RESULTS

FOURTH QUARTER AND TWELVE MONTHS 2009

Extending success into new challenges

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EXECUTIVE SUMMARY

Galp Energia's replacement cost adjusted (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 the fourth quarter, RCA net profit was €34 million, primarily as a result of the weak performance in Refining & Marketing.

Galp Energia's operating performance in 2009 was affected by the declining price of dated Brent, falling refining margins and lower volumes of natural gas sold, reflecting a weak economic backdrop 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.

SUMMARY OF RESULTS – FOURTH QUARTER AND TWELVE MONTHS OF 2009

- 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; in the fourth quarter, working-interest production increased 24% quarter on quarter (qoq) to 17.7 thousand barrels per day due to Tupi's Extended Well Test production;

- In 2009, Galp Energia's refining margin tumbled 67% yoy to Usd 1.5/bbl; in the fourth quarter, the drop was even more pronounced as the refining margin tumbled 84% to Usd 0.9/bbl;

- In 2009, 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; in the fourth quarter, 1,198 million cubic metres were sold, down 2% yoy, which pointed to a recovery in sales volumes;

- RCA EBITDA for the twelve months dropped 37% yoy to €619 million; fourth-quarter RCA EBITDA was €147 million, down 40% yoy;

- In 2009, RCA net profit of €213 million equated to €0.26 per share, with the fourth quarter contributing €0.04 per share;

- Capital expenditure in 2009 of €730 million, of which 40% in the fourth quarter, was primarily channelled to the refinery conversion project.

CONFERENCE CALL

Date:	Thursday 25 February 2010
Time:	2:00 pm GMT (3:00 pm CET)
Hosted by:	Manuel Ferreira De Oliveira (CEO)
	Claudio De Marco (CFO)
	Tiago Villas-Boas (IRO)
Phones:	UK:+44 (0) 207 750 99 08
	Portugal: 707 785 662
Link:	http://gaia.unit.net/galp/20100225/trunc
Chairperson:	Tiago Villas-Boas

KEY FIGURES

Financial data

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
(557)	250	807	n.m.	EBITDA	449	819	370	82.5%
242	155	(87)	(35.9%)	EBITDA RC[1]	966	608	(357)	(37.0%)
244	**147**	**(96)**	**(39.6%)**	**EBITDA RCA[2]**	**975**	**619**	**(356)**	**(36.5%)**
(628)	119	747	n.m.	Operating profit	167	459	291	174.2%
170	23	(147)	(86.3%)	Operating profit RC[1]	684	248	(436)	(63.7%)
179	**51**	**(127)**	**(71.3%)**	**Operating profit RCA[2]**	**693**	**287**	**(407)**	**(58.7%)**
(451)	87	539	n.m.	Net profit	117	347	230	196.9%
120	16	(104)	(86.8%)	Net profit RC[1]	472	186	(286)	(60.6%)
125	**34**	**(91)**	**(72.7%)**	**Net profit RCA[2]**	**478**	**213**	**(264)**	**(55.3%)**

[1] Replacement cost figures exclude inventory effects
[2] RCA figures exclude inventory effects and non recurrent items

Market indicators

Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
4.4	(0.3)	(4.7)	n.m.	Rotterdam cracking refining margin[1] (Usd/bbl)	2.6	1.0	(1.6)	(62.0%)
4.8	(1.4)	(6.2)	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)	0.7	(0.0)	(0.7)	n.m.
55.8	27.7	(28.1)	(50.4%)	UK NBP natural gas price[2] (GBp/term)	57.5	30.9	(26.6)	(46.3%)
64.4	32.9	(31.6)	(49.0%)	Spanish pool price[2] (€/MWh)	64.4	37.0	(27.5)	(42.6%)
54.9	74.6	19.7	35.8%	Average Brent dated price[3] (Usd/bbl)	97.0	61.5	(35.5)	(36.6%)
1.32	1.48	0.2	11.8%	Average exChg. rate[2] (Eur/Usd)	1.47	1.39	(0.1)	(5.2%)
4.31	1.00	(3 p.p.)	n.m.	Euribor - six month[2] (%)	4.73	1.43	(3 p.p.)	n.m.

[1] Source: Platts. For a complete description of the method for calculating Rotterdam margins see "Definitions"
[2] Source: Bloomberg
[3] Source: Platts

Operating data

Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
15.5	17.7	2.1	13.9%	Average working interest production (kbbl/day)	15.1	14.7	(0.4)	(2.8%)
9.7	12.2	2.5	26.3%	Average net entitlement production (kbbl/day)	10.0	9.7	(0.3)	(2.7%)
5.8	0.9	(4.8)	(83.8%)	Galp Energia refining margin (Usd/bbl)	4.4	1.5	(3.0)	(67.2%)
3.0	3.0	0.0	1.1%	Raw materials processed (million tonnes)	13.1	11.5	(1.6)	(12.0%)
2.7	2.8	0.0	1.8%	Oil sales direct clients (million tonnes)	9.6	11.1	1.5	16.1%
1,225	1,198	(27)	(2.2%)	Natural gas sales (million m^3)	5,638	4,680	(958)	(17.0%)
104	289	185	178.0%	Electric power generation[1] (GWh)	489	721	232	47.4%

[1] Includes unconsolidated companies where Galp Energia has a significant interest

BASIS OF PRESENTATION

Galp Energia's unaudited consolidated financial statements for the twelve months ended 31 December 2009 and 2008 have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended 31 December 2009 and 31 December 2008 and for the twelve-month periods ended on these dates. The financial information in the consolidated balance sheet is reported at 31 December 2009, 30 September 2009 and 31 December 2008.

Galp Energia's financial statements are prepared in accordance with IFRS and the cost of goods sold is, from 1 November 2008, valued at WAC (see a detailed explanation of the change in accounting method in this chapter's Recent Changes section). The use of this valuation method may cause volatility in results, when goods and commodity prices fluctuate, owing to gains or losses in inventories that do not reflect the company's operating performance. This effect is called the inventory effect.

Another factor that may affect the company's results but is not an indicator of its true performance is the set of non recurrent items such as gains or losses on the disposal of assets, impairments or reinstatements of fixed assets and environmental or restructuring charges.

For the purpose of evaluating the operating performance of Galp Energia's businesses, replacement cost adjusted (RCA) operating profit and net profit exclude non recurrent items and the inventory effect as they are calculated using the replacement cost method.

RECENT CHANGES

In January 2009, Galp Energia changed the way of accounting for its shareholdings in jointly controlled companies to the equity method. These holdings had, up to the end of 2008, been consolidated by using the proportionate method. This change resulted from the publication of the International Accounting Standards Board's *Exposure Draft 9* recommending the use of the equity method from the first quarter of 2009. This change in accounting method was not applied to the financial statements for the twelve months and fourth quarter of 2008, the reason these are not directly comparable with the financial statements of the twelve months and fourth quarter of 2009.

The acquisitions of the Agip and ExxonMobil Iberian subsidiaries, which closed on 1 October and 1 December 2008, respectively, altered the comparability of results. Galp Energia has consolidated the Agip operations since 1 October 2008 and ExxonMobil's since 1 January 2009.

MARKET ENVIRONMENT

BRENT

The average price of dated Brent in 2009 was Usd 61,5/bbl, down 37% from Usd 97,0/bbl in 2008. However, the price of crude oil staged a sustained recovery in 2009, with the dated Brent closing the year at Usd 77.7/bbl. This recovery was directly related to a set of factors such as the positive sentiment, based on favourable economic data, towards an upturn in the world economy, which fuelled the demand for oil, namely in China and the United States.

The last quarter of 2009 confirmed the upward trend in the price of crude oil since the beginning of the year, with the dated Brent averaging Usd 74.6/bbl, up 9% qoq (quarter on quarter). This rise was driven by the updated forecast by the International Energy Agency (IEA), which raised the estimated annual demand for oil to 86.2 million bbl per day as a result of the prospects for economic recovery.

OIL PRODUCTS

In 2009, the gasoline crack spread averaged Usd 14.7/bbl, up 11% yoy. This favourable trend resulted from the lower utilisation of refinery capacity, which held back the supply of gasoline. In the last quarter of 2009, the gasoline crack spread corrected by 13% qoq to an average of Usd 14.4/bbl as demand fell short of initial estimates, prompting a rise in inventories.

In 2009, the diesel crack spread averaged Usd 9.9/bbl, down 66% yoy. This drop followed from the shortfall in world demand, namely from the industrial and transportation sectors, which led to rising inventories of diesel. However, as cold weather in the northern hemisphere set in for the last quarter of the year, inventories dropped, which drove the diesel crack spread 10% higher in comparison with the third quarter of the year, to an average of Usd 8.7/bbl, which was still 67% short of the average in the fourth quarter of 2008.

In 2009, the fuel oil crack spread averaged Usd -14.6/bbl, up 52% yoy. This improvement was primarily due to the increased competitiveness of fuel oil relative to natural gas, mainly in the first half of the year, and the cuts in the production of heavy crude oil by OPEC. The last quarter of the year was the only one when the fuel oil crack spread declined yoy, 4% lower than in 2008 to Usd -15.7/bbl, primarily in the wake of the rise in the price of dated Brent.

REFINING MARGINS

In 2009, both the hydroskimming and cracking margins moved lower yoy, with the latter evidencing a steeper fall as the price difference between light and heavy crude oil narrowed following OPEC's cuts in the production of heavy crude oil. The hydroskimming margin shed Usd 0.1/bbl in the year to an average of Usd -1.3/bbl. The cracking margin dropped Usd 1.6/bbl to Usd 1.0/bbl, which resulted primarily from lower crack spreads for middle distillates as inventories remained at high levels throughout the year.

In the last quarter of 2009, both margins deteriorated yoy and qoq. The hydroskimming margin dropped Usd 5.6/bbl yoy to Usd -2.4/bbl as the price of dated Brent rose. At the end of the quarter, the cracking margin benefited from the rising demand for middle distillates as cold weather struck the northern hemisphere. This was, however, not enough to offset the fall in the crack spreads of gasoline or fuel oil. In the fourth quarter of 2009, the average cracking margin fell to Usd -0.3/bbl, or a drop of Usd 4.7/bbl yoy and Usd 0.6/bbl qoq.

EUR/USD

The euro/dollar exchange rate averaged Usd 1.39 in 2009, meaning that the value of the euro against the dollar declined 5% yoy. In the last quarter, however, the euro appreciated 3% qoq against the dollar, averaging Usd 1.48 and hitting a peak for the year at Usd 1.51 in December. This appreciation followed signaling from the European Central Bank towards a normal monetary policy as it dropped its extraordinary liquidity injections.

THE IBERIAN MARKET

In 2009, the Portuguese market for oil products contracted 1% compared to a year earlier, to 10.6 million tonnes. Whereas the market for gasoline decreased 1% relative to 2008, to 1.5 million tonnes, the market for diesel grew 3% to 5.5 million tonnes. The market for jet decreased the most, by 6% to 0.9 million tonnes.

In the fourth quarter of 2009, the Portuguese market for oil products contracted 4% yoy to 2.6 million tonnes. The trend for the year was also noticeable in the quarter, with the market for diesel showing signs of recovery as it expanded 3% yoy, to 1.4 million tonnes. The market for gasoline declined 3% to 0.4 million tonnes and the market for jet dropped 2% to 0.2 million tonnes, which evidenced a recovery against the 7% contraction in the first nine months of the year.

In Spain, the market for oil products contracted 6% in 2009, to 59.6 million tonnes, as the economy slowed down. The market for gasoline dropped 5% to 6.0 million tonnes and the market for diesel declined 6% to 31.8 million tonnes. The markets for fuel oil and jet contracted the most, 12% and 9% to 3.6 million tonnes and 5.2 million tonnes, respectively.

In the fourth quarter, the Spanish market for oil products contracted 9% to 14.6 million tonnes. Whereas the market for jet expanded 3% yoy, the markets for gasoline, diesel and fuel oil contracted 6%, 7% and 16% to 1.4 million tonnes, 8.1 million tonnes and 0.8 million tonnes, respectively.

The Portuguese market for natural gas contracted 8% in 2009 compared with 2008, to 4,235 million cubic metres. This decline was primarily due to the lower demand for natural gas by electricity producers, which used hydro power to the detriment of natural gas combustion as rainfall increased.

In the fourth quarter of 2009, the Portuguese market for natural gas was, at 1,035 million cubic metres, in line with a year earlier.

In Spain, the market for natural gas contracted 11% in 2009 to 34 billion cubic metres. This contraction was influenced by the 14% drop yoy in the electrical segment as power companies switched to hydro sourcing and demand for power was hit by the adverse economic environment. The faltering economy also had an impact on the demand for gas from the commercial and industrial segments, which declined by 8%.

In the fourth quarter of 2009, the Spanish market for natural gas contracted 6% yoy to 9 billion cubic metres, with the electrical segment falling 8% yoy and the commercial and industrial segments contracting 6% yoy.

Market indicators

Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
54.9	74.6	19.7	35.8%	Average Brent dated price[1] (Usd/bbl)	97.0	61.5	(35.5)	(36.6%)
26.6	8.7	(17.9)	(67.4%)	Diesel crack[2] (Usd/bbl)	29.0	9.9	(19.1)	(65.8%)
5.6	14.4	8.8	156.3%	Gasoline[3] crack (Usd/bbl)	13.3	14.7	1.4	10.8%
(15.1)	(15.7)	(0.6)	(3.9%)	Fuel oil crack[4] (Usd/bbl)	(30.6)	(14.6)	16.1	52.5%
4.4	(0.3)	(4.7)	n.m.	Rotterdam cracking refining margin[1] (Usd/bbl)	2.6	1.0	(1.6)	(62.0%)
3.1	(2.4)	(5.6)	n.m.	Rotterdam hydroskimming refining margin[1] (Usd/bbl)	(1.2)	(1.3)	(0.1)	(5.9%)
2.7	2.6	(0.1)	(3.9%)	Portuguese oil market[5] (million ton)	10.7	10.6	(0.1)	(1.0%)
16.0	14.6	(1.4)	(8.7%)	Spanish oil market[6] (million ton)	63.7	59.6	(4.1)	(6.5%)
1,034	1,035	0.6	0.1%	Portuguese natural gas market[7] (million m^3)	4,617	4,235	(382.7)	(8.3%)
9,640	9,070	(570)	(5.9%)	Spanish natural gas market[8] (million m^3)	38,536	34,457	(4,079)	(10.6%)

[1] Source: *Platts*
[2] Source: *Platts*; ULSD 10ppm NWE CIF ARA. (ULSD 50 ppm up to the end of October 2008)
[3] Source: *Platts*; Premium unleaded NWE FOB Barges
[4] Source: *Platts*; 1% LSFO, NWE FOB Cargoes
[5] Source: DGEG
[6] Fonte: Cores. In 2009, the data for December is estimated. The data for the fourth quarter and the twelve months 2008 has been adjusted to make it comparable with the corresponding data for 2009, which includes the marine bunker segment.
[7] Source: Galp Energia
[8] Source: Enagas

FINANCIAL REVIEW

1. INCOME STATEMENT

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
3,579	2,959	(621)	(17.3%)	Turnover	15,086	12,008	(3,077)	(20.4%)
(4,165)	(2,752)	(1,414)	(33.9%)	Operating expenses	(14,698)	(11,283)	(3,415)	(23.2%)
29	43	14	47.8%	Other operating revenues (expenses)	61	94	33	53.9%
(557)	**250**	**807**	**n.m.**	**EBITDA**	**449**	**819**	**370**	**82.5%**
(71)	(131)	(60)	(83.8%)	D&A and provisions	(282)	(360)	79	28.0%
(628)	**119**	**747**	**n.m.**	**Operating profit**	**167**	**459**	**291**	**174.2%**
15	13	(2)	(14.3%)	Net profit from associated companies	48	70	21	43.7%
0	(0)	(1)	n.m.	Net profit from investments	0	(1)	(1)	n.m.
(16)	(23)	(7)	(41.4%)	Net interest expenses	(61)	(76)	(15)	(24.6%)
(629)	108	738	n.m.	Profit before tax and minority interests	155	451	297	191.8%
180	(19)	199	n.m.	Income tax	(33)	(99)	66	199.7%
(1)	(1)	0	8.2%	Minority Interests	(5)	(6)	1	14.1%
(451)	**87**	**539**	**n.m.**	**Net profit**	**117**	**347**	**230**	**196.9%**
(451)	**87**	**539**	**n.m.**	**Net profit**	**117**	**347**	**230**	**196.9%**
571	(72)	643	n.m.	Inventory effect	355	(161)	(516)	n.m.
120	**16**	**(104)**	**(86.8%)**	**Net profit RC**	**472**	**186**	**(286)**	**(60.6%)**
5	18	13	n.m.	Non recurrent items	6	27	22	n.m.
125	**34**	**(91)**	**(72.7%)**	**Net profit RCA**	**478**	**213**	**(264)**	**(55.3%)**

TWELVE MONTHS

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 (oil tax) in Angola. IFRS net profit was €347 million, including a favourable inventory effect of €161 million.

FOURTH QUARTER

In the fourth quarter, RCA net profit amounted to €34 million, or €91 million lower yoy, following weak results from the Refining & Marketing business segment as refining margins tumbled. On the upside, results from Exploration & Production rose as production increased and the price of crude oil went up compared with a year earlier. Also, results from Gas & Power improved by comparison with the fourth quarter of 2008 when contracts for the supply of natural gas were renegotiated. The fall in RCA net profit in the quarter also reflected higher depreciation charges, amortisation and provisions and lower net financial results. IFRS net profit in the quarter of €87 million benefited from a favourable inventory effect of €72 million.

2. ANALYSIS OF INCOME STATEMENT ITEMS

SALES AND SERVICES RENDERED

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
3,579	**2,959**	**(621)**	**(17.3%)**	**Sales and services rendered**	**15,086**	**12,008**	**(3,077)**	**(20.4%)**
-	(48)	(48)	n.m.	Non recurrent items	(24)	(48)	(24)	(99.0%)
3,579	**2,911**	**(668)**	**(18.7%)**	**Sales and services rendered RCA**	**15,062**	**11,960**	**(3,101)**	**(20.6%)**
29	68	40	137.0%	Exploration & Production	200	168	(33)	(16.2%)
3,126	2,566	(559)	(17.9%)	Refining & Marketing	13,200	10,620	(2,580)	(19.5%)
507	369	(137)	(27.1%)	Gas & Power	1,942	1,425	(518)	(26.6%)
41	26	(14)	(34.9%)	Others	127	111	(16)	(12.6%)
(122)	(120)	3	2.1%	Consolidation adjustments	(408)	(363)	45	11.0%

TWELVE MONTHS

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.

FOURTH QUARTER

In the fourth quarter of 2009, sales and services rendered were €2,959 million, with the adjusted amount falling 19% yoy to €2,911 million. Rising sales in Exploration & Production stemmed from higher production and crude prices in comparison with a year earlier. Falling sales in the Refining & Marketing and Gas & Power business segments reflected lower volumes and prices.

OTHER NET OPERATING REVENUES

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
29	**43**	**14**	**47.8%**	**Other net operating revenues**	**61**	**94**	**33**	**53.9%**
(0)	(24)	(24)	n.m.	Non recurrent items	9	(30)	(39)	n.m.
29	**19**	**(10)**	**(35.5%)**	**Adjusted other net operating revenues**	**70**	**64**	**(6)**	**(8.5%)**

TWELVE MONTHS

In 2009, other net operating revenues rose €33 million yoy to €94 million. Excluding non recurrent items, other net operating revenues amounted to €64 million. Non recurrent events consisted mainly of: (i) non recurrent revenues related to indemnities following the incident in Sines refinery and (ii) gains from the sale of licences for emission of carbon dioxide in the two last quarters of the year.

FOURTH QUARTER

In the fourth quarter of 2009, other net operating revenues amounted to €43 million, or €19 million in adjusted terms. Non recurrent items consisted mainly of indemnities related to the incident at Sines refinery and gains from the sale of licences for emission of carbon dioxide.

OPERATING COSTS

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
4,165	**2,752**	**(1,414)**	**(33.9%)**	**Operational costs**	**14,698**	**11,283**	**(3,415)**	**(23.2%)**
(799)	95	894	n.m.	Inventory effect	(517)	211	728	n.m.
3,367	**2,847**	**(520)**	**(15.4%)**	**Operational costs RC**	**14,181**	**11,494**	**(2,687)**	**(18.9%)**
(1)	(17)	(16)	n.m.	Non recurrent items	(23)	(40)	(18)	(78.6%)
3,366	**2,830**	**(536)**	**(15.9%)**	**Operational costs RCA**	**14,158**	**11,454**	**(2,705)**	**(19.1%)**
3,366	**2,830**	**(536)**	**(15.9%)**	**Operational costs RCA**	**14,158**	**11,454**	**(2,705)**	**(19.1%)**
3,068	2,554	(514)	(16.7%)	Cost of goods sold	13,189	10,404	(2,785)	(21.1%)
213	187	(26)	(12.3%)	Supply and services	680	728	48	7.1%
85	89	5	5.4%	Personnel costs	290	322	32	11.1%

TWELVE MONTHS

In 2009, operating costs amounted to €11,283 million or €11,454 million in RCA terms. The drop of 19% 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.

The 7% rise in supply and services cost reflected primarily the consolidation of the former Agip and ExxonMobil subsidiaries and the 11% rise in 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 5% relative to 2008.

FOURTH QUARTER

In the fourth quarter of the year, operating costs amounted to €2,752 million. In RCA terms, the 16% drop to €2,830 million was due to the lower cost of goods sold against a backdrop of falling volumes sold of natural gas and oil products in comparison with a year earlier. The integration of Agip and ExxonMobil operations led to an increase in supply and services cost and personnel costs with an impact of €25 million and €20 million, respectively. In adjusted terms and on a comparable basis, the sum of personnel and supply and services costs decreased by 15% yoy.

EMPLOYEES

	December 31, 2008	September 30, 2009	December 31, 2009	Change vs Dec 31, 2008	Change vs Sept 30, 2009
Exploration & Production	70	79	78	8	(1)
Refining & Marketing	6,686	6,537	6,340	(346)	(197)
Gas & Power	476	478	468	(8)	(10)
Corporte & Others	585	593	607	22	14
Total employees	**7,817**	**7,687**	**7,493**	**(324)**	**(194)**
Service stations employees	3,918	3,878	3,761	(157)	(117)
Total off site employees	**3,899**	**3,809**	**3,732**	**(167)**	**(77)**

At the end of December 2009, Galp Energia had a total of 7,493 employees, 3,761 of whom worked at service stations. The change from September is primarily explained by the Refining & Marketing business segment, where the number of staff at service stations fell as the distribution network was rationalised.

DEPRECIATION AND AMORTISATION

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
71	**112**	**41**	**58.1%**	**Depreciation & amortisation**	**240**	**297**	**57**	**23.8%**
(10)	(35)	(26)	n.m.	Non recurrent items	2	(37)	(38)	n.m.
61	**77**	**16**	**25.7%**	**Adjusted depreciation & amortisation**	**241**	**260**	**19**	**7.7%**
61	**77**	**16**	**25.7%**	**Adjusted depreciation & amortisation**	**241**	**260**	**19**	**7.7%**
20	8	(12)	(59.2%)	Exploration & Production	69	41	(29)	(41.3%)
36	60	24	68.5%	Refining & Marketing	143	190	47	32.6%
5	9	3	58.5%	Gas & Power	29	29	1	1.8%
0	0	0	n.m.	Others	1	1	0	25.5%

TWELVE MONTHS

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.

FOURTH QUARTER

In the fourth quarter, adjusted depreciation and amortisation increased by €16 million yoy to €77 million. This amount excluded non recurrent items of €35 million, which were mostly related to charges for dry wells in Brazil. Depreciation in Exploration & Production fell as the lower price of crude oil led to an upward revision of net entitlement reserves and, consequently, to a lower depreciation rate. This decrease was, however, more than offset by increased depreciation in Refining & Marketing as a result of capital spending during the scheduled stop of the Sines refinery and the acquisition of the Agip and ExxonMobil operations. In the Gas & Power business segment, increased depreciation charges were primarily influenced by the start of operations at the Sines cogeneration plant in the fourth quarter of 2009.

PROVISIONS

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
0	**19**	**19**	**n.m.**	**Provisions**	**42**	**64**	**22**	**52.1%**
3	(0)	(3)	n.m.	Non recurrent items	(2)	8	10	n.m.
4	**19**	**15**	**n.m.**	**Adjusted provisions**	**40**	**72**	**32**	**80.6%**
4	**19**	**15**	**n.m.**	**Adjusted provisions**	**40**	**72**	**32**	**80.6%**
5	(0)	(5)	n.m.	Exploration & Production	8	4	(3)	(43.5%)
6	8	2	24.4%	Refining & Marketing	13	23	11	n.m.
(8)	11	19	n.m.	Gas & Power	20	43	24	121.4%
1	0	(1)	n.m.	Others	0	1	1	n.m.

TWELVE MONTHS

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 renegotiation 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.

FOURTH QUARTER

In the fourth quarter of 2009, provisions of €19 million were in line with the adjusted amount, which rose by €15 million yoy. The increase was primarily due to provisions for the renegotiation of natural gas contracts in the Gas & Power business segment.

OPERATING PROFIT

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
(628)	**119**	**747**	**n.m.**	**Operating profit**	**167**	**459**	**291**	**174.2%**
799	(95)	(894)	n.m.	Inventory effect	517	(211)	(728)	n.m.
170	**23**	**(147)**	**(86.3%)**	**Operating profit RC**	**684**	**248**	**(436)**	**(63.7%)**
8	28	19	n.m.	Non recurrent items	9	39	29	n.m.
179	**51**	**(127)**	**(71.3%)**	**Operating profit RCA**	**693**	**287**	**(407)**	**(58.7%)**
179	**51**	**(127)**	**(71.3%)**	**Operating profit RCA**	**693**	**287**	**(407)**	**(58.7%)**
18	31	13	72.1%	Exploration & Production	141	67	(74)	(52.5%)
216	(6)	(223)	n.m.	Refining & Marketing	373	79	(294)	(78.7%)
(52)	30	82	n.m.	Gas & Power	176	135	(41)	(23.2%)
(3)	(3)	1	n.m.	Others	3	5	2	47.0%

TWELVE MONTHS

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 higher prices of crude and oil products in 2009.

FOURTH QUARTER

In the fourth quarter of 2009, RCA operating profit of €51 million reflected the worse results in Refining & Marketing as refining margins fell in comparison with 2008. On the upside, the results of the Exploration & Production business segment rose as total production and the price of crude oil increased yoy. Rising results yoy in the Gas & Power business segment reflected mainly the negative impact of the renegotiation of natural gas contracts on the fourth quarter of 2008. IFRS operating profit of €119 million included a favourable inventory effect of €95 million as the prices of crude and oil products developed favourably.

OTHER RESULTS

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
15	13	(2)	(14.3%)	Net profit from associated companies	48	70	21	43.7%
0	(0)	(1)	n.m.	Net profit from investments	0	(1)	(1)	n.m.
(16)	(23)	(7)	(42.8%)	Financial results	(61)	(76)	(15)	(24.9%)

TWELVE MONTHS

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 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.

FOURTH QUARTER

In the fourth quarter of 2009, results from associates of €13 million included mainly the consolidation of CLC by the equity method and income from the holdings in the international gas pipelines. Results underperformed relative to the fourth quarter of 2008 as this period reported gains from ExxonMobil's Portuguese subsidiary, for which the full consolidation method was adopted from January 2009.

Financial losses increased by €7 million yoy to €23 million, which followed primarily from the favourable impact of exchange gains on the fourth quarter of 2008.

INCOME TAX

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
(180)	**19**	**199**	**n.m.**	**Income tax IFRS**[1]	**33**	**99**	**66**	**199.7%**
n.m.	*18%*	*n.m.*	*n.m.*	*Effective income tax*	*21%*	*22%*	*1 p.p.*	*n.m.*
227	(24)	251	*n.m.*	Inventory effect	162	(50)	211	n.m.
48	**(5)**	**(52)**	**n.m.**	**Income tax RC**[1]	**195**	**49**	**(146)**	**(74.8%)**
4	10	7	195.3%	Non recurrent items	3	12	9	n.m.
51	**6**	**(46)**	**(89.2%)**	**Income tax RCA**[1]	**198**	**61**	**(137)**	**(69.1%)**
29%	*13%*	*(15 p.p.)*	*n.m.*	*Effective income tax*	*29%*	*22%*	*(7 p.p.)*	*n.m.*

[1] Includes oil tax (IRP) payable in Angola

TWELVE MONTHS

In 2009, IFRS income tax amounted to €99 million, which equated to an effective tax rate of 22%, in line with 2008. In RCA terms, income tax decreased by €137 million to €61 million as operating profit declined and 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 that had been used up to 31 December 2008, started to be consolidated by the equity method instead.

FOURTH QUARTER

IFRS income tax amounted to €19 million, which equated to an effective tax rate of 18%. RCA income tax fell by €46 million to €6 million following the weak operating profit in the quarter and despite a rise yoy in the IRP from €3 million to €6 million. The RCA effective tax rate fell to 13% from 29% a year earlier as operating profit fell and consolidation of selected associates changed from the proportionate to the equity method after 31 December 2008.

3. FINANCIAL POSITION

Million euros (except otherwise noted)	December 31, 2008	September 30, 2009	December 31, 2009	Change vs Dec 31, 2008	Change vs Sept 30, 2009
Fixed assets	3,881	3,941	4,154	273	213
Strategic stock	480	636	575	95	(62)
Other assets (liabilities)	(29)	(64)	(24)	5	40
Working capital	(249)	(23)	(389)	(140)	(367)
	4,082	**4,491**	**4,316**	**233**	**(176)**
Short term debt	687	409	424	(263)	15
Long term debt	1,304	1,974	1,747	443	(227)
Total debt	**1,991**	**2,383**	**2,171**	**180**	**(212)**
Cash	127	184	244	117	60
Total net debt	**1,864**	**2,198**	**1,927**	**63**	**(271)**
Total shareholder's equity	**2,219**	**2,293**	**2,389**	**170**	**96**
Capital employed	**4,082**	**4,491**	**4,316**	**233**	**(176)**

At the end of December 2009, fixed assets of €4,154 million were €213 million higher than at the end of September following capital spending in the fourth quarter, an increase that was in line with the change from the end of 2008. Yet it was below capital expenditure in the year 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 of €575 million was €62 million lower than at the end of September as volumes of oil products fell, which was not offset by price rises between the third and the fourth quarter of the year. Working capital was reduced by €367 million at the end of September to €389 million as a result of efficient working capital management.

DEBT

Million euros (except otherwise noted)	December 31, 2008		September 30, 2009		December 31, 2009		Change vs Dec 31, 2008		Change vs Sept 30, 2009	
	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	2	-	1	700	1	700	(0)	700	-	-
Bank debt	485	754	407	1,024	422	947	(63)	193	15	(77)
Commercial paper	200	550	-	250	-	100	(200)	(450)	-	(150)
Cash	(127)	-	(184)	-	(244)	-	(117)	-	(60)	-
Net debt	**1,864**		**2,198**		**1,927**		**63**		**(271)**	
Average life (years)	2.68		3.71		3.53		0.84		(0.19)	
Net debt to equity	84%		96%		81%		(3.3 p.p.)		(15.2 p.p.)	

Net debt stood at the end of December 2009 at €1,927 million, which was €271 million lower than at the end of September 2009 despite capital spending and the payment of dividends in the fourth quarter.

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

The net-debt-to-equity ratio of 81% on the same date was, despite the amount of capital spending in 2009, lower than 96% at the end of September 2009 and 84% at the end of December 2008.

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 for 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.

4. CASH FLOW

Million euros				
Fourth quarter			Twelve months	
2008	2009		2008	2009
(628)	119	Operating profit	167	459
71	112	Non cash costs	240	297
378	(47)	Change in operational stock	354	(228)
514	62	Change in strategic stocks	214	96
335	**246**	**Sub total**	**975**	**623**
(21)	(22)	Interest expenses	(51)	(75)
(51)	(19)	Taxes	(186)	(101)
(40)	413	Change in working capital excluding operational stock	(128)	409
222	**618**	***Cash flow from operating activities***	**611**	**856**
(1,113)	(330)	Net capital expenditures and disposals[1]	(1,535)	(800)
(94)	(6)	Dividends paid / received	(217)	(127)
(3)	(11)	Others	12	7
(988)	**271**	**Total**	**(1,129)**	**(63)**

[1] Net capital expenditure and disposals include financial investments

TWELVE MONTHS

Net cash outflow of €63 million in 2009 was an improvement on 2008 and reflected efficient working capital management. Cash flow from operating activities was adversely impacted by the change in operational stock of €228 million as the average price of oil products rose throughout the year. On the other hand, the fall in the strategic stock contributed €96 million to cash flow generation.

Higher average debt relative to 2008 led to a larger cash outflow as interest was paid. Tax paid in 2009 of €101 million was lower than in 2008 as profit before tax fell and IRP payments to Angola declined from €81 million in 2008 to €28 million in 2009.

Capital expenditure, mainly the conversion project in the Refining & Marketing business segment, accounted for a cash outflow of €800 million, which was still a significantly lower amount than in 2008, when the ExxonMobil's and Agip's operations were acquired. Cash outflow in respect of dividends amounted to €127 million and included payments to shareholders in May and October. Following the presentation of the funding strategy in May 2009, the payment in October of the first interim dividend on account of 2009 results amounted to €50 million, against €124 million paid in 2008.

FOURTH QUARTER

Cash flow of €271 million in the fourth quarter of 2009 marked a substantial improvement on cash outflow of €988 million a year earlier. This significant recovery was due to larger cash flows generated by operating activities, lower capital expenditure and a favourable comparison with the fourth quarter 2008, which was adversely affected by the sudden fall in the price of crude and oil products. However, rising prices of oil products in the fourth quarter led to an additional cash outflow as operational stocks were built up. On the other hand, cash flow was generated in the quarter as the strategic stock was drawn down.

Despite the rise in debt year on year, the fall in the cost of debt kept interest payments stable. Net cash outflow of €19 million in respect of tax included €13 million for Angola's IRP. Efficient working capital management limited the use of funds for this purpose, which had a significant favourable impact on overall cash flow in the quarter. Cash outflow of €330 million from investing activities was a substantial improvement on the outflow of €1,113 million in the fourth quarter of 2008, when the Agip and ExxonMobil operations were acquired. Despite the dividend payment in October, the new dividend policy that followed the revised funding strategy lessened the impact of dividend payments on the overall cash flow generation in the quarter.

5. CAPITAL EXPENDITURE

Million euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
44	38	(6)	(14.3%)	Exploration & Production	196	193	(3)	(1.5%)
1,049	232	(818)	(77.9%)	Refining & Marketing	1,245	456	(789)	(63.4%)
37	24	(13)	(35.1%)	Gas & Power	116	77	(39)	(33.5%)
2	1	(1)	(43.6%)	Others	2	3	1	n.m.
1,132	**295**	**(838)**	**(74.0%)**	**Investment**	**1,560**	**730**	**(830)**	**(53.2%)**

TWELVE MONTHS

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.

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, €80 million was spent, of which €38 million on the Tômbua-Lândana field. Expenditure in Brazil 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 for 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 529 km. In the Power sector, expenditure was mainly channelled to the cogeneration plants at the Sines and Porto refineries.

FOURTH QUARTER

Capital expenditure in the fourth quarter amounted to €295 million, of which Refining & Marketing accounted for 79%, followed by Exploration & Production, with 13% of the total.

In the Exploration & Production business segment, expenditure in Angola focused on block 14, where €14 million was spent, predominantly on the development of the Tômbua-Lândana field. Expenditure in Brazil was mainly allocated to offshore fields in the Santos Basin, particularly the Tupi, which accounted for €22 million.

Capital spending of €232 million in the Refining & Marketing business segment was mainly allocated to the conversion project, which accounted for €114 million. In marketing of oil products, Portugal absorbed €24 million and Spain €61 million.

Expenditure of €24 million in the Gas & Power business segment was primarily allocated to expansion of the natural gas distribution network. In the Power business, spending in the quarter was mainly channelled to the cogeneration plants at the Porto and Sines refineries.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
15.5	**17.7**	**2.1**	**13.9%**	**Average working interest production (kbbl/day)**	**15.1**	**14.7**	**(0.4)**	**(2.8%)**
9.7	**12.2**	**2.5**	**26.3%**	**Average net entitlement production (kbbl/day)**	**10.0**	**9.7**	**(0.3)**	**(2.7%)**
0.9	**1.1**	**0.2**	**26.3%**	**Total net entitlement production (million bbl)**	**3.7**	**3.5**	**(0.1)**	**(3.0%)**
0.9	0.8	(0.0)	(5.5%)	Angola - Block 14	3.7	3.3	(0.4)	(10.7%)
-	0.3	0.3	n.m.	Brazil - BM-S-11	-	0.3	0.3	n.m.
60.8	**76.9**	**16.0**	**26.4%**	**Average realized sale price[1] (Usd/bbl)**	**96.9**	**59.8**	**(37.0)**	**(38.2%)**
6.5	**13.7**	**7.2**	**110.6%**	**Operating cost[1] (Usd/bbl)**	**9.0**	**10.5**	**1.5**	**16.9%**
15.4	**14.3**	**(1.2)**	**(7.6%)**	**Amortisation[1] (Usd/bbl)**	**24.0**	**17.3**	**(6.7)**	**(27.8%)**
1.9	**1.0**	**(0.9)**	**n.m.**	**Total sales[2] (million bbl)**	**3.8**	**3.0**	**(0.9)**	**(22.3%)**
-	**-**	**-**	**-**	**Net total assets**	**693**	**914**	**220**	**31.8%**
29	68	40	137.0%	Turnover	200	168	(33)	(16.2%)
9	**3**	**(6)**	**(61.6%)**	**Operating profit**	**122**	**31**	**(91)**	**(74.2%)**
9	27	18	n.m.	Non recurrent items	18	35	17	91.7%
18	**31**	**13**	**72.1%**	**Operating profit RCA**	**141**	**67**	**(74)**	**(52.5%)**

[1] Based on net entitlement production
[2] Considers actual sales

RESERVES AND CONTINGENT RESOURCES

At the end of 2009, according to a report by DeGolyer and MacNaughton ("DeMac"), Galp Energia's proved and probable reserves in Block 14 amounted to 35 million barrels against 28 million barrels of oil at the end of 2008. Notwithstanding the 3.3 million barrels of crude production in 2009, reserves increased due to (i) the reclassification of Tômbua-Lândana's resources as reserves and (ii) the change in the reference price of crude oil for the calculation of reserves on a net entitlement basis from Usd 97.0/bbl in 2008 to Usd 61.5/bbl in 2009. According to the report, Galp Energia's contingent resources (3C) amounted to 3,065 million barrels of oil and natural gas, of which 206 million barrels consisted of resources in Angola's blocks 14, 14K, 32 and 33 whereas the remainder – 2,859 million barrels – was in Brazil's Santos Basin offshore, Potiguar Basin onshore and the Sergipe/Alagoas Basin. At the end of 2008, Galp Energia's contingent resources (3C) amounted to 2,113 million barrels of oil and natural gas.

EXPLORATION AND PRODUCTION ACTIVITIES

TWELVE MONTHS

Working-interest production in 2009 of 14.7 thousand barrels a day was 3% below the level of 2008. Production was adversely affected by maintenance works and OPEC's policy of cutting back production. Working-interest production was helped by Tupi's Extended Well Test (EWT) production since its beginning in May 2009, which contributed with 283 thousand barrels.

In Angola, working-interest production was 5.1 million barrels, with the BBLT field accounting for 77% of the country's total production, that is, 10.7 thousand barrels a day. Working-interest production in the Tômbua-Lândana field, whose CPT project started in August, contributed to 7.2% of Angola's total production against 4% in 2008.

Net-entitlement production changed in line with working-interest production and declined to 9.7 thousand barrels a day. The BBLT field was still the highest-producing field, with 6.8 thousand barrels a day, and accounted for 70% of total net-entitlement production. The Tômbua-Lândana field contributed 9% of total net-entitlement production, ahead of the 5% in 2008. Net-entitlement production included Brazil's Extended Well Test production from the Tupi field, which amounted to 283 thousand barrels from its beginning.

In 2009, three cargoes – in June, September and November – from the BBLT and Kuito fields for a total of 3.0 million barrels were sold at an average discount of Usd 1.2/bbl from dated Brent. Considering both these effective cargoes and underlifting, the average sales price was Usd 59.8/bbl.

FOURTH QUARTER

Working-interest production in the fourth quarter reached 17.7 thousand barrels a day, up 14% from 2008. Production was adversely affected by OPEC's continued policy of production cutbacks, which led to a fall of 6% in Angola's working-interest production to 14.6 thousand barrels a day. The Tômbua-Lândana field advanced 78% and reached a production of 1.6 thousand barrels a day, or 11% of Angola's total production against 6% a year earlier. Production of 283 thousand barrels from Brazil's Extended Well Test, which was booked in the fourth quarter, more than offset the decline in Angola. Although the total production from the Tupi's Extended Well Test was booked in the fourth quarter, the effective production in the period was 183 thousand barrels. Working-interest production rose by 24% qoq as all fields, namely the Tômbua-Lândana and the Tupi, gave a positive contribution.

Although Angola's net-entitlement production fell in line with working-interest production, total net-entitlement production rose 26% yoy to 12.2 thousand barrels a day owing to the positive contribution from Tupi's production. Net-entitlement production rose 37% qoq after the positive contribution from (i) the Tômbua-Lândana production, which rose 20% and (ii) the Tupi production in 2009, which was booked in the fourth quarter.

In November 2009, a cargo of 997 thousand barrels from the BBLT field was sold at a price in line with the dated Brent as the quality of BBLT's crude oil is similar to the benchmark. Considering both this sale and underlifting, the average sales price was Usd 76.9/bbl, up 26% from the price achieved in the third quarter of the year.

OPERATING PROFIT

TWELVE MONTHS

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

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 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 consisted primarily of charges for onshore dry wells in the Espírito Santo and Sergipe-Alagoas basins.

FOURTH QUARTER

RCA operating profit in the fourth quarter of 2009 rose to €31 million from €18 million a year earlier. This rise came primarily in the wake of the 36% increase yoy in the price of crude oil to Usd 74.6/bbl and the 26%

rise in net-entitlement production to 12.2 thousand barrels a day, which was driven by production from Tupi's Extended Well Test. The 22% fall in depreciation charges to €8 million also contributed to the rise in RCA operating profit yoy.

Production costs in Angola amounted to €8 million, which equated, on the basis of net-entitlement production, to a unit cost of Usd 13.7/bbl, up from Usd 6.5/bbl a year earlier. This rise was explained by the lower production that narrowed the base for spreading fixed costs and by the scale squeeze treatment works in the BBLT field.

Adjusted depreciation dropped to €8 million, after the price of dated Brent was revised downwards in comparison with 31 December 2008, which reduced the depreciation rate after net-entitlement reserves were revised upward. On the basis of net-entitlement production, unit depreciation charges fell 8% yoy to Usd 14.3/bbl from Usd 15.4/bbl a year earlier.

Non recurrent items of €27 million consisted primarily of charges for onshore dry wells in the Espírito Santo and Sergipe-Alagoas basins.

2. REFINING & MARKETING

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
4.4	**(0.3)**	**(4.7)**	**n.m.**	**Rotterdam cracking refining margin[1] (Usd/bbl)**	**2.6**	**1.0**	**(1.6)**	**(62.0%)**
4.8	**(1.4)**	**(6.2)**	**n.m.**	**Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)**	**0.7**	**(0.0)**	**(0.7)**	**n.m.**
5.8	**0.9**	**(4.8)**	**(83.8%)**	**Galp Energia refining margin (Usd/bbl)**	**4.4**	**1.5**	**(3.0)**	**(67.2%)**
2.8	**2.1**	**(0.7)**	**(24.3%)**	**Refinery cash cost (Usd/bbl)**	**2.2**	**2.1**	**(0.1)**	**(3.7%)**
20,780	**21,099**	**318**	**1.5%**	**Crude processed (k bbl)**	**89,808**	**77,624**	**(12,184)**	**(13.6%)**
3.0	**3.0**	**0.0**	**1.1%**	**Raw material processed (million tonnes)**	**13.1**	**11.5**	**(1.6)**	**(12.0%)**
4.3	**4.2**	**(0.0)**	**(0.3%)**	**Total refined product sales (million tonnes)**	**16.0**	**16.7**	**0.7**	**4.3%**
2.7	**2.8**	**0.0**	**1.8%**	**Sales to direct clients (million tonnes)**	**9.6**	**11.1**	**1.5**	**16.1%**
1.4	1.5	0.1	4.9%	Wholesale	4.6	5.8	1.1	23.9%
0.8	0.9	0.1	8.9%	Retail	2.7	3.6	0.9	35.3%
0.1	0.1	(0.0)	(6.7%)	LPG	0.4	0.4	0.0	5.8%
0.4	0.3	(0.1)	(19.8%)	Others	1.9	1.4	(0.5)	(27.5%)
0.6	**0.7**	**0.0**	**6.5%**	**Exports (million tonnes)**	**2.5**	**2.4**	**(0.1)**	**(3.4%)**
-	-	-	-	**Number of service stations**	**1,509**	**1,451**	**(58)**	**(3.8%)**
-	-	-	-	**Number of c-stores**	**428**	**467**	**39**	**9.1%**
-	-	-	-	**Net total assets**	**4,619**	**4,800**	**181**	**3.9%**
3,126	2,614	(511)	(16.4%)	Turnover	13,224	10,668	(2,556)	(19.3%)
(605)	**77**	**683**	**n.m.**	**Operating profit**	**(174)**	**316**	**490**	**n.m.**
812	(85)	(897)	n.m.	Inventory effect	552	(232)	(784)	n.m.
9	1	(8)	n.m.	Non recurrent items	(4)	(5)	(0)	2.7%
216	**(6)**	**(223)**	**n.m.**	**Operating profit RCA**	**373**	**79**	**(294)**	**(78.7%)**

[1] Source: Platts. For a complete description of the method for calculating Rotterdam margins, see "Definitions"

REFINING AND MARKETING ACTIVITIES

TWELVE MONTHS

In 2009, 11.5 million tonnes of raw materials were processed, down 12% from 2008. This drop was due to (i) the incident in the utilities plant of the Sines refinery in the first quarter of the year, which discontinued processing of raw materials for an approximate period of six weeks and (ii) the optimization of refinery capacity utilisation in the face of plummeting refining margins in the year. As a result, utilisation of refinery capacity in 2009 fell to 69% from 79% in 2008.

Crude oil accounted for 90% of processed raw materials. The shares of different grades of crude oil in the production structure were the following: light crude oil and condensates 50%, medium crude oil 32% and heavy crude oil 19%.

The production profile was in line with 2008 and its primary components were diesel (36%), gasoline (24%), fuel oil (16%) and jet (7%).

Own consumption and losses of decreased to 7,8% from 8,2% in 2008.

Volumes sold rose 4% yoy to 16.7 million tonnes, 67% of which consisted of sales to direct clients. The volume of oil products sold by the former Agip and ExxonMobil subsidiaries totalled 2.4 million tonnes, 90% of which was accounted for by the Spanish companies.

Exports fell 3% yoy, which was mainly due to a 23% fall in fuel oil exports after the incident in the Sines refinery and to the strategy for a reduction in capacity utilisation against an adverse backdrop of falling refining margins.

In 2009, the cover ratio of refining by marketing activities soared to 95% from 75% in 2008. This rise stemmed primarily from the increase in sales to direct clients which followed from the acquisition of the Agip and ExxonMobil operations and the lower utilisation of refinery capacity.

Sales to direct clients rose 16% yoy, which was mainly a result of added sales of oil products by the Agip and ExxonMobil operations.

At the end of December 2009, Galp Energia had 1,451 service stations, 8 short qoq and 58 short yoy, as the Portuguese and Spanish distribution networks were rationalised following the acquisition of the Agip and ExxonMobil operations.

The number of Galp Energia convenience stores rose by 18 qoq and 39 yoy. At the end of December 2009, around 50% of convenience stores were located in Spain, which reflected the expanded marketing of oil products in the country.

FOURTH QUARTER

In the fourth quarter of 2009, 3.0 million tonnes of raw materials were processed, with crude oil accounting for 93% of the total. The utilisation rate of refinery capacity was, at 74%, in line with a year earlier, when production was affected by the scheduled stop for maintenance of the Sines refinery. The refinery utilisation rate in the fourth quarter of 2009 is explained by the policy for rationalising production in the face of level of refining margins.

Sales of oil products were, at 4.2 million tonnes, in line with a year earlier. Sales by the former Agip and ExxonMobil subsidiaries contributed 0.5 million tonnes in the quarter and accounted for 19% of sales to direct clients. These totalled 2.8 million tonnes, also in line with the fourth quarter of 2008, a period that reflected already the new sales of oil products by Agip's former Spanish subsidiary.

The cover of refining by marketing activities in the fourth quarter was 101%, which reflected the favourable effect of the new sales by the Agip and ExxonMobil operations. In the fourth quarter of 2008, which already included the sales by the former Agip subsidiary in Spain, the cover ratio was 95%.

OPERATING PROFIT

TWELVE MONTHS

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 cost 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, the 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 by these acquisitions in procurement and logistics clearly outstripped expectations.

FOURTH QUARTER

The Refining & Marketing business segment posted an RCA operating loss of €6 million in the fourth quarter of 2009, against an operating profit of €216 million a year earlier.

Galp Energia's refining margin dropped to Usd 0.9/bbl from Usd 5.8/bbl a year earlier, which reflected the extended adverse international environment of refining margins and the narrowing spread to the benchmark following a reduction in the gap between light and heavy crude oil compared with a year earlier.

Refining unit cash cost dropped to Usd 2.1/bbl from Usd 2.8/bbl a year earlier. This drop was due to the scheduled stop of the Sines refinery in September 2008, which extended into the fourth quarter, thereby adding to costs.

The time lag in the fourth quarter had an unfavourable effect of €19 million, against a favourable effect of €105 million a year earlier, meaning that it accounted for roughly 55% of the fall in RCA operating profit in 2009 compared with 2008.

The worse results of the refining activities and the time lag were partly offset by the results from marketing of oil products both in Spain and Portugal and by the contribution and captured synergies of the acquisition of Agip and ExxonMobil operations.

3. GAS & POWER

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
1,225	**1,198**	**(27)**	**(2.2%)**	**NG supply total sales volumes (million m^3)**	**5,638**	**4,680**	**(958)**	**(17.0%)**
586	**882**	**296**	**50.5%**	**Liberalised market sales volumes (million m^3)**	**3,219**	**3,208**	**(11)**	**(0.3%)**
392	392	0	0.1%	Electrical	2,189	1,918	(271)	(12.4%)
52	359	307	n.m.	Industrial	123	1,010	887	n.m.
142	131	(11)	(8.0%)	Trading	907	280	(626)	(69.1%)
638	**316**	**(322)**	**(50.5%)**	**Regulated market sales volumes (million m^3)**	**2,419**	**1,472**	**(947)**	**(39.2%)**
498	189	(309)	(62.0%)	Industrial	1,876	968	(908)	(48.4%)
12	17	5	41.5%	Commercial	89	94	5	6.2%
48	45	(3)	(6.4%)	Residential	201	197	(4)	(2.0%)
74	65	(9)	(12.1%)	Other supply companies	253	212	(41)	(16.1%)
-	**-**	**-**	**-**	**NG distribution clients[1] (thousands)**	**868**	**915**	**47**	**5.4%**
104	**289**	**185**	**178.0%**	**Electric power generation[2] (GWh)**	**489**	**721**	**232**	**47.4%**
102	**285**	**183**	**179.8%**	**Sales of electricity to the grid[2]**	**478**	**706**	**228**	**47.6%**
-	**-**	**-**	**-**	**Natural gas net fixed assets[3]**	**755**	**779**	**23**	**3.1%**
-	**-**	**-**	**-**	**Net total assets**	**1,659**	**1,669**	**10**	**0.6%**
507	369	(137)	(27.1%)	Turnover	1,942	1,425	(518)	(26.6%)
(29)	**41**	**70**	**n.m.**	**Operating profit**	**216**	**113**	**(103)**	**(47.5%)**
(13)	(10)	3	(22.7%)	Inventory effect	(35)	21	56	n.m.
(10)	(0)	9	n.m.	Non recurrent items	(5)	1	6	n.m.
(52)	**30**	**82**	**n.m.**	**Operating profit RCA**	**176**	**135**	**(41)**	**(23.2%)**
(79)	1	79	(100.8%)	Supply	86	36	(50)	(58.4%)
26	25	(1)	(4.4%)	Infrastructure	88	94	7	7.8%
1	5	4	n.m.	Power	3	5	2	90.7%

[1] Includes unconsolidated companies where Galp Energia has a significant interest
[2] Includes Energin, which does not consolidate but where Galp Energia has a 35% holding. In 2009, the company generated power of 297 GWh and sold 288 GWh of electricity to the grid. In the fourth quarter, the company generated power of 76 GWh and sold 73 GWh of electricity to the grid
[3] Excludes financial investments. Net fixed assets are on a consolidated basis

GAS AND POWER ACTIVITIES

TWELVE MONTHS

Sales of natural gas in 2009 dropped 17% yoy to 4,680 million cubic metres as the liberalized market accounted for 69% of the total in comparison with 57% in 2008. The fall of volumes sold yoy was primarily due to lower demand for natural gas from the electrical segment and lower sales to the trading segment. Whereas the 12% slump in the electrical segment followed from an increase in hydropower and coal-fired generation, faltering international demand for natural gas led to a 69% drop in trading volumes.

Considering both the regulated and the liberalized markets, sales of natural gas to the industrial segment were relatively stable in comparison with 2008. In Spain, in spite of an adverse economic environment, 165 million cubic metres were sold to the industrial segment, up 45% from the 114 million cubic metres sold in 2008.

The volume of natural gas transported by the networks owned by Galp Energia's distribution companies totalled 1.4 billion cubic metres.

The generation of 721 GWh of electricity in 2009 used 222 million cubic metres of natural gas – or 12% of the Portuguese industrial market – in Galp Energia's cogenerations. Sales of electricity to the grid rose 48% yoy to 706 GWh. In the fourth quarter, the cogeneration plant at Sines came into operation and became the main contributor to increasing production and sales of electricity in the year.

FOURTH QUARTER

Sales of natural gas in the fourth quarter dropped 2% yoy to 1,198 million cubic metres. Volumes sold in the liberalized market accounted for 74% of the total, against 48% a year earlier. Despite the increase in hydropower, thermal generation by natural gas rose yoy, which contributed to stable volumes sold compared with a year earlier. The start of operations by the cogeneration plant at the Sines refinery in the fourth quarter of 2009 also increased the demand for natural gas.

In distribution, transported volumes reached 341 million cubic metres.

Power generation in the fourth quarter rose to 289 GWh from 104 GWh a year earlier. Sales of electricity to the grid were, at 285 GWh, in line with power generation. The increase in both generation and sales originated mainly from the new cogeneration plant at the Sines refinery.

OPERATING PROFIT

TWELVE MONTHS

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 timelag effect between sourcing and marketing natural gas contracts, 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/MWh from €11.8/MWh a year earlier and sales to the grid were achieved at an average price of €94.5/MWh.

FOURTH QUARTER

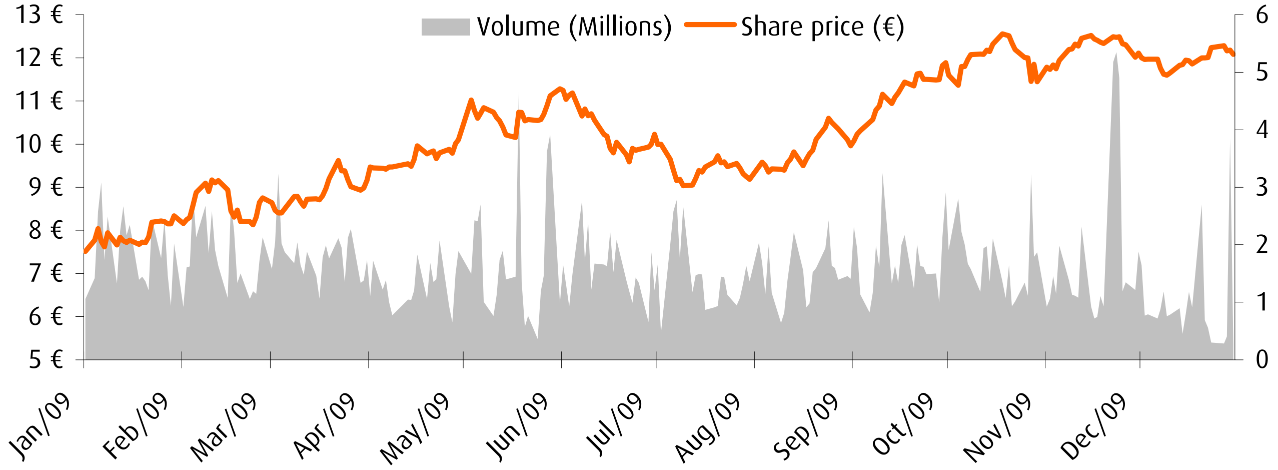
RCA operating profit in the fourth quarter of the year improved to €30 million from an operating loss of €52 million a year earlier. This favourable change was based on the results of the supply business, which reported an operating profit of €1 million against a loss of €79 million a year earlier, when results were affected by the decision regarding the renegotiation of contracts for the acquisition of natural gas. However, RCA operating profit for the supply business in the fourth quarter of 2009 includes the provisions made for the renegotiation of the natural gas contracts.

The infrastructure business reported RCA operating profit of €25 million, was in line with a year earlier, which evidenced the stable contribution of this activity to the results of the Gas & Power business segment.

Considering the sales of electrical and thermal energy, the unit margin in the power business declined to €10.2/MWh from €11.6/MWh a year earlier. Sales to the grid of 285 GWh were made at a price of €68.8/MWh – against sales of 102 GWh at a price of €123.4/MWh in the fourth quarter of 2008.

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	
ISIN	PTGAL0AM0009
Reuters	GALP.LS
Bloomberg	GALP PL
Number of shares	829,250,635

Main indicators	2008	4Q 2009	12M2009
Min (€)	5.95	11.10	7.22
Max (€)	18.95	12.65	12.65
Average (€)	13.05	12.06	10.23
Close price (€)	7.18	12.08	12.08
Volume (M shares)	643.6	98.9	413.8
Average volume per day (M shares)	2.5	1.5	1.6
Market cap (M€)	5,954	10,017	10,017

MATERIAL EVENTS IN THE FOURTH QUARTER OF 2009

CORPORATE

APPOINTMENT OF NEW MEMBER OF THE BOARD OF DIRECTORS

On November 18, Galp Energia announced that the board of directors approved the appointment of Mr. Francesco Giunti as a non executive member of the board of directors to fill a vacant position.

EXPLORATION & PRODUCTION

DRILLING OF FOURTH WELL CONFIRMS TUPI'S POTENTIAL

On November 12, Galp Energia announced the conclusion of the drilling in the fourth well informally known as Tupi NE, located in Tupi's Evaluation Plan area, reinforcing the estimated volumes of recoverable light oil and natural gas in the range between 5 to 8 billion barrels in the pre-salt reservoirs of that area.

TEST IN TUPI'S AREA PROVES HIGH PRODUCTIVITY

On November 18, Galp Energia announced that the two drill stem tests conducted in the well, informally known as Iracema, in block BM-S-11 in Santos basin, located in Tupi's Evaluation Plan area, were concluded and proved a high productivity in the pre-salt carbonate reservoirs.

NATURAL GAS LIQUEFACTION PROJECT IN THE PRE-SALT

On December 7, Galp Energia announced the formalization of the entrance into a joint venture, formed by Petrobras, BG Group and Repsol, to develop the Front End Engineering and Design (FEED) of a Floating Liquefied Natural Gas (FLNG) unit. The FLNG unit is one of the technological transportation solutions that can be used to transport the natural gas produced in the pre-salt layers.

FORMATION TESTS PROVE IARA'S POTENTIAL

On December 8, Galp Energia announced the conclusion of the formation tests on the well informally known as Iara in the block BM-S-11 in Santos Basin. The tests proved the exploratory potential of this area through the production of light oil (around 28º API) and confirmed the estimated volumes of recoverable light oil and natural gas in the range of 3 to 4 billion barrels

JOINT VENTURE FOR THE NATURAL GAS LIQUEFACTION PROJECT IN THE PRE-SALT SIGNS AGREEMENTS FOR FRONT END ENGINEERING DEVELOPMENT

On December 18, Galp Energia announced it has signed the contracts for the development of the FEED to build a FLNG unit. The successful bidders were Saipem and the consortia SBM/Chiyoda and Technip/JGC/Modec.

REFINING & MARKETING

GALP ENERGIA CLOSES THE SALE OF SOME OPERATIONS ACQUIRED TO EXXONMOBIL

On December 4, Galp Energia closed the sale to Gestmin, SGPS, S.A., of some businesses and assets previously controlled by ExxonMobil Group in the oil distribution business in Portugal for €46 million. This sale was performed in order to fulfil the commitments made by Galp Energia to the European Commission in relation to the purchase of ExxonMobil's Iberian operations that occurred at the end of 2008.

SINES REFINERY'S CONVERSION PROJECT REACHES IMPORTANT PHASE

On December 18, Galp Energia announced that it signed with Tecnicas Reunidas a Lump Sum Turn Key (LSTK) contract for the Sines refinery's conversion project. The contract worth €1,080 million includes, in addition to the conversion project, several other projects in energy efficiency, reliability and environmental areas and corresponds to the conversion to a LSTK of the previous Engineering, Procurement, Construction and Management (EPCM).

GAS & POWER

AGREEMENT TO ACQUIRE CERTAIN OF GAS NATURAL'S GAS DISTRIBUTION ASSETS AND ASSOCIATED GAS SUPPLY ACTIVITIES

On December 19, Galp Energia announced that entered into a definitive agreement to acquire jointly with Morgan Stanley certain of the gas distribution and supply businesses in the region of Madrid from Gas Natural SDG, S.A. The purchase price was €800 million. The distribution business comprises the regulated low pressure gas distribution activities of Gas Natural which cover most of the municipalities surrounding the center of Madrid and has approximately 504,000 homes connected to its network. The supply business comprises the regulated and unregulated end customers gas supply activities in the area of the distribution business and provides gas to about 412 thousand customers with an annual consumption of around 0.4 bcm.

EVENTS AFTER THE CLOSE OF THE FOURTH QUARTER OF 2009

GAS & POWER

GALP ENERGIA BUYS 15% OF VENTINVESTE FROM MARTIFER RENEWABLES

On February 3 2010, Galp Energia announced the acquisition from Martifer Renewables, an affiliate company of Martifer SGPS, of 50% of the Parque Eólico Penha da Gardunha, Lda., a company that currently holds 30% of the share capital of Ventinveste, S.A. (Ventinveste). The transaction amounted to approximately 5 million euros. After this transaction the shareholder structure of Ventinveste will include Galp Energia group with 49%, Martifer SGPS with 46.6%, Repower with 2.4% and Efacec with 2%.

ASSOCIATES

1. MAJOR ASSOCIATES

Company	Country	Business Segment	Equity Share	Consolidation method
Petróleos de Portugal, Petrogal, S.A.	Portugal	R&M	100%	Full
Galp Energia España, S.A.	Spain	R&M	100%	Full
Galp Exploração e Produção Petrolífera, S.A.	Portugal	E&P	100%	Full
CLCM - Companhia Logística da Madeira, S.A.	Portugal	R&M	75%	Full
CLC - Companhia Logística de Combustíveis, S.A.	Portugal	R&M	65%	Equity
CLH - Compañia Logística de Hidrocarburos, S.A.	Spain	R&M	5%	Equity
GDP, Gás de Portugal, SGPS, S.A.	Portugal	G&P	100%	Full
Galp Gás Natural, S.A.	Portugal	G&P	100%	Full
Transgás, S.A.	Portugal	G&P	100%	Full
Transgás, Armazenagem, S.A.	Portugal	G&P	100%	Full
EMPL - Europe MaghrebPipeline, Ltd	Spain	G&P	27%	Equity
Gasoduto Al-Andaluz, S.A.	Spain	G&P	33%	Equity
Gasoduto Extremadura, S.A.	Spain	G&P	49%	Equity
GDP Distribuição, SGPS, S.A.	Portugal	G&P	100%	Full
Lisboagas, S.A.	Portugal	G&P	100%	Full
Lusitaniagás, S.A.	Portugal	G&P	85%	Full
Setgás, S.A.	Portugal	G&P	45%	Equity
Beiragás, S.A.	Portugal	G&P	59%	Full
Duriensegás, S.A.	Portugal	G&P	100%	Full
Tagusgás, S.A.	Portugal	G&P	41%	Equity
Galp Power, SGPS, S.A.	Portugal	G&P	100%	Full
Galp Energia, S.A.	Portugal	Others	100%	Full

2. RESULTS FROM ASSOCIATES

Million Euros								
Fourth quarter					Twelve months			
2008	2009	Chg.	% Chg.		2008	2009	Chg.	% Chg.
2.0	1.8	(0.1)	(10.7%)	CLH	8.1	8.8	0.7	8.8%
-	2.2	2.2	n.m.	CLC	-	9.6	9.6	n.m.
11.8	13.1	1.3	11.0%	International Pipelines	39.7	45.6	5.9	14.9%
0.4	1.0	0.5	124.7%	Setgás - Natural Gas Distribution Company	2.1	3.6	1.6	75.6%
0.6	(1.5)	(2.0)	n.m.	Others	2.1	5.2	3.1	150.6%
14.8	**16.6**	**1.8**	**12.1%**	**Sub total**	**52.0**	**72.9**	**20.9**	**40.2%**
0.450	(3.5)	(4.0)	n.m.	Consolidation adjustments	(3.5)	(3.2)	0.3	(7.5%)
15.3	**13.1**	**(2.2)**	**(14.3%)**	**Total**	**48.5**	**69.6**	**21.2**	**43.7%**

RECONCILIATION OF REPORTED AND *REPLACEMENT COST* ADJUSTED FIGURES

1. REPLACEMENT COST ADJUSTED OPERATING PROFIT BY SEGMENT

Million euros

Fourth quarter					2009	Twelve months				
Operating profit	Inventory effect	Operating profit RC	Non recurrent items	operating profit RCA		Operating profit	Inventory effect	Operating profit RC	Non recurrent items	operating profit RCA
119	**(95)**	**23**	**28**	**51**	**Operating profit**	**459**	**(211)**	**248**	**39**	**287**
3	-	3	27	31	E&P	31	-	31	35	67
77	(85)	(8)	1	(6)	R&M	316	(232)	84	(5)	79
41	(10)	30	(0)	30	G&P	113	21	135	1	135
(3)	-	(3)	0	(3)	Others	(2)	-	(2)	7	5

Million euros

Fourth quarter					2008	Twelve months				
Operating profit	Inventory effect	Operating profit RC	Non recurrent items	operating profit RCA		Operating profit	Inventory effect	Operating profit RC	Non recurrent items	operating profit RCA
(628)	**799**	**170**	**8**	**179**	**Operating profit**	**167**	**517**	**684**	**9**	**693**
9	-	9	9	18	E&P	122	-	122	18	141
(605)	812	207	9	216	R&M	(174)	552	377	(4)	373
(29)	(13)	(42)	(10)	(52)	G&P	216	(35)	181	(5)	176
(3)	0	(3)	-	(3)	Others	3	0	3	0	3

2. REPLACEMENT COST ADJUSTED EBITDA BY SEGMENT

Million euros

Fourth quarter					2009	Twelve months				
EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA		EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA
250	**(95)**	**155**	**(8)**	**147**	**EBITDA**	**819**	**(211)**	**608**	**10**	**619**
47	-	47	(9)	39	E&P	113	-	113	(1)	112
144	(85)	59	2	61	R&M	521	(232)	289	3	293
61	(10)	51	(1)	50	G&P	186	21	207	0	208
(3)	-	(3)	0	(3)	Others	(0)	-	(0)	7	7

Million euros										
Fourth quarter					2008	Twelve months				
EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA		EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA
(557)	**799**	**242**	**2**	**244**	**EBITDA**	**449**	**517**	**966**	**9**	**975**
33	-	33	(0)	33	E&P	199	-	199	9	208
(546)	812	266	3	269	R&M	(12)	552	539	1	540
(42)	(13)	(56)	(0)	(56)	G&P	258	(35)	223	(1)	223
(2)	0	(2)	0	(2)	Others	4	0	4	0	4

3. NON RECURRENT ITEMS

Exploration & Production

Million Euros				
Fourth quarter			Twelve months	
2008	2009		2008	2009
		Exclusion of non recurrent items		
-	(0.0)	Gains / losses on disposal of assets	-	(0.1)
(0.5)	(8.8)	*Assets write offs*	9.1	(0.6)
9.5	36.0	Assets impairments	9.5	36.0
0.0	-	Provisions for environmental charges and others	0.0	-
(0.2)	-	Others	(0.1)	-
8.8	**27.1**	**Non recurrent items of operating profit**	**18.4**	**35.3**
-	-	Other financial results	-	-
8.8	**27.1**	**Non recurrent items before income taxes**	**18.4**	**35.3**
(2.8)	(9.2)	Income taxes on non recurrent items	(6.0)	(12.0)
6.0	**17.9**	**Total non recurrent items**	**12.4**	**23.3**

Refining & Marketing

Million Euros				
Fourth quarter			Twelve months	
2008	2009		2008	2009
		Exclusion of non recurrent items		
-	(47.9)	Sale of strategic stock	(24.1)	(47.9)
-	47.9	Sale of strategic stock cost	20.4	47.9
2.2	-	Monobuoy costs	2.2	-
-	(9.2)	Accidents caused by natural facts	-	(16.0)
(1.0)	(1.9)	Gains / losses on disposal of assets	(1.5)	(4.6)
0.3	1.5	*Assets write offs*	0.7	1.5
1.1	6.2	Employees contracts rescission	2.4	15.0
-	10.3	Sines refinery fire - accidents	-	16.1
5.4	(0.1)	Provisions for environmental charges and others	5.4	(8.7)
0.7	(0.7)	Assets impairments	(10.4)	0.7
-	(4.9)	Margin in the sale of CO_2 emission licenses	-	(8.5)
0.4	-	Others	0.4	-
9.3	**1.2**	**Non recurrent items of operating profit**	**(4.4)**	**(4.5)**
-	0.4	Capital gains / losses on disposal of financial investments	-	0.8
9.3	**1.7**	**Non recurrent items before income taxes**	**(4.4)**	**(3.7)**
(2.2)	(0.9)	Income taxes on non recurrent items	1.6	0.1
7.1	**0.7**	**Total non recurrent items**	**(2.8)**	**(3.6)**

Gas & Power

Million Euros				
Fourth quarter			Twelve months	
2008	2009		2008	2009
		Exclusion of non recurrent items		
-	-	Services rendered	-	-
(0.5)	(0.0)	Gains / losses on disposal of assets	(1.0)	(0.1)
0.0	0.0	*Assets Write offs*	0.3	0.1
-	-	Collections related to the sale of land	-	-
-	-	Accidents caused by natural facts	-	(0.0)
0.1	0.3	Employees contracts rescission	-	2.2
(9.2)	0.3	Provisions for environmental charges and others	(4.2)	0.3
-	(1.1)	Margin in the sale of CO_2 emission licenses	-	(1.7)
(9.7)	**(0.5)**	**Non recurrent items of operating profit**	**(5.0)**	**0.8**
-	-	Capital gains / losses on disposal of financial investments	-	-
-	-	Other financial results	-	-
(9.7)	**(0.5)**	**Non recurrent items before income taxes**	**(5.0)**	**0.8**
1.5	0.1	Income taxes on non recurrent items	1.1	(0.2)
(8.1)	**(0.3)**	**Total non recurrent items**	**(3.9)**	**0.5**

Other

Million Euros				
Fourth quarter			Twelve months	
2008	2009		2008	2009
		Exclusion of non recurrent items		
-	0.0	Gains / losses on disposal of assets	-	0.0
-	-	Sines refinery fire - accidents	-	7.0
(0.0)	-	*Assets write-offs*	(0.0)	-
-	-	Provisions for environmental charges and others	0.0	-
0.0	**0.0**	**Non recurrent items of operating profit**	**0.0**	**7.0**
(0.0)	-	Capital gains / losses on disposal of financial investments	-	-
0.0	**0.0**	**Non recurrent items before income taxes**	**0.0**	**7.0**
(0.0)	(0.0)	Income taxes on non recurrent items	-	(0.0)
0.0	**0.0**	**Total non recurrent items**	**0.0**	**7.0**

Consolidated summary

Million Euros				
Fourth quarter			Twelve months	
2008	2009		2008	2009
		Exclusion of non recurrent items		
-	(47.9)	Sale of strategic stock	(24.1)	(47.9)
-	47.9	Sale of strategic stock cost	20.4	47.9
2.2	-	Monobuoy costs	2.2	-
0.2	(9.2)	Accidents caused by natural facts	0.1	(16.1)
(1.6)	(1.9)	Gains / losses on disposal of assets	(2.6)	(4.8)
(0.1)	(7.3)	*Assets write off*	10.0	1.0
-	(6.0)	Margin in the sale of CO_2 emission licenses	-	(10.1)
1.2	6.6	Employees contracts rescission	2.4	17.2
-	10.3	Sines refinery fire - accidents	-	23.1
(3.8)	0.2	Provisions for environmental charges and others	1.2	(8.4)
10.3	35.3	Assets impairments	(0.9)	36.7
0.0	-	Others	0.4	-
8.5	**27.9**	**Non recurrent items of operating profit**	**9.1**	**38.5**
-	0.4	Capital gains / losses on disposal of financial investments	-	0.8
-	-	Other financial results	-	-
8.5	**28.3**	**Non recurrent items before income taxes**	**9.1**	**39.4**
(3.5)	(10.1)	Income taxes on non recurrent items	(3.3)	(12.1)
5.0	**18.2**	**Total non recurrent items**	**5.8**	**27.3**

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros				
Fourth quarter			Twelve months	
2008	2009		2008	2009
		Operating income		
3,473	2,900	Sales	14,860	11,728
106	59	Services rendered	225	280
42	47	Other operating income	102	130
3,621	**3,006**	**Total operating income**	**15,188**	**12,138**
		Operating costs		
(3,866)	(2,459)	Inventories consumed and sold	(13,726)	(10,193)
(213)	(197)	Material and services consumed	(680)	(751)
(86)	(96)	Personnel costs	(292)	(339)
(71)	(112)	Amortisation and depreciation cost	(240)	(297)
(0)	(19)	Provision and impairment of receivables	(42)	(64)
(12)	(4)	Other operating costs	(41)	(36)
(4,249)	**(2,887)**	**Total operating costs**	**(15,021)**	**(11,680)**
(628)	**119**	**Operating profit**	**167**	**459**
15	13	Net profit from associated companies	48	70
0	(0)	Net profit from investments	0	(1)
		Financial results		
4	3	Financial profit	13	13
(25)	(25)	Financial costs	(64)	(88)
6	(1)	Exchange gain (loss)	(8)	0
(0)	-	Profit and cost on financial instruments	(0)	0
(0)	(0)	Other gains and losses	(1)	(1)
(629)	**108**	**Profit before taxes**	**155**	**451**
180	(19)	Income tax expense	(33)	(99)
(450)	**89**	**Profit before minority interest**	**122**	**353**
(1)	(1)	Profit attributable to minority interest	(5)	(6)
(451)	**87**	**Net profit for the period**	**117**	**347**
(0.54)	**0.11**	**Earnings per share (in Euros)**	**0.14**	**0.42**

2. CONSOLIDATED FINANCIAL POSITION

Million euros	December 31, 2008	September 30, 2009	December 31, 2009
Assets			
Non current assets			
Tangible fixed assets	2,760	2,928	3,190
Goodwill	172	185	189
Other intangible fixed assets	409	440	498
Investments in associates	297	385	227
Investments in other participated companies	1	1	3
Other receivables	84	93	99
Deferred tax assets	200	195	210
Other financial investments	5	2	0
Total non current assets	**3,928**	**4,230**	**4,416**
Current assets			
Inventories	1,076	1,223	1,229
Trade receivables	988	897	778
Other receivables	500	572	574
Other financial investments	3	1	2
Current Income tax recoverable	-	-	-
Cash and cash equivalents	127	184	244
Total current assets	**2,695**	**2,877**	**2,826**
Total assets	**6,623**	**7,107**	**7,242**
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(27)	(17)	(11)
Other reserves	174	193	193
Hedging reserves	(2)	(8)	(7)
Retained earnings	1,020	927	927
Profit attributable to equity holders of the parent	117	260	347
Equity attributable to equity holders of the parent	**2,194**	**2,267**	**2,361**
Minority interest	25	26	27
Total equity	**2,219**	**2,293**	**2,389**
Liabilities			
Non current liabilities			
Bank loans and overdrafts	1,304	1,274	1,047
Bonds	-	700	700
Other payables	56	69	110
Retirement and other benefit obligations	256	272	271
Deferred tax liabilities	18	31	57
Other financial instruments	3	10	9
Provisions	99	125	153
Total non current liabilities	**1,737**	**2,481**	**2,347**
Current liabilities			
Bank loans and overdrafts	685	407	422
Bonds	2	1	1
Trade payables	993	892	1,122
Other payables	982	1,032	961
Other financial instruments	2	0	0
Income tax	4	(0)	(0)
Total current liabilities	**2,667**	**2,333**	**2,507**
Total liabilities	**4,404**	**4,814**	**4,854**
Total equity and liabilities	**6,623**	**7,107**	**7,242**

ADDITIONAL INFORMATION

GLOSSARY

EBITDA	EBITDA is defined as net operating income plus depreciation, amortisation and provisions. EBITDA is not a standard measure, the reason it should not be used in comparisons between companies. EBITDA is not a direct liquidity measure and should be analyzed jointly with the actual cash flows resulting from operating activities and taking into account existing financial commitments
Galp Energia, company or group	Galp Energia, SGPS, S.A. and associates
IRP	Tax on revenue generated by the sale of oil in Angola
Rotterdam cracking refining margin	Rotterdam Cracking refining margin: -100% Dated Brent, +2.3% LGP FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg., +7.4% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +33.3% ULSD 50 ppm NWE CIF Cg. and +15.3% LSFO 1% FOB Cg.; C&L: 7.7%; Terminal rate: 1 $/ton; Ocean loss: 0.15% over Dated Brent; Freight 2009: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 6.04 $/ton. Yields in % of weight.
Rotterdam hydroskimming + aromatics + base oils refining margin	Rotterdam hydroskimming refining margin: -100% Dated Brent, +2.1% LGP FOB Seagoing (50% Butane + 50% Propane), +15.1% PM UL NWE FOB Bg., +4.0% Naphtha NWE FOB Bg., +9% Jet NWE CIF Cg., +32.0% ULSD 10 ppm NWE CIF Cg. and +33.8% LSFO 1% FOB NWE Cg.; C&L: 4.0%; Terminal rate: 1 $/ton; Ocean loss: 0.15% over Dated Brent; Freight 2009: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 6.04 $/ton. Rotterdam aromatics refining margin: -60% PM UL NWE FOB Bg., -40% Naphtha NWE FOB Bg., +37% Naphtha NWE FOB Bg., +16.5% PM UL NWE FOB Bg., +6.5% Benzene Rotterdam FOB Bg., +18.5% Toluene Rotterdam FOB Bg., +16.6% Paraxylene Rotterdam FOB Bg., +4.9% Ortoxylene Rotterdam FOB Bg.. Consumptions: -18% LSFO 1% CIF NEW. Yields in % of weight. Base Oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, 34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg., +14% Base Oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% NWE FOB Cg.; Losses: 0.6%; Terminal rate: 1 $/ton; Ocean loss: 0.15% over Dated Brent; Freight 2009: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 6.04 $/ton. Yields in % of weight. Rotterdam hydroskimming + Aromatics + Base oils refining margin = 65%

	Rotterdam hydroskimming refining margin + 15% Rotterdam aromatics refining margin + 20% Base Oils refining margin.
Replacement cost (“RC”)	According to this method of valuing inventories, the cost of goods sold is valued at *the cost of replacement*, i.e. at the average cost of raw materials on the month when sales materialise irrespective of inventories at the start or end of the period. The Replacement Cost Method is not accepted by accounting standards – either Portuguese GAAP or IFRS – and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.

ACRONYMS

Bbl: barrels; BBLT: Benguela, Belize, Lobito and Tomboco; bbl/d: barrels a day; Bg: *Barges*; Cg: *Cargoes*; CIF: *Cost, Insurance and Freight*; CLC: Companhia Logística de Combustíveis; CLH: Companhia Logística de Hidrocarburos, S.A.;CPT: Compliant Piled Tower; DGEG: Direcção Geral de Energia e Geologia; E&P: Exploration & Production; €: Euro; EWT: Extended Well Test; FCC: Fluid Catalytic Cracking; FIFO: First In First Out (inventory valuation method); FOB: *Free on Board*; G&P: Gas & Power; IAS: International Accounting Standards; IFRS: International Financial Reporting Standards; LIFO: Last In First Out (inventory valuation method); LNG: Liquefied Natural Gas; LSFO: *Low sulphur fuel oil*; m^3: cubic metres; n.m.: not meaningful; PM UL: *Premium unleaded*; PSA: Production Sharing Agreement; qoq: quarter on quarter; R&M: Refining & Marketing; RCA: Replacement Cost Adjusted; SXEP: DJ Europe Oil&Gas Index; TL: Tômbua-Lândana; ULSD CIF Cg: *Ultra Low sulphur diesel* CIF *Cargoes*; USA: United States of America; Usd: US dollar; OPEC - *Organization of the Petroleum Exporting Countries*; WAC: Weighted Average Cost (inventory valuation method); yoy: year on year.

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