Additional information to the 2009 Financial Statements

Following the publication of the 2009 Financial Statements, Galp Energia, SGPS, S.A. (Galp Energia) received a request for additional information from the Portuguese Securities Market Commission, as a result of which Galp Energia understands that it should provide some additional clarifications.

a) Item 2.17 – Accounting policies – Financial instruments

In the additional supplement to item 2.17 of the notes to the accounts, it is stated that, as of December 2009, no financial instruments exist that are classified as Investments held until maturity.

With reference to “Shares in subsidiaries”, shown under item 17 - Other financial investments of the notes to the 2009 accounts), these relate to the share capital in Oil Insurance, Ltd in the amount of €7,000, which is recorded at acquisition cost and which should in the future be reclassified under item 4.3. – Investments in subsidiaries.

Item 17 – Other financial investments (from the notes to the 2009 accounts) restructured in accordance with the financial instruments categories shown in the IAS 39 standard:

Other financial investments (thousand euros)	2009	2008
Financial derivatives at Fair Value through Profits or Losses (Item 27)		
Commodity swaps (Non-current assets)	300	-
Commodity swaps (Current assets)	300	114
	600	114
Financial assets available for sale		
Shares in participated companies (non current assets)	161	4.789
Shares in participated companies (current assets)	7	7
	168	4.796
Bank deposits		
Term deposits (current assets)	1.414	1.884
Demand deposits (current assets)	82	898
	1.496	2.782

Assets available for sale are recorded at their acquisition cost, as they refer to shares in unlisted companies whose Fair Value cannot be reliably determined.

b) Item 3 - Companies included in the consolidation

The elements required by subparagraph f) of paragraph 67 of IFRS 3 in relation to the year 2009 are disclosed in item 11 of the notes to the 2009 accounts.

As regards subparagraph h) of paragraph 67 of IFRS 3, in 2008 Galp Energia accounted for Assets and Liabilities of acquisitions made at the Fair Value, having considered as the Fair Value of Assets and Liabilities the provisional accounting values of these companies.

In relation to the acquisition of the ExxonMobil BV Group (renamed Galp Energia Portugal Holdings B.V.), Galp Energia considered a provisional Fair Value of Assets and Liabilities of €130 million. This provisional Fair Value resulted from analysis carried out in 2008 by a banking institution. During 2009, Galp Energia conducted an exhaustive survey to identify all Assets (including an asset by asset analysis), Liabilities and Contingent liabilities in companies acquired, valuing them at their respective Fair Value. As a result of this work, a Fair Value for Assets and Liabilities was reached that was different from the initial accounting values. As such, the difference between the acquisition cost and the Fair Value of Assets, Liabilities and Contingent liabilities identified was classified as Goodwill in the financial statements in accordance with the IFRS 3 standard, paragraph 51 in force.

The nature of the Assets and Liabilities that gave rise to the ascertainment of the Fair Value was as follows:

ExxonMobil BV Group

The Fair Value of Tangible and Intangible assets was evaluated through the Fair Value of the Assets and Liabilities of each of the companies that comprise the ExxonMobil BV Group. The different items were evaluated by Service Area, Land and Buildings. The deferred taxes reported result from the ascertainment of the Fair Value of the Assets.

Esso Española Group

Within the Esso Española Group, the different items were evaluated by Service Station, Land and Buildings. This resulted in the identification of impairments in Land and Service Stations, including Esso Image at Service Stations and Store Image at Service Stations. In addition to these identified items, the existence of insufficient amortisation on Surface Rights was also noted. Galp Energia additionally identified stocks overvalued in terms of net market value, and identified unrecognised provisions for tax contingencies. Deferred taxes reported result from the ascertainment of the Fair Value of Assets and Liabilities subject to taxes.

Agip España Group

Within the Agip España Group, the items were evaluated by Service Station, Land and Buildings. This resulted in the identification of impairments in Agip Image at Service Stations and Store Image at Service Stations. In addition to identifying these items, Galp Energia also detected the existence of impairment in Customer balances revealed in an audit report and impairment in Customer balances relating to the Routex card. Galp Energia additionally identified stocks overvalued in terms of net market value, unrecognised provisions for tax contingencies and the existence of unreported interest payable to a third party. Deferred taxes reported result from the ascertainment of the Fair Value of Assets and Liabilities subject to taxes.

The amounts relating to 2008, as required by subparagraph 1) of paragraph 57 of IFRS 3, are shown in the table below in thousands of Euros:

Companies	Profit/(Loss) from the date of acquisition to December 2008
Agip Portugal	(637)
Agip Espanha	(41,152)

In relation to the remaining acquisitions, the results were not available at the date the accounts were closed, given that they occurred in the month of December 2008.

For the information contained in paragraph 70 of IFRS 3, specifically subparagraphs i) and ii), the information is shown in the table below in thousands of Euros, reported at 31 December 2008:

Companies	Operating income 2008	Profit / (Loss) 2008
Agip Portugal	88,636	(857)
Agip Espanha	2,859,783	(61,050)
Esso Spain	1,069,187	(10,264)
ROC	316,621	(374)
Esso Portuguesa	287,870	6,976
Esso Gás	6,799	724
CORS	21,979	1,044

In its individual accounts, Galp Energia Portugal Holding, BV does not show any materially relevant amounts for the period.

c) Item 8 – Segment reporting (Item 7 of the notes to the 2009 accounts)

Within a context of related parties, as happens with independent companies that undertake operations between themselves, the conditions under which the business and financial relationships are conducted within the Galp Energia Group are governed in accordance with current market rules and mechanisms.

The assumptions underlying the ascertainment of the prices of transactions between companies within the Group are based on the consideration of the economic realities and characteristics of the situations in question, i.e. on the comparison of the characteristics of the operations or the companies likely to have an impact on the conditions inherent in the business transactions under analysis. Within this context, goods and services traded, the functions performed by the parties (including assets used and risks assumed), contractual terms, the economic situation of the actors and their respective negotiation strategies are analysed, among others.

The remuneration, in a context of related parties, thus corresponds to what is appropriate, in principle, to the functions performed by each Company involved, taking account of the assets used and risks assumed. Thus, to determine such remuneration, the activities developed and risks assumed by the companies are identified under the scope of the chain of value of goods/services they trade, according to their functional profile, particularly in relation to the functions they carry out - importing, manufacturing, distributing, retailing.

In short, market prices are determined not only by use of an analysis of functions performed, assets used and risks incurred by the company concerned, but also bearing in mind the contribution of these elements to profitability. This analysis shall assess whether the indicators of profitability of the companies involved fall within the ranges calculated based on the assessment of a set of functionally comparable, but independent, companies, thereby allowing prices to be set respecting the principle of full competition.

d) Item 12 – Goodwill (item 11 of the notes to the 2009 accounts)

In line with the disclosure required by paragraph 134 of IAS 36, we present a table showing the information requested:

		Assumptions		
Cash-generating unit	**Assessment model**	**Cash Flows**	**Growth factor**	**Rate of discount**
Financial participation (understood as Business segment)	DCF (Discounted Cash Flow for the Firm)	Sales volume budgeted for 5 years.	Gordon model with an infinite series growth factor of 2%.	WACC between: R&M [7.8% - 12%] E&P [10%-14%] G&P [6.2%-8.7%]

R&M – Refining & Marketing
E&P – Exploration & Production
G&P – Gas & Power

No changes are expected in the assumptions that may lead to situations of impairment for the assets analysed.

e) Item 23 – Loans (item 22 of the notes to the 2009 accounts)

Fixed rate loans in 2009 and in 2008 show an average rate of 4.45% and 2.61%, respectively, and floating rate loans an average rate in 2009 and 2008 of 3.57% and 5.28%, respectively. Fixed rate loans represent in 2009 and 2008 around 33% and 21% respectively of total loans.

Pursuant to the agreements signed with the lenders, and in line with existing laws and regulations on competition and observable market practices, neither Galp Energia nor its counterparts are allowed to disclose additional information regarding the characteristics and content of the financial operations to which these agreements relate, notwithstanding the freedom conferred on individual actors to identify the signatory and the overall amounts of funding.

f) Item 24 – Liabilities with pension benefits and other benefits (item 23 of the notes to the 2009 accounts)

Rate of discount

As provided in IAS 19, the rate used to discount post-employment benefit obligations was determined with reference to the yields observed at the balance sheet date in the bond market for high-quality securities issued by companies. In this case, we have international Actuary guidelines as a reference, using a discount rate based on the yield to maturity of AA-rated corporate bonds, taking into account the duration of the liabilities. The benchmark index is the iBoxx AA 10 +, which has been applied consistently over recent years.

Medical cost trend rate and sensitivity analysis

The growth rate of medical costs over the medium term considered by Galp Energia Group, based on historical rates of growth of premiums and claims, is 4%. The sensitivity analysis carried out by Petróleos de Portugal - Petrogal, S.A. (Petrogal), representing approximately 93% of the total universe of Grupo Galp Energia, reflects that a 1% increase in the growth rate of premiums implies a growth of 13% in liabilities, while a decrease of 1% in the growth rate of premiums results in an 11% decrease in liabilities.

Sensitivity analysis (Petrogal Health Insurance)

Euros	3%	4%	5%
Current service cost (CSC) 2009	1.374.415	1.767.625	2.299.935
Interest cost (IC) 2009	8.383.444	9.463.725	10.775.348
CSC + IC 2009	9.757.859	11.231.350	13.075.283
Impact on CSC+ IC 2009	-1.473.491		1.843.933
Past Service liabilities (PSL) to YE2009	161.769.215	181.639.356	205.727.528
Impact on PSL as of YE2009 (a)	-19.870.141		24.088.172

(a) Given that these variations implied actuarial gains and losses, their impact on results is as described in the accounting policy (Item 2.11 of the notes).

Historical analysis of actuarial gains and losses

The historical analysis of actuarial gains and losses was carried out with reference to Petrogal, since this represents 91% of the total universe of Galp Energia group.

Discount rate	5,25%	6,10%	5,45%	4,60%	4,25%
	2009	2008	2007	2006	2005
Value of liabilities (a)	339.565.206	311.357.138	328.219.556	356.923.451	343.854.842
Fund value (b)	308.471.938	302.571.871	333.402.524	339.557.595	327.556.919
Actuarial gains (+) and Losses (-)	-32.209.998	12.871.417	24.204.317	-19.137.916	-29.712.029
Actuarial gains (+) and Losses (-) by assumption change	-27.009.495	20.336.970	30.429.712	-13.664.720	-21.925.903
Actuarial gains (+) and Losses (-) by experience (c)	-5.200.503	-7.465.553	-6.225.395	-5.473.196	-7.786.126
Financial gains (+) and Losses (-) (d)	11.012.684	-26.839.652	-7.363.026	-501.810	10.298.351
(c)/ (a)	-2%	-2%	-2%	-2%	-2%
(d)/ (b)	4%	-9%	-2%	0%	3%
Real return on plan assets (%)	8,9%	-2,9%	3,1%	4,3%	8,3%
Real return on plan assets (Euros)	25.534.937	-9.796.489	9.693.698	12.937.999	23.997.427

g) Item 29 - Balances with related parties (item 28 in the notes to the 2009 accounts)

Under IAS 24, key staff corresponds to the set of all persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director, whether executive or non-executive. According to Galp Energia's interpretation of this standard, the only people who meet all these criteria are members of the Board of Directors.

h) IFRS 7 – Financial instruments

The calculation of the Fair Value of derivatives is performed by independent external entities (counterparts), based on assessment methods such as Discounted Cash Flows, for Swaps, and the Black-Scholes Model for Options. Future cash flows are estimated using the forward prices implied in the market/yield curve (constructed from observable variables such as cash deposit rates, interest rate future prices and swap quotations), and the respective present discount is performed using the most representative interest rate curve in the market, built on credible sources of information disseminated by Reuters and Bloomberg, among others. The underlying variables are always variables with observable market prices, for both commodities and for interest rates and exchange rates. We do not use variables with unobservable prices.

Galp Energia has collateral on accounts receivable, specifically bank guarantees and bonds, whose value in 2009 is approximately € 132,018 thousand.

In relation to derivatives on commodities, in particular on natural gas, the associated nominal value for open positions at 31 December 2009 was 1,342 GWh (amount purchased) and 883 GWh (amount sold), corresponding to approximately € 27 million and € 19 million respectively.

At 31 December 2009, medium- and long-term debt amounted to €1.7 billion. Of the total of this debt, €1.2 billion are supported by contracts that include performance covenants with a ratio of Total Net Debt to Consolidated EBITDA that were not affected. However, Galp Energia has, at 31 December 2009, contracts negotiated and not used of € 1.7 billion Euros, which would, if necessary, address the possible repayment of those loans. At the end of December 2009 the ratio level was 3.2, considerably below the required limit.

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