp Energia, S.G.P.S., S.A. for purposes of the merger carried out in 2008) and Transgás, S.A. (currently designated Galp Gás Natural, S.A.) to EDP, S.A. was established with the condition that if OPTEP SGPS, S.A., 093X or any other entity directly or indirectly controlled or participated in by EDP sells or in any other way disposes of, to a third party, a participation equivalent to 5% of Optimus, that is 450,000 shares with a nominal value of Euros 5 per share, during a period of 3 years as from the date of signature of the agreement (24 June 1999), the difference between the amount of tEuros 74,818 and the sale price would be divided between the parties, as follows:

tEuros for each 220.000 shares	EDP	GDP Group
Between 37,409 and 42,397	0%	100%
Between 42,397 and 52,373	25%	75%
More than 52,373	75%	25%

On 28 September 2000 GDP SGPS, S.A., Transgás SGPS, S.A., currently designated GDP Distribuição, S.G.P.S., S.A. for purposes of the merger carried out in 2006), Transgás, S.A. and EDP, S.A. made an amendment to the agreement, under which the deadline for dividing any potential gain on the future sale of Optimus shares was extended to 31 December 2003.

On 22 March 2002 EDP announced the sale of the participation in OPTEP SGPS, S.A., the company that holds a 25.49% participation in Optimus, to Thorn Finance, S.A.. The sales price was fixed at tEuros 315,000, which means that Thorn Finance valued Optimus at tEuros 1,235,779, which is higher than the value established between the parties, which was of tEuros 748,197. Therefore, there will be an upside of tEuros 30,253 payable by EDP, S.A., to be divided equally between GDP SGPS, S.A. (merged into Galp Energia S.G.P.S., S.A. effective as of 1 January 2008) and Transgás SGPS, S.A. (currently called GDP Distribuição S.G.P.S., S.A. as a result of the merger in 2006).

As EDP has not agreed to the GDP Group's expectations, this account receivable has not been recorded;

- (ii) On 6 July 2007, REN - Rede Eléctrica Nacional, S.A. sent Galp a letter containing three checks in the total amount of tEuros 24,026, of which tEuros 23,335 would be for the payment of the adjustment in the price of sale of Regulated Natural Gas Assets under the agreement of purchase and sale, signed in 30 August 2006 and tEuros 691 relating to interests set, according with n.º 9 and 11 of the article 6º of the same agreement, following the evaluations presented.

In response, Galp Energia according with their letters of 26 June 2007 and July 16, 2007, expressed its disagreement with the valuations made, and appeal to Arbitration Court.

On 16 December 2009, the Arbitration Court decided that REN payment was correct;

- (iii) On 19 November 2009, the agreement of the Arbitration Court, relating with the litigation of fixed assets supply, according with the Company will receive an amount of approximately tEuros 2,400. On 31 December 2009, the company did not record any amount relating to this matter for prudential reasons, since at this date, it is uncertain the moment and the realizable value of this amounts.

Contingent liabilities

At 31 December 2008 the Company and subsidiaries had the following contingent liabilities:

- (i) Several municipal councils are demanding payments totalling tEuros 36,840, relating to licences for occupying the public thoroughfare with underground gas pipes (subsoil occupation) by the natural gas distribution and commercialisation concessionaires. As the Group companies do not agree with the municipal councils they have contested the assessments, the majority of the processes being in progress. Guarantees have been provided for these processes.

In the course of negotiating the Concession Contract between the General Directorate of Energy and Geology and the Company, it was agreed, among other matters, that the Concessionaire has the right to reflect, on the entities commercialising gas and on the final consumers, the full amount of the subsoil occupation rates assessed by the local governments in the areas conceded under the previous concession contract but not yet paid or contested legally by the Concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the Conceding entity. The subsoil occupation rates paid each year will be reflected on the entities commercialising gas that use the infrastructures or on the final consumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation rates will also be reflected on each municipality, based on the amount assessed by it;

- (ii) A claim of suppliers of Natural Gas that is under arbitration (Note 25);

- (iii) Additional Corporate Income Tax assessments totalling tEuros 65,419 (Note 9);

- (iv) On 31 December 2009 it is ongoing a judicial proceeding to challenge the licensing process of the Sines combined cycle central of natural gas filed by Endesa Generación Portugal, S.A. against the Ministry of Economy and Innovation, occupying Galp Power, SGPS, S.A. the position of counter-interested. Galp Power, SGPS, S.A. appealed this lawsuit. The Company Board of Directors, supported in legal advice of their lawyers, believes that from this process will not result any liability nor is the legitimacy of the investment already made it affected;

- (v) Processes relating to additional payments of IRP in Angola totalling tEuros 46,729 corresponding to tUSD 65,176.

Other financial commitments

The Group's financial commitments not included in the statement of financial position as of 31 December 2009 are as follows:

- tEuros 307,093, tEuros 6,763, tEuros 774 and tEuros 23,758 relating to the liability under the Petrogal, Sacor Marítima, Saaga and the GDP Group pension plans, respectively (Note 23);
- tEuros 284,549 relating to orders of tangible assets not yet delivered;
- tEuros 64,925 relating to the liability of the Petrogal Group under pension plan (Note 23) not reflected in the financial statements as they are within the 10% corridor limit (Notes 2.10 and 2.11) or because they correspond to the corridor excess not yet recognised in the income statement;
- tEuros 9,262 relating to the liability of the GDP Group under pension plans (Note 23), not reflected in the financial statements as they are within the 10% corridor limit (Notes 2.10 and 2.11) or because they correspond to the corridor excess not yet recognised in the income statement;
- tEuros 6,449 relating to notes receivable not yet due, discounted in the banking system;
- During 2009 the Company continues the utilisation of the so called 1st generation biodiesel (FAME), which is obtained by transesterification of vegetable oils, continued to be used as a component of motor vehicle diesel fuel, fulfilling the obligation to incorporate (6% (v/v)) in actual legislation, considering that as from January 2010 it will be mandatory to incorporate 7% v/v. At the same time the Company continue biodiesel production facility project in Mozambique and Brazil as raw material for the 2nd generation Unit Ecofining. During 2010 will be transposed to Portuguese law the European Directive 2009/28/CE on the compulsory incorporation of 10% renewable energy in the transport sector including biofuels;
- Galp Power, SGPS, S.A., as shareholder of Ventinveste, S.A. has the commitment and responsibility under the contract and other agreements made with DGEG to comply in full and on a timely basis with 1/3 of the obligations of the wind farm project, consisting of the promotion, construction and operation of the Wind Farms.

The contractual obligations are safeguarded by an autonomous, unconditional first demand bank guarantee in the amount of tEuros 25,332 and guarantee given by the shareholders of Galp Power, Martifer and Enersis divided in equal parts, corresponding to approximately 10% of the total Direct Investment, i.e., tEuros 50,665. The amount of the guarantee will be reduced each half year based on the contracted investment realised in the preceding half year.

In guarantee of the loan contracted by Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A. the surface rights over a plot of land in the municipality of Pombal, acquired by the Company for a period of 15 years, was mortgaged in favour of BES Investimento and BES, up to a maximum of tEuros 28,237.

Galp Power SGPS, S.A. constituted itself as guarantor and principle payer of a loan of the subsidiary Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.. The guarantee is limited to 65% which corresponds to the participation in the company, up to a maximum of tEuros 11,700;

- Galp Energia and Morgan Stanley Infrastructure announced on 19 December 2009 to an agreement for the joint acquisition of the business of distribution and commercialization of natural gas of Gas Natural SDG SA, in the region of Madrid. The acquisition involves a total of tEuros 800,000. Galp is only interested in the business of commercialization which represents about 7% of the total amount of the transaction. The transaction is subject to the approval of the competent authorities and should be completed during the first half of 2010. The operational and financial control of the business is still under the seller, reason why Galp did not recognized the part of this business in its statement of financial position.

The distribution business includes the distribution of the regulated natural gas distribution in low pressure of Gas Natural SDG, S.A., which covers most of the municipalities surrounding the city of Madrid, and has about 504,000 of residential units connected to the natural gas network. The commercialization business includes the sale of natural gas to final customers, regulated and unregulated, the area covered by the distribution business mentioned above, providing natural gas to approximately 412,000 customers with an annual consumption of about 0.4 billion cubic metre. The business includes also the supply of electricity power to more than 8,000 customers and other added value services;

- The Galp group has bank loans that in some cases have covenants that can, if they are actioned by banks, lead to early repayment of the amounts borrowed. The existing covenants in Galp Group embody essentially in compliance with financial ratios that want to monitor the financial position of the Company, including its ability to guarantee the debt service. In some cases these covenants are related to the change in the structure of shareholders, which according with the Bank evaluation could be early repay. The values of these financial ratios as of 2009 do not have effects on the continued validity of the loans.

Guarantees given

At 31 December 2009 the guarantees given amounted to tEuros 132,590 and tUSD 44,778, made up essentially of the following:

- Guarantees of tEuros 22,337 given in benefit of the Tax Administration;
- Guarantees of tEuros 5,289 in benefit of the Lisbon Tax Court, formerly called Court of the 1st Instance – 5th Court – 1st Section, in guarantee of a payment demanded by the Municipal Council of Lisbon, with respect to legal processes relating to occupation rates of the subsoil;
- Guarantees of tEuros 25,663 given to Municipal Councils under legal processes relating to occupation of the subsoil;
- Guarantees of tEuros 5,500 given to the Portuguese State with respect to the obligations and duties resulting from the Concession Contract to operate the natural gas regional distribution networks of Lisboaagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa S.A., Lusitaniagás – Companhia de Gás do Centro, S.A. and Beiragás – Companhia de Gás das Beiras, S.A.;
- Guarantees of tEuros 11,052 given to Direcção Geral de Geologia e Energia in guarantee of full compliance with the obligations assumed by the Company under the plan to construct the infrastructures relating to operation of the natural gas autonomous local networks in Vila Real, Bragança and Chaves; and allocation of power injection in the network of the electrical system of public service;
- Guarantees of tEuros 5,000 given to the Portuguese State with respect to the obligations and duties resulting from the Concession Contract relating to the public service underground storage of natural gas given by the Portuguese State to Transgás Armazenagem, S.A.;

- Guarantees of tEuros 82 given to the Courts by Caixa Geral de Depósitos due to litigation relating to rights-of-way;
- Guarantees and pledges relating to 27.4% (participation of Galp Gás Natural, S.A.) of the following amounts of credit granted to EMPL - Europe Maghreb Pipeline, Limited:

	TYPE	GALP GAS NATURAL'S tUSD
BEI	Bank	33,818
ICO	Bank	10,960
		44,778

- Guarantees in the amount of tEuros 1,044 in benefit of Instituto de Estradas de Portugal under line a), article 15 of Decree-Law 13/71 of 23/1 with the objective of obtaining a licence to install natural gas pipelines parallel to, and crossing roads;
- Guarantee in the amount of tEuros 1,734 in benefit of EDP - Energias de Portugal, S.A. with the objective of ensuring the supply of gas to the thermal plants of Santa Maria, S. Miguel, Terceira, Faial, Pico and Flores;
- Guarantee in the amount of tEuros 1,000 in benefit of EDF - Electricity of France, to ensure that the Company can operate in French electricity market;
- Guarantee in the amount of tEuros 3,000 in benefit of EDP - Distribuição de Energia, S.A., to ensure that the company can provide electricity in the Portuguese electricity market;
- As of 31 December 2009 there were guarantees totalling tEuros 43,870 given to third parties on account of group and associated companies;
- As of 31 December 2009 there were also guarantees of tEuros 6,975 in favour of third parties in guarantee of good and full execution of and compliance with the obligations resulting from contracts entered into between the parties.

34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

The main challenges facing refining operations are compliance with the objectives of reducing greenhouse gas emissions in the period from 2008 to 2012 defined in the Kyoto Protocol, reducing the proportion of sulphur in fuel consumed in the facilities and increasing energy efficiency.

Decree-Law 233/2004 of 14 December with the text given to it by 243-A/2004 of 31 December and as amended by Decree-Law 230/2005 of 29 December establishes the greenhouse gas emissions trading regime (Diploma CELE), which applies to the industrial activity gas emissions listed on Appendix I thereof, which includes the Galp Energia Group's installations.

Order 2836/2008, which approves the existing list of installations participating in Emissions Trading for the 2008-2012 period and related initial granting of Emission Licences (EL), was published in Diário da República (Journal of the Republic). The Group believes that the quantity of greenhouse gas emission licences granted for the refining and co-generating sectors of the Group for the 2008-2012 period in accordance with the Order are sufficient to cover the needs of the installations currently operating considering the production profiles for the five year period.

The following table shows the installations operated by the Group and related annual emission licences granted under PNALE II (Plano Nacional de Alocação de Licenças de Emissão), as well as the quantities of greenhouse effect gas emissions (Ton/CO₂) per installation:

COMPANY	INSTALLATIONS	LICENCES ON HAND TON/CO ₂ AT 01/01/2009	LICENCES TON/CO ₂ ATTRIBUTED PNALE II	LICENCES TON/CO ₂ DELIVERED	LICENCES TON/CO ₂ TRANSFERRED	LICENCES TON/CO ₂ SOLD	LICENCES ON HAND TON/CO ₂ AT 31/12/2009	GASES EMITTED IN 2009 (a)
Petrogal	Sines Refinery	2,137,550	2,395,734	(1,828,182)	(550,000)	-	2,155,102	1,972,744
	Matosinhos Refinery	1,098,025	1,098,025	(1,121,765)	(100,000)	-	974,285	900,985
		3,235,575	3,493,759	(2,949,947)	(650,000)	-	3,129,387	2,873,729
Carrigo Cogeração	Co-generation	161,539	161,539	(113,021)	(88,000)	-	122,057	120,986
Powercer	Co-generation	47,192	47,192	(39,419)	(7,000)	-	47,965	35,100
		208,731	208,731	(152,440)	(95,000)	-	170,022	156,086
Galp Power	n.a.	-	-	-	745,000	(745,000)	-	-
		3,444,306	3,702,490	(3,102,387)	-	(745,000)	3,299,409	3,029,815

(a) These values of CO₂ gases emitted are not final, due to environmental audits to occur.

In December 2009 the list of precedence for access to the emission licenses reserve and captive quantities was published, which establishes for the Co-generating Sines Refinery in 2009, the quantity of LE 258,184, which were added to licences allocated to the installation of Sines refinery. On 31 December 2009 these LE were not credited, however no large deviations from the captive quantities are expect.

During 2009 the facilities transferred to the company Galp Power, S.A. licenses from 2008 and 2009, without expectation of use, in the total of 745,000 Ton/CO₂. In 2009 this licenses were sold in the Stock Exchange at an average price of 13.57 €/TON/CO₂, with a total gain of tEuros 10,106 recorded as operation income (Note 5).

The accumulated licences held at 31 December 2007, and so relating to the 2005-2007 period (PNALE I), were used to cover the greenhouse gas emissions in 2007. The remaining licences held that were not used lost their validity for the 2008-2012 period.

The Galp Energia Group has not recognised in its financial statements the valuation or devaluation of these licences. If it acquires or sells licences it will record them.

However, if an insufficiency of licences occurs the appropriate provision will be recorded, if that becomes appropriate. However as detailed above, only the estimated emissions of the Oporto Refinery installation for the year exceeded the estimated volume of gas emission licences issued. This deficit, if it is verified, can be compensated between installations of the Galp Energia Group. The licences allocated to the Group at 31 December 2009 exceed the volume of gases issued and so no provision was recorded for the year.

35. SUBSEQUENT EVENTS

The main subsequent events that occurred after 31 December 2009 were as follows:

Acquisition of 15% of Ventinveste, S.A.

The acquisition of 50% of share capital of Parque Eólico da Penha da Gardunha, Lda. company, on February 2010, by Galp Energia to Martifer Renewables, a subsidiary of Martifer, SGPS, which currently holds 30% of share capital of Ventinveste, S.A. (Ventinveste). The amount of the acquisition is approximately 5 million euros. Parque Eólico da Penha da Gardunha, Lda., was acquired by the Martifer Renewables to Babcock & Brown Group on June 2009. The sale of half of the share capital of company rebalances the Martifer SGPS and Galp Energia Group participations on Ventinveste. Following this acquisition the shareholders of Ventinveste are Galp Energia Group with 49%, Martifer SGPS with 46,6%, Repower with 2,4% and Efacec with 2%. The transaction had the approval of Direcção Geral de Energia e Geologia (DGEG). Ventinveste signed with DGEG in September 2007, a contract that includes the promotion, construction and operation of a number of wind farms for a total of 400MW of power to inject into the Public Service Electric System Network.

Contract for the Exploration and Production in Uruguay.

On 9 February 2010 Galp Energia, in consortium with Petrobras and YPF signed with Ancap, the state oil company of Uruguay, in Montevideo, a contract for exploration and production of oil and natural gas in the Uruguayan continental shelf. The contract takes the form of production sharing agreement, a form similar to that applied in blocks that Galp Energia holds in Angola.

The contract completes the process of bidding for exploration blocks of the Uruguay Round of the 2009 for Pelotas and Punta del Este basins, promoted in July 2009 by the Uruguayan government where the consortium submitted the best proposal for blocks 3 and 4, located in the South - west basin of Punta del Este.

Galp Energia has a 20% share in block 4, Petrobras is the operator with 40% and equal share for YPF. In block 3, Galp Energia have also 20% share, Petrobras have 40% and YPF with 40% which is the operator of this area.

The consortium will have a period of four years to study the seismic data and decide whether to carry out drilling activities. The commitments made by the consortium in the bidding were the acquisition of 2D seismic and the completion of reprocessing of existing data.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors meeting of 22 of March 2010. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

37. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union (Note 2.1) some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luís Murteira Nabo
Manuel Ferreira De Oliveira
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Rui Paulo da Costa Cunha e Silva Gonçalves
João Pedro Leitão Pinheiro de Figueiredo Brito

Massimo Mondazzi
Claudio De Marco
Paolo Grossi
Fabrizio Dassogno
Giuseppe Ricci
Luigi Spelli
Doutor Joaquim José Borges Gouveia
Maria Rita Galli

REPORTS AND OPINIONS

AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese – Note 37)

Introduction

1. For the effects of the article 245 of the Portuguese Securities Market Code we present our Auditors' Report on the consolidated financial information contained in the consolidated Board of Directors' Report and the consolidated financial statements of Galp Energia, SGPS, S.A. ("the Company") and subsidiaries ("the Group") as of 31 December 2009, which comprise the Consolidated Statement of Financial Position as of 31 December 2009 (that presents a total of 7,242,446 thousand Euros and shareholder's equity of 2,388,663 thousand Euros, including a consolidated shareholder's net profit of 347,272 thousand Euros), the Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and the corresponding Notes.

Responsibilities

2. The Company's Board of Directors' is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated result and comprehensive income of their operations, changes in equity and cash flows and; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union which is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate systems of internal control and (iv) the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position and results of its operations.
3. Our responsibility is to examine the financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

Scope

4. Our examination was performed in accordance with the Auditing Standards ("*Normas Técnicas e as Directrizes de Revisão/Auditoria*") issued by the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), which require that the examination is planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting policies used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements and assessing if, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the consolidated Board of Directors' Report is consistent with the other consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated financial position of Galp Energia, SGPS, S.A. and subsidiaries as of 31 December 2009, the consolidated result and comprehensive income of their operations, changes in equity and cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union, consistently applied, except for the matter described in the Note 2.24 to the consolidated financial statements, and the information contained therein is, in terms of the definitions included in the Auditing Standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Lisbon, 22 March, 2010

PDELOITTE & ASSOCIADOS, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

STATUTORY AUDITOR'S REPORT

(Translation of a report originally issued in Portuguese)

Introduction

1. We have examined the consolidated financial statements of Galp Energia, SGPS, S.A. (the "Company") for the financial year ended on 31 December 2009. These include the consolidated balance sheet at 31 December 2009 (which evidences a total of 7,242,446 thousand euros and shareholders' equity of 2,388,663 thousand euros including consolidated net profit attributable to the Company's shareholders and recognised in the consolidated income statement of 347,272 thousand euros and total minority interests of 27,184 thousand euros), the consolidated statements of income, integral revenue, changes in equity and cash flows for the financial year ended on the aforementioned date, and the relevant notes to the consolidated financial statements. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Responsibilities

2. It is the board of directors' responsibility to prepare such separate consolidated financial statements that will represent in a true and appropriate manner the financial position of the consolidated companies, the consolidated results and integral revenue of their operations, the changes in the consolidated equity and their consolidated cash flows, to adopt adequate accounting policies and principles, to maintain an appropriate internal control system and to report any relevant events that may have influenced the activities, financial position or results of the consolidated companies.

3. Our responsibility consists of expressing a professional and independent opinion, based on our examination of the mentioned financial statements.

Scope

4. Our examination was conducted in accordance with the Portuguese Institute of Statutory Auditors' Technical Standards and Audit Guidelines, which require it to be planned and executed in order to ascertain, to an acceptable safety degree, whether the consolidated financial statements are free of materially relevant distortions. To this end, the examination has included checking, on a sampling basis, the support for the amounts and information disclosed in the financial statements, evaluating the estimates based on judgments and criteria as defined by the board of directors and used in the preparation of the statements, checking the consolidation transactions and the financial statements of the consolidated companies, appraising the adequacy of adopted accounting principles and their uniform application and disclosure, in view of the circumstances, checking the applicability of the principle of continuing operations and evaluating the overall adequacy of the consolidated financial statements' presentation.

5. Our examination has also checked the degree of agreement between the financial information contained in the management report and in the consolidated financial statements.

6. We consider that our examination provides an acceptable basis for the expression of our opinion.

Opinion

7. In our opinion, the aforementioned consolidated financial statements represent in a true and appropriate manner, in all materially relevant aspects, the financial position of Galp Energia, SGPS, S.A. and its subsidiaries at 31 December 2009, the consolidated results and integral revenue of their operations, the changes in consolidated shareholders' equity and their consolidated cash flows in the financial year ended on that date, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, applied consistently with the previous year.

Lisbon, 22 March, 2010

P. Matos Silva, Garcia Jr., P. Caiado & Associados
Statutory Auditors represented by Pedro Matos Silva

STATEMENT OF COMPLIANCE BY THE BOARD OF DIRECTORS

According to article 245, first paragraph c), of the SC

The board of directors declares that, to the best of their knowledge, the information mentioned in article 245, first paragraph a), of the SC for the separate and consolidated financial statements (i) was prepared in compliance with the applicable accounting requirements and give a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, (ii) includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole and (iii) includes an accurate description of the principal risks faced by Galp Energia's operations.

Board of directors

Chairman:

Francisco Luís Murteira Nabo

Vice-chairman:

Manuel Ferreira De Oliveira

Directors:

Manuel Domingos Vicente

Fernando Manuel dos Santos Gomes

José António Marques Gonçalves

André Freire de Almeida Palmeiro Ribeiro

Carlos Nuno Gomes da Silva

Rui Paulo da Costa Cunha e Silva Gonçalves

João Pedro Leitão Pinheiro de Figueiredo Brito

Massimo Mondazzi⁽¹⁾

Claudio De Marco

Paolo Grossi

Fabrizio Dassogno

Giuseppe Ricci

Luigi Spelli

Joaquim José Borges Gouveia

Maria Rita Galli

SUPERVISORY BOARD'S REPORT AND OPINION CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese)

Dear shareholders,

In the performance of its duties in 2009, the supervisory board had the opportunity to closely follow the company's progress in all respects relevant to its remit. In this work, the supervisory board relied on the cooperation of:

- The chairman of the board of directors, the chairman of the executive committee and board member, and the executive director responsible for corporate finance, accounting and treasury and legal services and company secretariat;
- Heads of the internal audit, accounting and treasury and legal services and company secretariat departments;
- The statutory auditor;
- The external auditor, who is also the statutory auditor of all the companies where Galp Energia SGPS, S.A. has majority control.

All these entities provided complete answers to the questions posed by the supervisory board, namely regarding the manner in which they perform their supervisory and risk control duties as well as the assessment of the sustainability of the Company businesses.

The supervisory board is grateful for being able to testify the high standards of professionalism with which those activities were discharged but also the extreme care in adopting applicable international best practice.

This performance, as well as the performance of each business unit was not enough to fully offset the results of an adverse economic context characterised by the decrease of crude prices and refining margins, as well as the decrease of energy markets, in particular the natural gas volumes sold, which led to a 55% decrease in net income. Notwithstanding this less favourable result, the supervisory board is pleased to testify the progress the Company has made in the execution of the approved investment plan, namely in the Exploration & Production, modernization of Sines and Matosinhos refineries and taking advantage of acquisition opportunities in distribution and marketing of oil products in Iberia.

Upon close of the financial year, the supervisory board reviewed in particular the accounting treatment of assets likely to attract discretionary or subjective valuation. The questions asked to the internal departments, the external auditors and the statutory auditors regarding the criteria and principles used in treating these situations on the consolidated balance sheet and profit and loss account were all answered to the entire satisfaction of the supervisory board.

Dear shareholders,

Upon being informed by the statutory auditor of the content of the statutory audit report and, with which we are in agreement, our opinion is that:

- The consolidated management report for 2009 and the accompanying corporate governance and sustainability reports should be approved;
- The consolidated accounts (the consolidated balance sheet, the consolidated profit and loss account by nature, the consolidated cash flow statement, the consolidated statement of changes in equity and the respective notes) for the 2009 financial year should be approved.

The supervisory board declares that to the best of their knowledge the information mentioned on the article 245, first paragraph a) of the Portuguese Securities Code for the consolidated financial statements (i) was prepared in compliance with the applicable accounting requirements and give a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, (ii) includes a fair review of the development of the business and the performance and position of Galp Energia, SGPS, S.A. and the undertakings included in the consolidation taken as a whole and (iii) includes a accurate description of the principal risks that Galp Energia's operations are exposed.

Lastly, the supervisory board wishes to express its gratitude to the board of directors and the executive committee of Galp Energia SGPS, S.A. whose cooperation materially simplified, at all times, the activities related to the supervisory board's duties.

Lisbon, 23 March, 2010

Chairman - Daniel Bessa Fernandes Coelho

Member - José Gomes Honorato Ferreira

Member - José Maria Rego Ribeiro da Cunha

GLOSSARY AND ACRONYMS

Glossary

Base oil

The main component of lubricant blends, obtained from distillates after being subjected to several processes.

Biodiesel

Diesel fuel that contains components derived from raw materials such as vegetable oils and animal fat.

Biofuel

Any fuel that is derived from biomass, such as alcohol, bioethanol and biodiesel.

Bitumen

Solid, semi-solid or viscous mixture of hydrocarbons, obtained by primary distillation of crude oil or as a product of residual vacuum distillation. It is waterproof and sticky and is primarily used for paving roads, though it also has industrial uses.

Brent

A light North Sea crude oil that incorporates, since July 2006, Forties and Oseberg grades. This basket of crudes has an average API of 38.9° API.

Catalytic reforming or platforming

The conversion of a lighter fraction (such as heavy gasoline), obtained through primary distillation, into a heavier fraction based on aromatics ("reformate") and with higher octane level, thus constituting a major blending component for finished gasoline. These reactions are obtained in the presence of a catalyst (platinum) and produce significant quantities of hydrogen. Reformates are also the main feedstock for the petrochemical industry (production of benzene, toluene and xylene).

CO₂

Carbon dioxide, a colourless gas, heavier than air, one of its natural components. It is produced through natural processes such as the carbon cycle and by the combustion of fossil fuels.

Cogeneration

Generation technique for combined electricity and heat production. The advantage of cogeneration is the ability to capture the heat produced by the fuel whereas in classical electricity generation this heat is lost. This process also allows the same facility to meet the heating (hot water or steam) and electricity needs of both industrial and local authority customers. This system improves the energy efficiency of the generation process and reduces fuel use.

Combined Cycle Gas Turbine (CCGT)

Electric power plant that usually integrates a gas turbine and a steam turbine. CCGTs have a first-cycle gas turbine that generates electricity through the combustion of gas. The exhaustion gases (heat) out of this process are converted into steam in a heat recovery steam generator, which then fuels a second-cycle steam turbine, producing more electricity.

Commodity

Largely homogeneous product, produced in large quantities by many different producers, with the items from each different producer being considered substitutes, more or less of undifferentiated quality. Some examples of commodities are oil, cereals and metals.

Complexity

A key industry measure referring to an oil refinery's ability to process feedstock such as heavier and higher sulphur content crude oils into value-added products. Generally, the higher the complexity and the more flexible the range of feedstock, the better positioned the refinery is to take advantage of lower-priced crude oils, resulting in incremental gross margin opportunities for the refinery. A refinery's complexity is measured by a "complexity index" which is separately calculated by different industry organisations, among them energy consultants Solomon Associates and Nelson. A refinery's complexity index is calculated by assigning a complexity factor to each of the refinery's units, based primarily on the level of technology used in the unit's construction and taking as a reference point a primary crude-oil distillation plant that is attributed a complexity factor of 1.0. Each unit's complexity index is calculated by multiplying the unit's complexity factor by the unit's capacity. A refinery's complexity is equal to the weighted average of the complexity indices of all units including the distillation unit. A refinery with a complexity index of 10.0 is considered ten times more complex than a refinery equipped only with atmospheric distillation for the same amount of throughput.

Condensates

Liquid hydrocarbons found at the surface and, under normal conditions of temperature and atmospheric pressure, recovered from natural gas reservoirs. Condensates are mainly composed of pentane and other heavier products.

Contingent resources

Quantities of petroleum that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of possible reasons, for example due to maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan), technological issues (new technology needs to be developed and tested in order to produce the volumes commercially) or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). Volumes that fall into this category cannot be referred to as reserves.

Conversion

Refers to the several treatments (catalytic or thermal) whose main impact is on the carbon connections. It can be more or less intense depending on the conditions imposed. This process is usually associated with the conversion of fuel oil into lighter and more valuable fractions (gasoil, gasoline and petroleum gases). In a modern refinery, these processes have a growing importance.

Crack spread

Difference between the price of the final oil product and the price of crude oil.

Cracking

The refining process of breaking down the larger, heavier, lower-value and more complex hydrocarbon molecules into simpler, lighter and higher-value molecules. Cracking is carried out either at high temperatures and pressures (thermal cracking) or with the aid of a catalyst (catalytic cracking) which enables, for the same temperatures, a deeper and more selective conversion of heavier fractions.

Crude utilisation rate

Ratio of the total amount of crude oil processed through crude oil distillation units to the maximum capacity of these units.

Dated Brent

The price for prompt shipments of Brent crude as reported by price agencies. It is the price benchmark for the vast majority crude oils sold in Europe, Africa and the Middle East and one of the most important benchmarks for spot market prices.

Desulphuration

A purification process designed to eliminate sulphur and, at the same time, oxygen, nitrogen and metals from petroleum-refined products. Desulphuration can be made through catalytic or chemical methods.

Diesel

Blend of hydrocarbons used as a fuel for ignition by compression engines ("Diesel cycle"). Its behaviour depends on the temperature in which it is used in low temperatures, vary a lot between regions or countries where it is used.

Distillates

Any petroleum product produced by distillation of crude oil.

Distillation

Method for separating (liquid or solid) substances by evaporation followed by condensation. Distillation may be at atmospheric pressure or in vacuum, depending on the desired products.

Emissions

Releases of gases into the atmosphere. In the context of global climate change, they include potentially climate-changing greenhouse gases, e.g. the release of carbon dioxide during fuel combustion.

Fatty Acid Methyl Ester (FAME)

First-generation biodiesel obtained by transesterification.

Fluid Catalytic Cracking (FCC)

Cracking process using a fluid catalytic agent that is continuously regenerated. It is an effective method to increase the gasoline yield from crude oil.

Foot

Imperial unit for measuring length which is equivalent to 30.48 cm in the metric system.

Free float

Percentage of the shares in a listed company which are freely traded on the market, that is, are not held by strategic investors.

Fuel oil

Blend of hydrocarbons mainly used for heat production in thermal installations. There are several types of fuel oil with different viscosity levels that limit each type's uses.

Gasoline

Fuel for internal combustion engines in automobiles that use the "Otto cycle". It must comply with specifications regarding its physical and chemical characteristics, the most important of which is resistance to self-inflammation.

Generation

The process of producing electricity by transforming other forms of energy. The amount of energy can be expressed in joules, kilowatt-hours, calories or British thermal units, and all these units can be applied to all kinds of energy irrespective of their source.

Greenhouse effect

The result of trapping radiant infrared energy in a closed space. The greenhouse effect produced by carbon dioxide in the atmosphere has the possible consequence of keeping the earth's surface warmer than it would otherwise be.

Hydrocracking

A cracking process that uses hydrogen in the presence of a catalyst to convert heavier fractions of hydrocarbons with higher ebullition levels and less value into lighter and more valuable fractions. The presence of hydrogen allows the fractions to operate more selectively and at lower temperatures, thus yielding higher returns. The products resulting from this process are saturated compounds with significant stability characteristics.

Isomerisation

Transformation, in the presence of a catalyst and hydrogen, of straight-chain paraffinic hydrocarbons into branched-chain hydrocarbons. Its main purpose is to obtain a light fraction with high octane index, an important blending component for gasoline.

Jet fuel

Fuel for jet engines used in aviation.

Kerosene

A petroleum product used as a fuel in aviation (jet engines) or as a heating or lighting fuel. It contains additives in order to achieve the necessary safety conditions for its use.

Liquefied natural gas (LNG)

Liquid that results when natural is cooled to approximately -160°C at atmospheric pressure. LNG's volume is approximately 1/600 of the volume of natural gas, making it more efficient for transportation.

Liquefied Petroleum Gas (LPG)

A mixture of gaseous hydrocarbons in normal temperature and atmospheric pressure conditions, but can be liquefied by increasing the pressure or lowering the temperature, enabling it to be transported and stored. The most common types are propane and butane.

Lubricants

Products obtained by blending base oils and additives following specific formulations depending on their final utilisation. The percentage of additives in lubricants can reach 40%. Lubricants have three major applications: automobiles, industry and marine.

MTBE

Methyl Tertiary Butyl Ether, an oxygenate component (performance-enhancing fuel additive) used in the production of gasoline.

Naphtha

A light fraction of refined crude oil between gases and petroleum. It is used as feedstock by the petrochemical industry as its cracking supplies several products and it can also be used as a component for gasoline (light naphtha) or to produce reformat (heavy naphtha).

Net entitlement production

Production percentage of the rights for exploration and production of hydrocarbons in a concession after the effect of production-sharing agreements.

Octane index

Conventional scale used to characterise in figures the fuel's ability to resist detonation when burned in an internal combustion engine using the Otto cycle. The higher the figure, the higher the fuel's ability to resist detonation.

Offshore exploration

Crude oil exploration that takes place on the sea. Offshore exploration is said to be conducted on shallow water, deep water or ultra-deep water depending on depth: less than 1,000 feet, between 1,000 and 5,000 feet and more than 5,000 feet, respectively.

Onshore exploration

Crude oil exploration that takes place on land.

Petrochemicals

An intermediate product of oil refining which is used as a feedstock for polymers and various other chemical products.

Probable reserves (P50)

Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to that used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven.

Prospective resources

Quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations by application of future development projects. The estimation of a prospect's quantities is subject to both commercial and technological uncertainties. The quantities classified as prospective resources cannot be classified as contingent resources or reserves.

Proved reserves (P90)

Under the definitions approved by the SPE and the WPC, proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The definition of current economic conditions should include relevant historical petroleum prices and associated costs. In general, reserves are considered proven if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term "proven" refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Refinery

An industrial facility used to process crude oil in order to transform it into the products needed by end consumers (fuels, lubricants, bitumen, etc.) or feedstock for other industries (such as the petrochemical industry).

Regasification

Processing LNG in order to convert it into its natural gaseous state by thermal exchange with water or air.

Renewable energy

Energy available from natural and permanent sources that can be exploited economically in present conditions or in the near future.

Replacement cost adjusted results (RCA)

In addition to using the replacement cost method, adjusted profit excludes non recurrent events such as capital gains or losses on the disposal of assets, impairment or reinstatement of fixed assets and environmental or restructuring charges which may affect the analysis of the company's profit and do not reflect its operational performance.

Replacement cost results (RC)

As the financial statements have been prepared according to IFRS, the cost of goods sold is valued at WAC. This may, however, lead to substantial volatility in results when commodities and goods prices fluctuate sharply leading to gains or losses in inventory which may not reflect operational performance. In this document, we call this impact the inventory effect. According to this method, the cost of goods sold is valued at replacement cost, i.e. at the average cost of the raw materials in the month when the sales were realised and irrespective of the inventories held at the start or the end of the period. The replacement cost method is not accepted by either Portuguese GAAP or IFRS and is therefore not used to value inventories. The method does not reflect the replacement cost of other assets.

Rotterdam cracking refining margin or Rotterdam benchmark

Also known as Rotterdam benchmark, it is the most commonly used refining margin benchmark in Europe. The refining margins are usually compared with benchmark margins for three major global refining centres. These are the US Gulf Coast (USGC), North West Europe (NWE – Rotterdam) and Singapore. In each case, they are based on a single crude oil appropriate for that region and have optimised product yields based on a generic refinery configuration (cracking, hydrocracking or coking) appropriate for that region. The margins are on a semi-variable basis which means they are calculated after all variable costs and fixed energy costs have been deducted. The Northwest Europe Refining Margin is determined by using as a reference point the prices achieved by refinery products in the Antwerp-Rotterdam-Amsterdam region.

Spot market

With respect to commodities such as oil, a term used to describe the international trade in one-off cargoes or shipments of commodities such as crude oil in which prices closely follow demand and availability.

Tank farm

An installation used by trunk and gathering pipeline companies, crude oil producers and terminal operators (except refineries) to store crude and oil products.

Vacuum distillation

Distillation process at a lower pressure than atmospheric pressure. The residue (heavier fractions) of the atmospheric distillation is subject to vacuum distillation in order to separate it without decomposing the residue by lowering the pressure and consequently its ebullition levels. It is used, for example, in the production of base oils.

Wind farm

A group of wind turbines interconnected to a common utility system through a system of transformers, distribution lines and (usually) one substation. Operation, control and maintenance functions are often centralised through a network of computerised monitoring systems, supplemented by visual inspection.

Wind energy

Kinetic energy present in wind motion which can be converted into mechanical energy for driving pumps, mills and electric power generators.

Working interest production

Production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Acronyms

- **Amorim Energia:** Amorim Energia, B.V.
- **AGM:** Annual general meeting
- **ANP:** Agência Nacional do Petróleo, Gás Natural e Biocombustível (Brazil's energy regulator)
- **APETRO:** Associação Portuguesa de Empresas Petrolíferas
- **BAT:** best available techniques
- **bbbl:** barrel of oil
- **BBLT:** Benguela-Belize-Lobito-Tomboco
- **bcm:** billion cubic metres
- **CC:** The Portuguese companies code
- **CCGT:** combined cycle gas turbine plant
- **CEO:** Chief executive officer
- **CFO:** Chief financial officer
- **CGD:** Caixa Geral de Depósitos, S.A.
- **CLH:** Compañía Logística de Hidrocarburos, S.A.
- **CNPE:** Conselho Nacional de Política Energética
- **CO:** Company-operated
- **CONCAWE:** Conservation of Clean Air and Water in Europe
- **CPT:** Compliant Piled Tower
- **DEMAC:** Degolyer and Macnaughton
- **DO:** Dealer-operated
- **E&P:** Exploration & Production
- **EBITDA:** Earnings before interest, taxes, depreciation and amortisation
- **EMPL:** Europe Magrebe Pipeline
- **ENH:** Empresa Nacional de Hidrocarbonetos
- **Eni:** Eni, S.p.A.
- **EPC:** Engineering, procurement and construction
- **EPCM:** Engineering, procurement, construction and management
- **EPS:** Earnings per share
- **EQS:** Environment, quality and safety
- **ERSE:** Entidade Reguladora dos Serviços Energéticos (Portuguese energy regulator)
- **EU ETS:** European Union Emissions Trading Scheme
- **EWT:** Extended well test
- **€:** euro
- **FCC:** Fluid catalytic cracking
- **FEED:** Front-end Engineering & Design
- **FO:** Franchisee-operated
- **Foundation:** Fundação Galp Energia
- **FLNG:** Floating LNG
- **FPSO:** Floating, Production, Storage and Offloading unit
- **G&P:** Gas & Power
- **Galp Energia:** Galp Energia, SGPS, S.A., the Company, the Group
- **GBP:** Sterling, the UK currency
- **GDP:** Gross domestic product
- **GHG:** Greenhouse gases
- **GWh:** Gigawatt per hour
- **HSE:** Health, safety and environment
- **IEA:** International Energy Agency
- **IRP:** Oil tax paid in Angola
- **JCL:** *Jatropha curcas* linn
- **JPY:** Japanese yen
- **kboepd:** thousand barrels of oil equivalent per day
- **kbopd:** thousand barrels of oil per day
- **kton:** thousand tonnes
- **LNG:** Liquefied natural gas
- **LPG:** Liquefied petroleum gas
- **M€:** million euros
- **Mbbl:** million barrels
- **Mboe:** million barrels of oil equivalent
- **Mbopd:** million barrels of oil per day
- **Mm³:** million cubic metres
- **Mton:** million tonnes
- **Nm³/h:** Normal cubic metre per hour
- **OECD:** Organization for Economic Cooperation and Development
- **OPEC:** Organization of Petroleum-Exporting Countries
- **OPEX:** Operating expenses
- **Petrobras:** Petróleo Brasileiro, S.A.
- **PDVSA:** Petróleos de Venezuela, S.A.
- **PHV:** Plug-in hybrid vehicles
- **PSA:** Production-sharing agreement
- **R&D:** Research & development
- **R&M:** Refining & Marketing
- **RAB:** Regulated asset base
- **RBOB:** Reformulated Blendstock for Oxygenate Blending
- **RC:** Replacement cost
- **RCA:** Replacement cost adjusted
- **SC:** The Portuguese securities code
- **SPE:** Society of Petroleum Engineers
- **SROC:** Firm of statutory auditors
- **SXEP:** Index DJ Europe STOXX Oil & Gas
- **TL:** Tómbua-Lândana
- **ton:** tonne
- **US:** United States of America
- **Usd:** U.S. dollar
- **WAC:** Weighted average cost
- **WPC:** World Petroleum Council

Disclaimer

This Annual Report & Accounts contains forward-looking statements about the activities and results of Galp Energia as well as some Company plans and objectives. The terms “anticipates”, “believes”, “estimates”, “expects”, “predicts”, “aims”, “plans” and other similar ones aim to identify such forward-looking statements. As a result of their nature, forward-looking statements involve risks and uncertainties as they are associated with events and circumstances that may occur in the future. Real outcomes and developments may as a result of several factors differ significantly from outcomes, either express or implicit, in the statements. These include but are not limited to changes in costs, economic conditions or regulatory framework.

Forward-looking statements only refer to the date when they were made and Galp Energia has no obligation to update them in the light of new data or future developments or otherwise explain the reasons actual outcomes are possibly different.

EDITION



TRANSLATION



DESIGN AND CONCEPTION

STRATDESIGN ➤

NON-IDENTIFIED PHOTOS

Manuel Aguiar and Image Bank



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