



ANNUAL REPORT & ACCOUNTS 2020



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THE BUSINESS

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SEARCHING FOR SOLUTIONS FOR THE FUTURE,
FOCUSING BOTH ON THE CIRCULAR ECONOMY
AND ON SUSTAINABILITY.





THE BUSINESS

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94%

**BULK COVERAGE
RATE**

WATER SUPPLY

619

Mm³

WATER INVOICED

503

Mm³

WASTEWATERS INVOICED

93%

**BULK COVERAGE
RATE**

WASTEWATER
SANITATION



41

Mm³

WATER INVOICED,
INTRA-GROUP OPERATIONS

34

Mm³

WASTEWATERS INVOICED,
INTRA-GROUP OPERATIONS

771.4

GWh/YEAR

ENERGY CONSUMED
(INCLUDES 23.5 GWH
OF SELF-CONSUMPTION)

35.7

MWh/YEAR

ENERGY PRODUCED
(SOLAR, MINI-HYDRO,
BIOGAS)

18 388

TONS/YEAR

SLUDGES PROCESSED
(WATER SUPPLY)

333 951

TONS/YEAR

SLUDGES PROCESSED (SANITATION)



KEY FACILITIES

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1 365

ABSTRACTIONS



808

PUMPING STATIONS

WATER SUPPLY

2 359

PUMPING STATIONS

SANITATION

1 952

RESERVOIRS

11 972

KM

SEWERS

113

WATER TREATMENT PLANTS

605 398

BRANCHES

WATER SUPPLY AND
WASTEWATER SANITATION

1 004

WASTEWATER TREATMENT PLANTS

21 581

KM

WATER MAINS AND DISTRIBUTION
NETWORKS

STRATEGIC LINES

AdP - Águas de Portugal, SGPS, S.A. is a holding company that concentrates its stake holdings into the capital of companies through which it designs, builds, operates and manages water supply and wastewater sanitation systems and the treatment and valuation of urban and industrial solid wastes within a framework of economic, financial, technical and social sustainability, developing a strong and highly competent Portuguese business able to effectively respond to the major challenges that today face the environment sector.

Founded as a business instrument of the state for the implementation of public policies and to attain national objectives in the environmental sector, it seeks to foster **(a)** universality, continuity and quality of service; **(b)** sector sustainability; and **(c)** the protection of environmental values.

The fundamental values of the AdP Group consist of the sustainability of natural resources and the preservation of water as a strategic resource essential to life, the balance and the improvement of environmental quality, equity in the access to basic services and the improvement of the quality of life of citizens.

The objectives of the AdP Group are determined by the public policies for the sector, through the directions set out in the strategic plans for its areas of business, the general orientations issued by ministerial order and the specific guidelines issued by the shareholders. Under the terms of the juridical regime for the state business sectors and the Statute of Public Manager, the state, as the shareholders through indirect means, defines the strategic orientations.

The Board of Directors in office on 31 December 2020 was elected for the 2020-2022 mandate on 4 May 2020 in the midst of the State of Emergency ongoing due to the current context of the Covid-19 pandemic. The strategic orientations, objectives and management indicators and respective quantifiable targets have not yet been handed down for the mandate, awaiting their approval within the scope of the 22nd Constitutional Government Program and the exceptional measures approved by the government for the current Covid-19 pandemic context.

Irrespective, in 2020, the Board of Directors acted in compliance with the legal stipulations in effect and with the action orientations that were conveyed by the shareholders and the sector regulator and financial authorities, specifically but not exclusively, through the development of contributions and measures to leverage the national economy within this particular and difficult context of the pandemic, with a focus on innovation, resilience, energy and carbon neutrality, the circular economy and solidarity with shareholder partners, while equally ensuring compliance with its Mission, strengthened by the sector regulator order (Order no. 3547-A/2020, of 23 March), through the continuous and uninterrupted provision of an essential public service of excellence and safeguarding the public health of the community.

Furthermore, the AdP SGPS Board of Directors set the challenge for all managers and group company members of staff to put forward a Strategic Framework of Commitment within the scope of establishing a mobilising path that enables the consolidation of our shared and affirmative vision.

With the AdP Group one of the most efficient and sustainable international operators in water management, through its focus on the excellence of client services, innovation, resilience, energy and carbon neutrality and the circular economy, the general lines of strategic orientation were defined according to three fundamental axes that incorporate twelve strategic challenges detailed in the action program for the triennial 2020-2022.

DUTIES AND RESPONSIBILITIES OF THE BOARD

The carrying out of the functions of the Board of Directors of AdP - Águas de Portugal, SGPS, S.A. takes into account that stipulated by the legislation in effect, specifically the Public Manager Statute approved by Decree-Law no. 71/2007, of 27 March, which, as regards the undertaking of executive functions, hands down the following obligations:

- a. comply with the objectives defined by general assemblies or, whenever existing, by management contracts;
- b. ensure the implementation of the orientations defined within the terms of the law, the management contract; and the application of the company strategy;
- c. accompany, verify and control the evolution of activities and businesses of the Company across all their components;
- d. evaluate and manage the risks inherent to company activities;
- e. ensure the sufficiency, veracity and reliability of the information involving the Company as well as its respective confidentiality;

- f. maintain professional secrecy over the facts and documents containing knowledge that results from the holding of functions and neither to release nor to utilise for whatever the purpose, whether for personal or third-party gain, directly or through intermediate means, the knowledge stemming from those facts and documents;
- g. ensure the equitable treatment of shareholders;
- h. support the drafting of action proposals potentially appropriate to the development of the sector and the AdP Group.

The members of the Board of Directors of AdP SGPS are subject to the ethical norms accepted for the sector of activity and compliance with the best practices of corporate governance and business management, specifically in terms of transparency, the prevention of corruption, standards of ethics and behaviours, corporate social responsibility, human resource policies, fostering equality, the prevention of conflicts of interest and respect both for the competition and for market actors.

The Board of Directors ensures that AdP SGPS and its holding companies, without infringing on their own management autonomy:

- Fulfil their mission and exercise their activity in articulation with strategic sector policies defined by the Government, within a framework of business rationality, permanent optimisation of efficiency, quality and safety of the service provided.
- Are socially responsible, pursuing social and environmental goals and promoting competitiveness in the market, consumer protection, investment in professional and personal enhancement, promotion of equality, protection of the environment and respect for ethical principles.
- Develop environmental awareness actions, promoting the efficient use and protection of water resources.
- Promote the appropriate balance between the quantitative and qualitative levels of public service to be provided, with a view to user satisfaction and economic, financial and environmental sustainability and behaviour.
- Adopt methodologies that enable the continuous improvement of the quality of the service provided and the satisfaction of clients.
- Design and implement human resource policies aimed at enhancing individual motivation and boosting productivity and employee satisfaction, within a framework of balance and strict control over the associated costs, compatible with the respective dimension.
- Implement action plans aimed at promoting equal treatment and gender opportunities, eliminating discrimination and reconciling personal, family and professional life (promoting equality).
- Implement policies for scientific and technological innovation, promoting and stimulating research into new ideas, new products, new processes and new market approaches, to the benefit of the fulfilment of its mission and the satisfaction of the collective needs and oriented towards the economic, financial, social and environmental sustainability objectives (innovation and sustainability policies).
- Adopt information and internal control systems appropriate to their size and complexity, covering all the relevant risks that may be permanently audited by entities competent for this purpose.

The current mandate of the AdP SGPS Board of Directors corresponds to an extremely demanding cycle in terms of the scale, complexity and chronogram for the implementation of the European funding backed investment program. This comes in addition to the overriding need to neutralise the serious repercussions of the Covid-19 associated pandemic, playing a relevant role in social stability, leveraging the economic recovery and inducing a change in the paradigm of society.

MACROECONOMIC CONTEXT¹

The Covid-19 pandemic profoundly impacted on economic activities in Portugal and the rest of the world in 2020. The measures taken to contain the public health crisis and the precautionary attitude of economic actors determined an unprecedented fall in GDP in the first half of the year. The forecasts presented assume that the restrictions shall be gradually lifted over the course of the first quarter of 2021 while the activities would remain conditioned through to the beginning of 2022, the point in time when an effective medical solution shall be fully implemented. The action of monetary, budget and prudential policies was decisive in mitigating the crisis and shall continue to play a fundamental role in the dynamics of recovery.

GLOBAL

Following a 9.4% fall in the first half of 2020 on the end of 2019, world economic activity staged a recovery over the summer months. In the third quarter, world GDP grew faster than expected (7.3% on the previous quarter). The resurgence in the number of Covid-19 cases, especially in advanced economies, led to the reintroduction of restrictions, conditioning the activities in the most affected sectors and the confidence of economic actors.

¹ Sources: IMF World Economic Outlook; European Commission Economic Outlook; Boletim Económico do Banco Portugal; Macroeconomic Forecasts of the European Central Bank; Eurostat and INE – the Portuguese Statistical Institute.

This forecasting exercise assumes that the restrictive measures shall be maintained or restored through to the end of the first quarter of 2021 and relaxed gradually after that point. However, irrespective of this trend, while there is no fully implemented medical solution – in early 2022 – the virus will continue to condition the behaviours of economic actors and their activities.

The hypotheses for the forecast external outlook convey a gradual recovery of the world economy. Following a decrease of 3.5% in 2020, world GDP is due to grow 5.6% in 2021 and 3.7% on average over the following two years.

World trade fell back 9.5% in 2020 and shall grow 7.1% in 2021 and 4.0% on average over the following two years. The recovery in trade is expected to be conditioned by international tourism flows and transport and a reorganisation in global chains of production. The level of Portuguese external trade fell 12.6% in 2020 but should grow 7.1% in 2021 and 4.7% on average over the 2022-23 period. This assumes that from 2021 onwards trade between the EU and the United Kingdom falls within the framework of the conditions established by the Most Favoured Nation clause under the auspices of the World Trade Organisation, which implies greater barriers to trade between the two regions and contributes towards the downturn in external demand for Portuguese goods and services.

THE EUROZONE

Following a 15.0% plunge in the first half of 2020, the real gross domestic product (GDP) of the Eurozone staged a recovery of 12.5% in the third quarter, which represents a significantly stronger performance than those put forward in the forecasts made in September 2020 by specialists at the ECB. However, it is now expected that the recent intensification of restrictive measure in response to a sharp resurgence in the numbers of coronavirus (Covid-19) infections in the respective countries results in another fall in activity in the fourth quarter. Activity is also expected to remain weak throughout the first quarter of 2021. Irrespective of this short-term setback, positive news about the development of vaccines endows greater confidence to the assumption of a gradual resolution over the course of 2021 and in early 2022. This, in addition to the substantial support provided by monetary and budget policies – in part due to the European Union package of recovery measures designated “Next Generation EU” (NGEU) – and the ongoing rise in external demand, should provide for a more robust expansion over the course of 2021, with the real GDP returning to the pre-crisis level by mid-2022. Consequently, despite the short-term prospects of a deterioration, the GDP trajectory of the Eurozone from 2022 onwards should be broadly similar to that set out in the forecasts in September 2020 drafted by the ECB. In the Eurozone, economic activities fell 7.3% in 2020 before being due to rise by 3.9% in 2021 and around 3%, on average in 2022-23. The expected rate of economic recovery differs between countries reflecting, among other factors, the weighting of the productive structure of the sectors hardest hit by social distancing and the extent and duration of the economic policy responses.

As regards inflation, the core effects in a rising sense due to the earlier fall in the price of oil and the impact of the ending of a value added tax (VAT) cut in Germany imply a rise in overall inflation in 2021. Inflation measured by the Harmonised Consumer Price Index (HCPI) excluding energy product and food prices is expected to display a far weaker recovery in 2021 in keeping with the deflationary effects resulting from the weakness in demand, especially in the service sectors that dominate the upstream pressures on costs stemming from supply restrictions. In the medium term, global inflation should rise at a gradual pace, above all reflecting a slight increase in the contribution of inflation as measured by the HCPI, excluding the prices of energy and food products, that shall, nevertheless, remain fairly weak, coming in at 1.2% in 2023. In general terms, the reference forecasts indicate a rise in average inflation as measured by the HCPI of 0.2% in 2020 reaching 1.0% in 2021 and, subsequently, another gradual pick up to 1.1% in 2022 and 1.4% in 2023. In comparison with the forecasts made in September 2020 by the ECB statistical team, average inflation measured by the HCPI was downgraded for 2020 and 2022, due to the weaker data that has been made available for HCPI average inflation, stripped of energy and food product price rises, and a downwards re-evaluation of the inflationary pressures included in previous forecasts within the context of the abundant margins available, even if declining, in the goods and employment markets.

Taking into account the significant persistent uncertainties as regards the direction of the pandemic, the potential of the medical solutions (including the distribution and adherence to the vaccines) and the scale of the scarring left on the economy, new and alternative scenarios were again drafted. The moderate scenario considers a more successful suppression of the virus, a rapid rollout of vaccines and limited long-term scarring of the economy. In this scenario, real GDP bounces back 6.0% next year to reach the levels pre-existing before the end of 2021 and with inflation up to 1.5% in 2023. In contrast, the more serious scenario, with a late resolution of the healthcare crisis and substantial losses in economic potential shall drive a marginal increase of real GDP in 2021, which would again in 2023 be around 2% lower than the levels registered prior to the crisis with inflation standing at only 0.8% in this year.

PORTUGAL

According to the forecasts from the INE – the Portuguese Institute of Statistics and the Bank of Portugal, the key economic indicators for 2020 are the following:

	ESTIMATE 2020	YEAR 2019
GDP growth rate	(8.1%)	2.2%
Private consumption rate	(6.8%)	2.4%
Harmonised consumer price index	(0.2%)	0.3%
Unemployment rate	7.2%	6.5%
10-year Treasury Bond (OT) interest rate	0.42%	0.76%

This framework foresees a fall in GDP of 8.1% in 2020, followed by growth of 3.9% in 2021, 4.5% in 2022 and 2.4% in 2023. The level of activity would thereby return to pre-pandemic levels by the end of 2022. This recovery in activities reflects in an improvement in the labour market, predicting a rise in employment and a fall in the unemployment rate from the middle of next year onwards.

In the first half of 2020, activity declined 17.3%, in accumulated terms on the end of 2019. In the third quarter, following the gradual lifting of confinement measures, there was a swift and sharp improvement in activities, obtaining a GDP growth rate of 13.3% on the previous quarter. This better than expected recovery benefitted from undertaking expenditure delayed from the confinement period across the general range of productive activities. The recovery trajectory reversed in the fourth quarter with the imposition of new restrictive measures in Portugal and its main commercial trading partners. The forecasts point to a fourth quarter fall in activity of 1.8% on the third quarter. The pandemic has had an asymmetric impact on economic activities and impacting most negatively on those sectors worst hit by social distancing. This heterogeneity is also visible when comparing companies registering different growth dynamics prior to the onset of the pandemic.

Inflation displays a gradual and contained rise over the forecast timeframe, reaching 1.1% in 2023, within the scope of the underutilisation of resources and the maintenance of expectations of low levels of inflation.

In 2020, the Portuguese economy required net financing from the exterior. The deterioration in the current account stems from the trend in goods and service and, in particular, due to the slump in the services generated by the tourism sector. From 2021 to 2023, the capital current account shall return to a positive balance reflecting an improvement in the balance of goods and services and the increase in the amount of European funding, in particular under the Next Generation EU (NGEU) program.

Taking into consideration the most recent forecasts for the Eurozone, the Portuguese economy is to grow at about the average rate for the 2022-23 period, which reflects a resumption in the gradual process of real convergence. This period is furthermore forecast to see Portuguese exports grow at a faster pace than the Eurozone average.

The perspectives for the Portuguese economy are surrounded by the uncertainties deriving from the direction of the pandemic and the short-term implementation of a medical solution on a large scale. The responses of economic actors to the public health protection and support measures also bring their own risks.

As regards interest rates, the European Central Bank expects to maintain negative interest rates through to 2023 and alongside a weighted average for the nominal profitability of state 10-year bonds of between -0.1% and 0.1% (2020-2023).

THE SECTOR ON A GLOBAL SCALE²

“Water is a human right. Nobody should have this access denied.”

António Guterres, Secretary General of the United Nations.

“Achieving access to appropriate and fair sanitation and hygiene for all, improving the quality of water and reducing by half the proportion of untreated wastewater, substantially reducing the number of people impacted by water scarcity. A goal that precisely symbolises the messages of Agenda 2030: that nobody gets left behind.”

Sustainable Development Goal 6 (SDG)

² Source: <http://www.worldbank.org>; <http://oecdobserver.org>; <https://iwa-network.org/>; <https://unric.org/pt/>

Access to drinking water and sanitation is a basic human right and represents a fundamental factor for obtaining good results in the areas of development such as agriculture, energy, the capacity for adaptation to disasters, human health, the environment and, ultimately, to economic growth. In many countries, economic and demographic growth and the consequent urbanisation is raising demand for water while its supply remains either unaltered or decreases fundamentally due to climate change.

Despite over the last 25 years the number of persons worldwide without access to improved sources of water supply having fallen by around a half, in 2015, only slightly over a quarter of the population in countries considered poor had accessed to improved sanitation services.

Even in developing and developed regions, where such access exists, the services are often characterised by poor management, inappropriate financing and low levels of investment. Few companies in the sector at the global scale cover the levels of the operational costs necessary and only a similarly small number are able to service their debt levels.

On the global scale, there is a need to improve the management of resources, facilitate universal access to water and sanitation and optimising the usage of water resources. This requires the boosting of resilience through systems that are better able to stand up to extreme climate events and, simultaneously, dealing with the fragility prevailing in countries facing water scarcity.

In parallel, the uncertainties caused by economic policies and climate change exponentially leverage the challenges faced in this field.

Within this framework, the World Bank Water Global Practise established the new Strategic Plan, launched by the World Bank in 2019 within the scope of achieving SDG6 (Sustainable Water Development Goal) based on: **i)** sustainability of water resources, **ii)** accessibility and **iii)** system resilience.

This recognises how the sustainable management of water does not only include access to appropriate drinking water and sanitation services but also involves approaching such questions in far broader contexts, incorporating issues such as water and sanitation quality, management, scarcity and the efficient usage of water, management of water resources and the protection and restoration of the related ecosystems.

As stated, the challenges existing for this sector are not limited to developing countries. The impact of climate change is planetary in scope. For example, Melbourne, in Australia, recently had to deal with the contamination of its water supply system caused by storm flooding.

Two of these challenges are objectively the need to reduce water consumption and, simultaneously, cut the level of wastewater pollution. The question remains: how?

There is general agreement that the resolution does not only involved technology but also (and above all?) people and processes. The water sector has for long been known as been "rich in data" but "poor in information". Part of this explanation derives from the needs never having been totally and appropriately defined. Efforts in this field involve the commitment of the interested parties within the framework of discovering what type of information is needed and what data are able to satisfy the needs of these same parties. Following this definition, there then needs to follow the analytical processes (of shortcomings) in order to then consider the functions of instrumentation.

Data sources and instrumentation represent a pillar for the construction of a future "digitally transformed water industry". In effect, this is to ensure the utilisation of data and their conversion into information, situationally aware, with a commercial and operational vision. Having done this, the sector, the industry and the management companies shall be better positioned to deal with serving clients and protecting the environment.

Installing the instrumentation in an appropriate approach and above all deploying the results in the right applications provide the conditions for guaranteeing the correct operation and maintenance and through this obtaining appropriate quality information. In a final perspective, this will enable the non-compromise of the tactical and strategic visions.

The message this seeks to convey and that organisations around the world subscribe to is that if the sector is to achieve the desired digital transformation, it will need to get the basics right.

WATER SUPPLY AND SANITATION IN PORTUGAL³

The water supply and wastewater sanitation services are of enormous relevance to the development of any country: both from the public health perspective and in terms of environmental and economic sustainability.

In Portugal, the sector is characterised by a large number of participants: in terms of administration, the regulatory entity and alongside the respective central government authorities and, for system management including the municipalities, the municipal associations, the municipal and inter-municipal companies, public companies (especially concessionary companies), the private concessionary companies and the private management service providing entities.

The water sector is capital intensive and with long periods necessary for the recovery of such investments. In effect, the high level of investment necessary in an initial phase only enables the respective returns through levelling out the tariffs in effect throughout the useful life span of infrastructures. Therefore, it is a fact that the reduction in the periods of return on investment implies increases in annual revenues, which brings significant impacts for the tariffs charged to the end users.

In Portugal, the level of maturity of the sector guarantees the increasing availability of these services throughout the entire country accompanied by improvements to quality at prices accessible to the populations.

NATIONAL PANORAMA	
WATER SUPPLY	WASTEWATER SANITATION
• 9.7 million inhabitants served	• 8.6 million inhabitants served with drainage
• 96% of households served	• 85% of households served
• 189 litres: average daily consumption of water per inhabitant	• 8.5 million inhabitants with sanitation services
• Average weighted tariff: €0.5293/m ³	• 84% of households receive sanitation services
• Indicator of safe water standards on Mainland Portugal (bulk): 99.60%	• 1.3 million of m ³ of wastewaters treated daily
	• Average weighted tariff: €0.5316/ m ³

Data RASARP 2020 - ERSAR

In 2020, the Strategic Plan for Water Supply and Wastewater Sanitation for mainland Portugal, for the 2014 – 2020 period: PENSAR 2020 – A New Strategy for the Water Supply and Wastewater Sanitation Sector remained under execution. This strategic plan promotes, in association with the populations, access to a public water and sanitation service of quality, tailored to their needs, with socially acceptable costs, within the national and European legal framework as well as the European policy framework for innovation in the sector.

The management and organisational models for water supply and wastewater sanitation services are stipulated in specific legislation and that enact the juridical regimes for the management and exploration of municipal, multi-municipal and state-local government partnership based systems.

- Decree Law no. 319/94, of 24 December: established the juridical regime for the construction, operation and management of multi-municipal systems for the capture and treatment of water for public consumption whenever attributed by concession and approves the respective bases. Its most recent version appeared in Decree Law no. 195/2009, of 20 August, which proceeded with its republication;
- Decree Law no. 162/96, of 4 September: setting out the juridical regime for concessions for the operation and management of multi-municipal systems for the collection, treatment and rejection of effluents. Its most recent version appeared in Decree Law no. 195/2009, of 20 August, which proceeded with its republication;
- Law no. 88-A/97, of 25 July: regulating the access of private economic initiatives to certain economic sectors of activity. Its most recent version was enacted by Law no. 35/2013, of 11 June;
- Decree Law no. 90/2009, of 9 April: stipulated the regime for partnerships between the state and local government for the operation and management of multi-municipal systems for the public water supply, urban wastewater treatment and the management of urban waste;
- Decree Law no. 194/2009, of 20 August: established the juridical regime for municipality services for the public water supply, wastewater sanitation and the management of urban waste. Its most recent form was issued by Law no. 12/2014, of 6 March;

³ Source: <http://www.ersar.pt>; <https://www.apambiente.pt>; Diário da República, 1.ª série

- Dispatch no. 34/2011, of 13 January: stipulated the minimum content of service regulation for the provision of water supply, wastewater sanitation and urban waste management services to users;
- Decree Law no. 92/2013, of 11 July: defined the regime for operating and managing multi-municipal systems for the capture, treatment and distribution of water for public consumption, the collection, treatment and rejection of effluents and the collection and treatment of solid waste. Its most recent version was enacted by Decree Law no. 72/2016 of 4 November;
- Dispatch no. 4385/2015, of 30 April: approved the strategy for water supply and wastewater sanitation for mainland Portugal for the 2014-2020 period, designated as "PENSAAR 2020 – A new strategy for the water supply and wastewater sanitation sector";
- The Council of Ministers Resolution no. 107/2019, of 1 July: approves the Path to Carbon Neutrality 2050.
- The Council of Ministers Resolution no. 80/2017, of 7 June, set up Permanent Commission for the Prevention, Monitoring and Accompanying of the Effect of Drought (Permanent Drought Commission), which has undertaken its respective work within the scope of pre-empting the effects of water scarcity and the construction of pieces to the resilient solutions for dealing with this situation.

AdP GROUP

The AdP Group is the leading Portuguese corporate group with activities in the water supply and wastewater sanitation sector. Majority owned by the state, the Group represents a business instrument for implementing public policies and attaining national objectives across the fields of the environmental sector, seeking to foster the universality, continuity and quality of the service, the sustainability of the sector and the protection of environmental values.

The AdP Group acts across every phase in the urban water cycle, spanning the capture, treatment, transport and distribution of water for public consumption, the collection, transport, treatment and rejection of used waters, both urban and industrial, including their recycling and reutilisation. Through its companies, the Group holds an extensive presence on mainland Portugal and providing services to around 80% of the Portuguese population.

Under the auspices of PENSAAR 2020 and the program of the 21st Constitutional Government, the water sector was subject to restructuring, which involved the reversion of the existing aggregations of multi-municipal water supply and sanitation systems, within the scope of Decree-laws no. 92/2015, 93/2015 and 94/2015, of 29 May. Hence, under the terms of Decree-law nos. 16/2017 of 1 February and 34/2017 of 24 March, the Águas de Portugal Group came to integrate four new companies managing multi-municipal systems.

As of 31 December 2020, the Group contained 19 companies of which 13 were entities managing the water supply and wastewater treatment systems that serve around 80% of the population on mainland Portugal.

The AdP Group has worked in close collaboration with the municipalities in constructing solutions aggregating retail operations and applying its know-how to implementing the most efficient outcomes and with fairer prices for providing populations with water supply and sanitation services, correspondingly highlighting the launch of the Águas do Alto Minho operational activities on 1 January 2020, the company attributed the management of the water system for the Alto Minho region established through a partnership between the Portuguese state and the municipalities of Arcos de Valdevez, Caminha, Paredes de Coura, Ponte de Lima, Valença, Viana do Castelo and Vila Nova de Cerveira.

In 2020, a year conditioned by the Covid-19 pandemic, the Group made its preparations both under the auspices of its Covid-19 Contingency Plans and its operational and emergency plans for managing the risks and the contingencies inherent to this type of situation in order to maintain secure and reliable water supply and wastewater treatment services.

Thus, every company developed and implemented contingency plans within the framework of infection by the new coronavirus drafted in accordance with Orientation no. 006/2020 of 26/02/2020 issued by the Directorate-General of Health and incorporating exceptional risk management measures to guarantee the security and reliability of water supply and wastewater treatment services.

The management of energy and the reduction of the costs associated constitutes one of the strategic priorities of the AdP Group within the scope of promoting the levels of efficiency that guarantee eco-efficiency and the sustainability of its water supply and wastewater treatment operations.

This dimension highlights the ZERO Program through which the AdP Group seeks to shrink its energy consumption and to significantly boost its own production of 100% renewable energy with the objective of attaining carbon neutrality in 2030. With this program, the Group is positioning itself as the first international scale group to obtain energy neutrality across all its national and international activities at the global scale.

Under the auspices of implementing the measures and actions established under PEPE – the Energy Efficiency and Production Plan of the AdP Group, there has been a reduction in the minimum contracted power levels by group companies resulting in significant savings on the cost of consumed electricity.

Águas de Portugal is a subscriber to the “Business Ambition for 1.5°C” initiative of the United Nations Global Compact, which seeks to reduce greenhouse gas emissions and contribute to planetary sustainability, an initiative that strengthens its commitment to the transition to a low carbon economy.

Through Order no. 63212/2019, of 10 July, the Ministers of the Environment and Energy Transition and Agriculture, Forests and Rural Development, AdP Energias was designated as the concessionary entity for operating and managing the new integrated system for treatment and recovering value from livestock and agro-industrial operations that shall take on responsibility for carrying out the technical and economic-financial studies necessary to establishing a new public service for treating and recovering these effluents.

Rendering continuity to the policies for environmental efficiency, and following the publication of Decree Law no. 119/2019, of 21 August, the AdP Group has embarked on a series of initiatives designed to put into practice the strategy defined for such reutilisation.

The development of its capacities and competences within the national market has enabled the international expansion of the AdP Group acting as a showcase for the competitive advantages that Portugal deploys in the environmental sector and developing technical assistance projects and partnerships in different countries.

Águas de Portugal furthermore participates in the “Leading Utilities of the World” network that brings together companies from the sector that have stood out at the global level for their high performance standards and innovative capacities and sits on the Board of Water Europe, the European platform dedicated to promoting and raising awareness about research projects, development and innovation in the water sector.

REGULATORY FRAMEWORK

The management entities belonging to the AdP Group provide services in the water sector through activities involving the public supply of water and the sanitation of wastewaters, which may include, in addition to household discharges, industrial effluents and rainwater runoff. This sector is subject to regulation by ERSAR, the regulator pursuant to its articles of association, which were approved by Law 10/2014 of 6 March as regards the regulation of its financial policies, quality of service and the user interface with ERSAR also the competent authority for awarding the coordination and monitoring of the water quality regime for human consumption.

Group companies are also subject to environmental regulation by APA – the Portuguese Environment Agency.

The services provided are based on the principles of the pursuit of the public interest, the integrated nature of the systems, efficient production and the prevalence of business management aligned with the public policies and strategic national plans for the sector.

The AdP Group subsidiaries adopt different management models for the bulk (concession and delegation) (EPAL; multi-municipal systems (MMS) and State-Municipality partnerships) and retail (EPAL and State-Municipality partnerships) segments of the value chain of this sector.

ECONOMIC REGULATION

The Management Companies belonging to the AdP Group universe are subject to economic regulation by ERSAR, and are also governed by the respective constituent and statutory diplomas and in accordance with the related concession, partnership and management contracts. These contracts provide for the minimum public service obligations, the investment plan and contractual remuneration.

The ERSAR involvement in the economic matters of these Management Companies is delimited, depending on whether it is a state-owned entity (EPAL, MMS and AdSA), for which ERSAR sets tariffs and yields for tariffs, and for the municipal partnership owned systems (state-local government partnerships), for which ERSAR oversees compliance with contractual tariffs and verifies compliance with tariff regulation whenever so existing. For all entities, the regulator monitors other economic and financial aspects.

Law no. 75-B/2020, of 31 December, brought about alterations to the statutes of the regulatory entity in terms of tariffs and awaiting the terms of the respective regulation during the first quarter of 2021.

In the MMS case, in addition to setting tariffs and yields, ERSAR defines production efficiency scenarios and approves any variations in the cost recovery deviation (CRD) that the Management Companies of the multi-municipal systems register in their respective accounts.

In 2020, in conjunction with ERSAR, there was the reconciliation of the accumulated CRD balances reported in the MMS accounts and concluding that the amounts stated were correct.

The AdP Group, in 2020, maintained its representation on two specific consultation bodies (the Consultive Council and the Tariff Council), established under the terms of Law no. 10/2014, of 6 March.

Throughout 2020, the AdP Group remained actively involved in participating in the public consultations that ERSAR has promoted, as well as several other studies and works developed by this entity with material impacts on the development of activities and defining the tariffs and scenarios for operational and financial efficiency. Within this field, there was the particular highlight of participation in the public consultation process as regards Service Quality Regulation in November 2020.

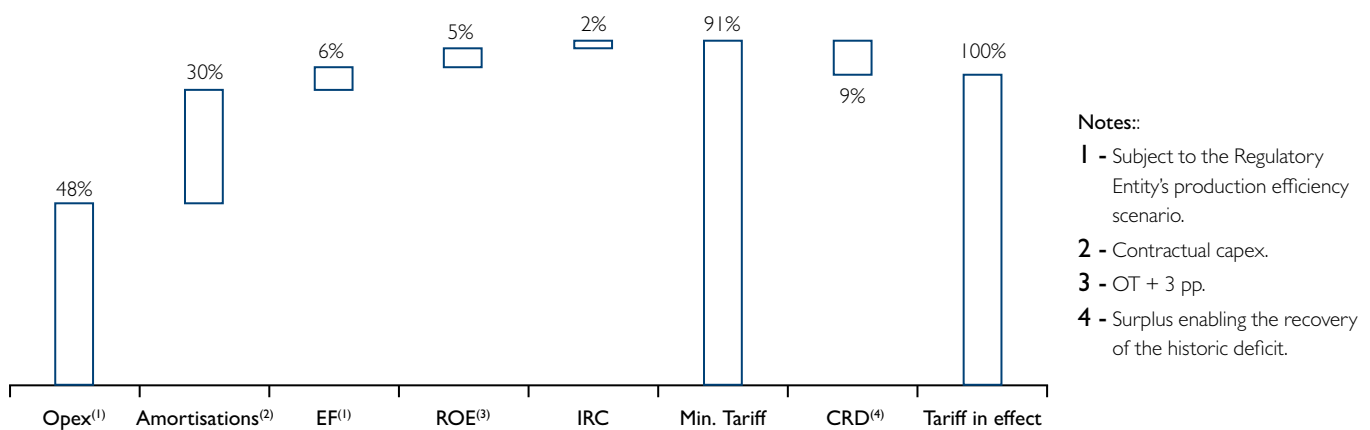
In 2020, with the agreement of the Concessionaire and ERSAR, there was no tariff revision for the second five-year period for the MMSs with contracts determining such revisions and awaiting the publication of the revision rules over the course of 2021. This process does not foresee any tariff impacts that require highlighting.

MULTI-MUNICIPAL SYSTEMS (AdNORTE, AdDP, SIMDOURO, AdCL, AdVT, AdTA, SIMARSUL AND AdA)

The Management Companies belonging to the AdP Group, Águas do Norte, SA (AdNorte), Águas do Douro e Paiva, SA (AdDP), SIMDOURO, SA (SIMDOURO), Águas do Centro Litoral SA (AdCL), Águas do Vale do Tejo, SA (AdVT), Águas do Tejo Atlântico, SA (AdTA), SIMARSUL, SA (SIMARSUL) and Águas do Algarve, SA (AdA), are multi-municipal systems (MMSs) that undertake, through concession contracts entered into with the State, the activities of bulk public water supply and wastewater management.

The bulk tariff rates and revenues, when applicable, charged by these multi-municipal systems are set by ERSAR and calculated based on the efficiency costs accepted by this entity.

SIMPLIFIED DEFINITION OF THE TARIFFS FOR APPLICATION BY MMSs 2020 Tariff



For the MMSs, tariffs and tariff revenues, when applicable, are established for the first tariff period in the establishment decrees and respective concession agreements. In this period, ERSAR validates the tariffs and updates tariff revenue, when applicable, based on the rate of inflation (HICP – Portuguese acronym).

Within the process of system aggregation, in 2015 a tariff corridor mechanism was set with an increased tariff component (CTA – Portuguese acronym), which was reinforced in the spin-off processes that took place in 2017. These mechanisms are currently established between the coastal and inland systems for both services. The CTA of the first tariff period was established through the constitutive diplomas of the beneficiary systems and with its updating monitored by ERSAR.

Under the terms of the concession agreements, costs to be recovered through tariffs include efficient operating expenses, including investment amortisations net of subsidies, financial expenses, net of financial income, taxes on income and shareholder remuneration. Also considered as tariff charges are the recoverable proportion of the cost recovery deviations (CRDs), when applicable.

Throughout 2020, the tariffs, and the tariff earnings whenever applicable, and the CTA applied to the turnover of the management entities belonging to the AdP Group were subject to analysis and the opinion issued by ERSAR.

The concession agreements determine that the return on equity, to be recovered by tariffs, results from the remuneration of the share capital and the legal reserve at a rate equivalent to ten-year Treasury bills (OTs) plus a margin of 3% and the outstanding shareholder remuneration, at a rate equivalent to these ten-year bills.

In 2020, the average daily interest rate for ten-year Treasury bills stood at 0.41%.

The constitutive diplomas of MMS mergers and spin offs consecrated the methodology for the registration and recovery of CRDs, determining a maximum period of additional CRD generation of up to 10 years and a maximum period for the reintegration of these assets (or liabilities) of up to 25 years. According to this methodology, the current balance of the CRD recorded in the accounts of AdP Group subsidiaries will have been recovered by 2043.

In accordance with the concession contract, ERSAR holds the power to approve the level of the CRD registered in the accounts of companies based on the productive efficiency scenario established according to the previously defined criteria. This endows ERSAR with the power to establish the costs that may be recovered by means of the tariff and correspondingly potentially differing from those actually incurred.

Based on gross CRDs, validated by ERSAR in 2020, there was a total of EUR 1.1 million in costs that were not accepted by the regulatory authority.

As at 31 December 2020, approximately EUR 557.7 million of outstanding CRDs and approximately EUR 55.4 million of surplus CRDs were recorded in the accounts of the AdP Group as a result of the activities of the various multi-municipal systems.

STATE-MUNICIPALITY PARTNERSHIPS (AdAM, AdRA AND AdNORTE – RETAIL AND AgdA – BULK)

The Management Companies, Águas do Alto Minho, S.A. (AdAM), Águas do Norte (AdNorte), AdRA - Águas da Região de Aveiro, SA, (AdRA), and AgdA - Águas Públicas do Alentejo, SA, (AgdA), which are municipal systems, carry out, through management contracts, the bulk and/or retail public water supply and wastewater management services in the context of partnerships between the state and local authorities.

These partnerships are governed by the provisions of Decree-Laws 90/2009 of April 9 and 194/2009 of August 20, for the partnership and management contracts awarded as well as by further legislation and regulations.

These Management Companies are subject to the regulation of ERSAR, pursuant to Law No. 10/2014, of March 6, and to the supervision of the Partnership Commission - an entity established under the partnership agreements signed, consisting of representatives of the state and of the municipalities, whose mission is to exercise the powers of direction, supervision and monitoring of municipalities over the municipal system managed under this regime.

The bulk and retail tariffs under the terms of the management contracts, which comprise a fixed component and a variable component, are set at constant prices and for five-year periods. The tariffs are updated annually in accordance with the respective contracts. The Partnership Commission is responsible for approving these tariffs and ERSAR is responsible for issuing a non-binding opinion.

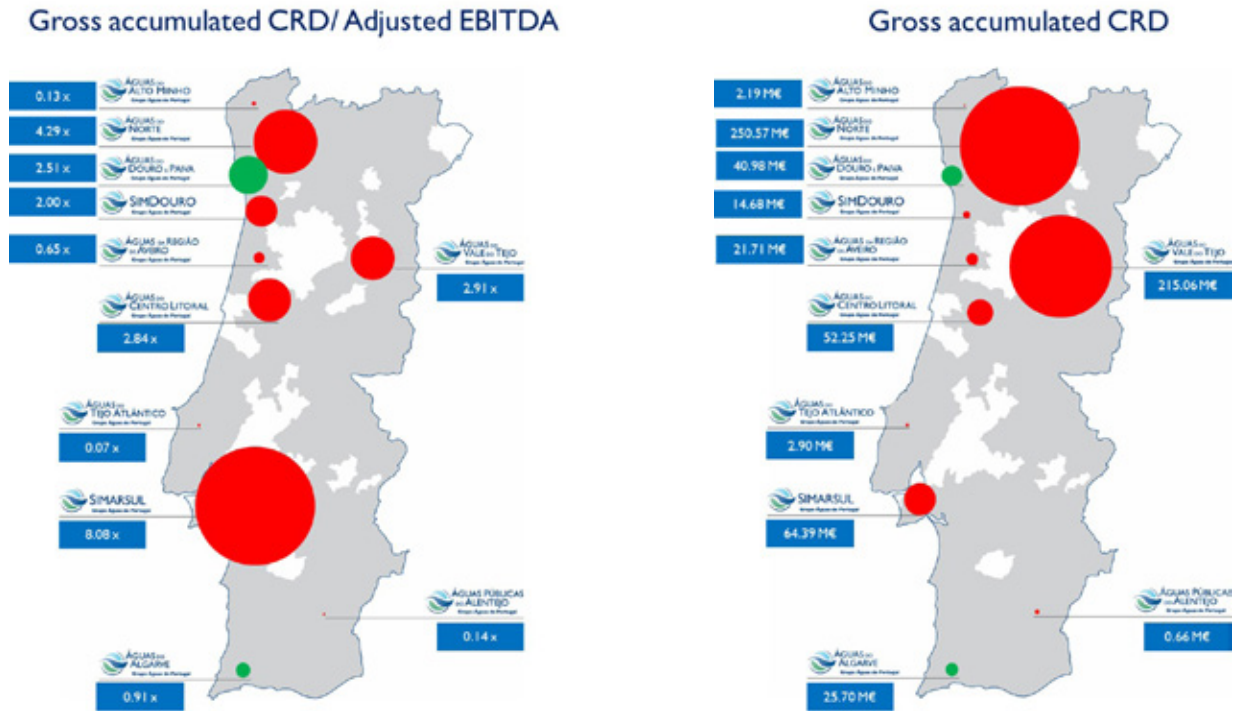
These Management Companies are regulated according to accepted efficient costs, which include the operating and maintenance operating costs of their systems, investment amortisations net of subsidies, financial expenses net of financial income, taxes on income and adequate equity remuneration.

Throughout 2020, the tariffs applied in the billing issued by the management entities in the AdP Group were subject to the analysis and issuing of an opinion by ERSAR and approved by the Partnership Commission.

Partnership contracts generate the same remuneration as the MMS concession contracts.

The contracts of these Management Companies establish that they are entitled to register and recover the CRDs generated by tariffs, calculated by the difference between the net results generated and the contractual remuneration of shareholder equity for the year.

As at 31 December 2020, some EUR 62.1 million of loss-making CRDs were recorded in the accounts of the AdP Group as a result of the activities of municipal systems operated in partnerships between the state and local authorities.



OTHER STATE-OWNED SYSTEMS

AdSA

Through the concession contract entered into with the state, Águas de Santo André, SA (Adsa) carries out public bulk and retail water supply and wastewater treatment activities as well as solid waste treatment in the industrial zone of Sines and in the parish of Santo André, in the municipality of Santiago do Cacém.

While not a multi-municipal system, as a state-owned system, AdSA is subject to the same ERSAR intervention as those systems.

The tariffs practiced by this management entity related to "human consumption" are approved by ERSAR, thus considering the costs of recovering, via the tariff, operating expenses, including investment amortisations, net of subsidies, financial expenses, net of financial income, taxes on income, and shareholder remuneration.

The concession agreement establishes that the shareholder remuneration to be recovered by means of tariffs is estimated based on the value of shareholder equity at a rate equivalent to those of the 10-year Treasury Bills (OTs), plus a minimum margin of 3%. For this management entity, in the case of a minimum remuneration rate, no CRD is accounted for.

EPAL

The operating model of EPAL is based on state-delegated management and covers the activity of bulk public water supply to 34 councils (excluding Lisbon) and retail supply in the municipality of Lisbon.

EPAL is governed by the provisions of Decree-Law no. 230/91 of June 21, as amended by Decree-Law no. 94/2015 of May 29 and Decree-Law no. 34/2017, of March 24.

These regulations stipulate that water tariffs, as well as fees for the ancillary services provided by EPAL, must, in any case, ensure revenues to cover their operating expenses, as well as adequate levels of self-financing, risk and return on invested capital.

In 2015, EPAL was allocated the management of the Water Supply and Sanitation Multi-Municipal System, granted to AdVT.

Without prejudice to the tariff uniformity regime created by Decree-Law no. 94/2015, of May 29, EPAL is subject to ERSAR's intervention, with regard to the establishment of tariffs to be charged, in compliance with the criteria set forth in Law no. 58/2005, of 29 December (Water Law), amended by Decree-Law no. 245/2009, of September 22, no. 60/2012, of March 14, and no. 130/2012 of June 22, and other complementary legislation and regulations, taking into account the specificities and the risk associated with the system managed by EPAL as well as the contracts entered into.

Under the terms of EPAL activities, it is understood that the adequate remuneration of invested capital is ensured by applying a weighted average cost of reference capital to the value of property, plant and equipment and intangible assets, directly related to the public service rendered, net of amortisations and investment grants. This rate should: **(i)** reflect the specific increased risks associated with the management of the delegated management system; **(ii)** reference the financing of equivalent projects under market conditions; and **(iii)** take into account the Company's financing capacity in the capital market.

The rate is levied on all assets and resources and the capacity of existing infrastructures that are part of EPAL's public service activities, for security and reliability reasons, are part of the relevant and necessary asset base of EPAL and are valued at the book value recorded in the last approved accounts.

According to Decree-Law no. 94/2015, of May 29, as amended by Decree-Law no. 34/2017, of March 24, a system of tariff uniformity was defined between the AdVT and EPAL managed systems, which determines the uniformity of the tariff to be applied in the bulk market between the two Management Companies for each five-year period. From this scheme, a CTA is delivered by EPAL to the system managed by AdVT.

With the publication of Decree-Law no. 94/2015, of May 29, the tariffs EPAL charges for the 2015-2020 period, at constant prices, as well as the CTA, at constant prices, are added to the rates charged by EPAL pertaining to the bulk service and passed on to the retail customers of the Company. The updating of these tariffs is subject to ERSAR validation.

Throughout 2020, the tariffs and CTA applied in the billing issued by EPAL were subject to the analysis and the opinion of ERSAR in 2019.

REGULATION OF SERVICE QUALITY

The Management Companies belonging to the AdP Group are subject to ERSAR's quality of service intervention.

ERSAR's intervention in quality of service results from an annual evaluation based on indicators in which the results of this evaluation are an integral part of the Annual Report of the Portuguese Water and Waste Services (RASARP).

RASARP volume I, with the results of the service quality evaluation system provided by the managing entities, with the reference date of 31 December 2019, were made available by ERSAR over the course of January 2021.

The individual service quality information resulting from the ERSAR evaluation are available on the Internet sites of the managing entities.

REGULATION OF WATER QUALITY FOR HUMAN CONSUMPTION

The management companies belonging to the AdP group that provide public water supply activities are essentially responsible for ensuring, under the supervision of the competent entities, the quality control of water for human consumption, in accordance with the legal and regulatory parameters applicable.

Pursuant to Decree-Law no. 306/2007 of 27 August, the management companies must annually prepare the Water Quality Control Program (PCQA), and submit it for approval by ERSAR, and this entity is responsible for carrying out enforcement actions on its implementation.

In compliance with the legislation, the Management Companies implement the PCQA, with non-compliance with the parametric values communicated to the competent entities.

The results of the water quality control test at delivery points and consumer faucets conducted by Management Companies are also included in RASARP.

RASARP volume 2, with the results of the water quality for human consumption evaluation, with the reference date of 31 December 2019, was made available by ERSAR in September 2020.

In 2020, within the objective of guaranteeing the protection of public health, preventing the spread of disease and protecting members of staff involved in water supply and wastewater treatment operations, as well as defining the procedures associated with the quality control of water for human consumption within the scenario brought about by SARS-CoV-2 (Covid-19), ERSAR issued orientations that were subsequently implemented by the management companies.

REGULATION OF THE USER INTERFACE

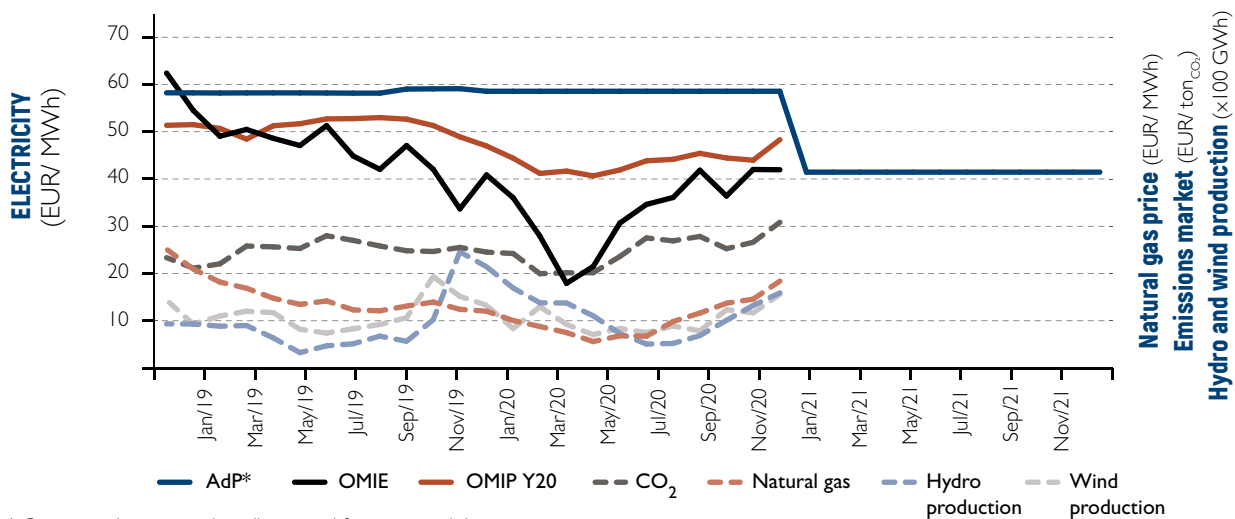
The management entities belonging to the AdP Group universe are subject to the intervention of ERSAR as regards their user interfaces.

Requests for information and the complaints submitted by water service users are analysed by the regulator. To this end, the managing entities provide a physical book of complaints. This also extends to their respective Internet sites that provide an e-book of complaints.

ENERGY IN THE AdP GROUP

THE PRICE OF ELECTRICITY IN PORTUGAL

In 2020, the average price of electricity in Portugal, within the scope of the Iberian wholesale electricity market (OMIE), stood at 33.99 €/MWh (47.87 €/MWh in 2019). This slide in price on 2019 results fundamentally from the impact of the Covid-19 pandemic on the electricity markets.



The figure above reflects the trend in the price of energy in the Iberian markets for the years of 2019 and 2020.

Analysing the components that influence the energy price highlights the 38% increase in hydro production of and 34% fall in the price of natural gas. The average price of CO₂ did not undergo any major variation in annual terms.

This slide in the price of electricity in the Iberian market was accompanied on the European daily markets with the table below setting out the variations occurring in the markets of Portugal, Germany and France.

VARIATION IN THE AVERAGE PRICE OF THE ELECTRICITY MARKET (DAILY MARKET)	2020/ 2019
Portugal	(29%)
Germany	(19%)
France	(18%)

The variation in electricity prices in the futures market (OMIP), for supply in 2021, experienced an inverse trend with the following table depicting the variations ongoing in Portugal, Germany and France.

VARIATION IN THE AVERAGE PRICE OF THE ELECTRICITY MARKET (FUTURES MARKET)	2020/ 2019
Portugal	(15%)
Germany	(16%)
France	(11%)

In 2020, national consumption stood at 48.813GWh, down 3.0% on 2019 and the lowest level in a decade. This consumption was 56% met by renewable sources, up from the 49% registered in 2019. Thermal production, between 2019 and 2020, registered 5% growth in natural gas and 5% in co-generation while coal based production fell away by 58% to account for only 4% of national consumption in 2020. The international energy balance saw a 3% level of imports to meet consumption, down from 7% in 2019. In meteorological terms, the average temperature in 2020 came in 0.5° C lower than 2019, which would have increased the needs for heating consumption while the hydro-electric productivity index rose from 0.81 in 2019 to 0.97 in 2020 with this impact on hydro-production reflecting in a 38% advance between these two years.

The consumer electricity price (the case for AdP Group companies) returns a relevant impact on the setting of the TAR – the Network Access Tariff by ERSE which, in the role of sector regulator, takes into account the costs of network operation, including the costs of the energy, environmental or general economic interest policies (CIEG – Portuguese acronym), specifically for the recovery of the tariff deficit and the regional convergence tariffs.

2020 experienced a rise in the TAR, which rose by +2.15% on 2019. Furthermore, the TAR rate again rose in 2021, although only impacting on low tension supply (+6.2%).

For 2021 and 2022, the Group agreed an electricity supply contract in HT, MT and LTE reflecting an average reduction of 30% on the rates in effect in 2020, correspondingly taking advantage of the sharp decrease in electricity market price quotations following March 2020. In terms of the LTN, the contract in effect covers the years of 2021 and 2022, and with expectation of launching a market consultation procedure should there emerge another advantageous opportunity.

This comes in addition to the effects of any alterations to national and European legislation on the final price of electricity and regarding which we are unable to ascertain their future direct effects.

Due to the factors and adjustments to which the market is subject and conditioned by, and regarding which we are unable to estimate the effects on the price prevailing in electricity markets, coupled with the experience acquired by the AdP Group through its continued monitoring of these markets, the most sustainable strategy necessarily involves the implementation of measures and actions that lead to:

- reductions in consumption levels resulting from the implementation of operational management, structural and other measures aimed at promoting the energy efficiency of infrastructures,
- reductions in costs, optimising levels of tension, cutting back on the contracted potential, eliminating reactive energy, adjusting the network's profile of energy consumption in accordance with the tariff periods and functional cycles in order to obtain the more efficient management of energy,
- increasing in-house energy production for self-consumption, through means of leveraging the endogenous potential (in particular, boosting the production of biogas and leveraging the piezo-metric falls existing in the micro-hydric installations) and renewable sources (wind and solar power), reducing both the consumption of the network and the level of dependence on the markets.

In 2019, the Council of Ministers Resolution no. 107/2019, 1 July 2019 approved the Path to Carbon Neutrality (RCM 2050), which establishes the objective of reducing greenhouse gas emissions in Portugal by between 85 % and 90 % by 2050 when measured against 2005 and with the compensation of the remaining emissions through recourse to land and forestry initiatives and thereby obtaining a trajectory in the reduction of emissions of between 45 % and 55 % through to 2030, and between 65 % and 75 % through to 2040; all in relationship to the emissions produced in 2005.

Furthermore, the RCM also sets out a set of vectors for decarbonisation and lines of action for a carbon neutral society as set out in the point above regarding the national energy strategy for 2030 that is to be taken into consideration in the definition of any energy related strategy.

Within the same scope, this highlights the project developing the Energy Neutrality Implementation Study for the AdP Group (and correspondingly also covering carbon neutrality) in accordance with that deliberated by the AdP SGPS Executive Commission, with the following core principles:

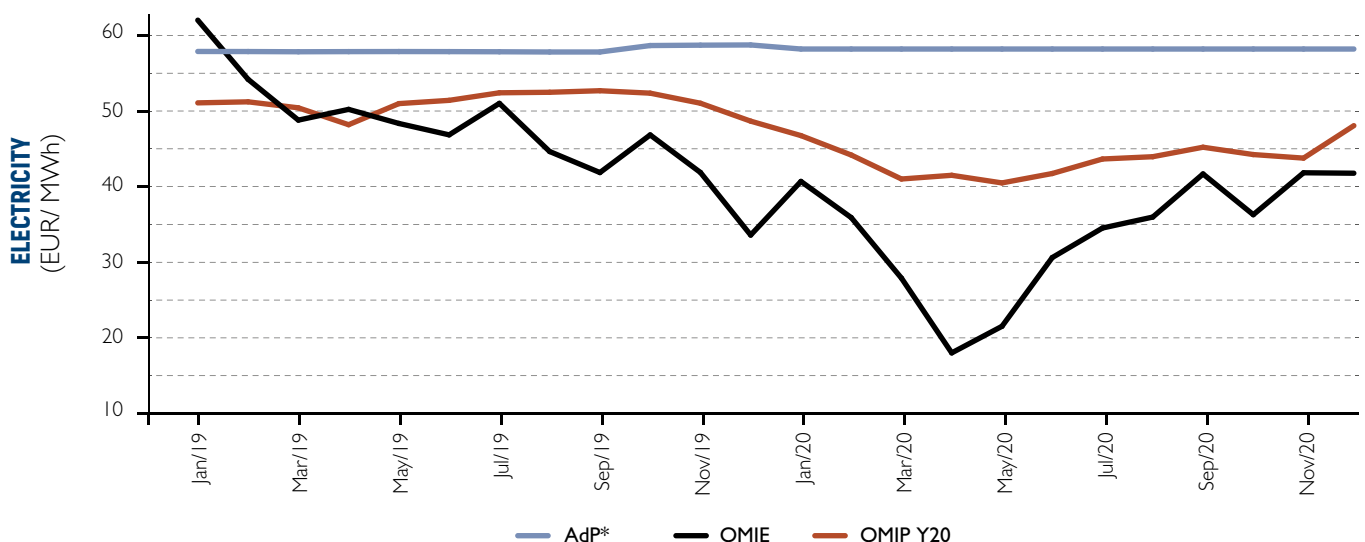
- Energy neutrality does not only consider the electricity consumed in the operational installations but rather all of the electricity consumed by all installations (operational and non-operational, whether regulated or unregulated assets), nationally and internationally as well as the electricity consumed in the activities undertaken by Group companies located outside Portugal;
- The objectives do not only involve the in-house production of electricity but equally and first and foremost, there is the ambition to cut energy consumption, leveraging the opportunity to promote the utilisation of more efficient solutions taking advantage of the cycle of asset renovation that is due for many infrastructures;
- The sources of production should incorporate a mix, essentially considering systems based on photovoltaic solar, thermal solar, wind, hydro, co-generation and biogas, seeking to maximise production;
- This should maximise the flow of production for self-consumption (avoiding utilising the grid to the greatest possible extent), prioritising energy from self-sustainability solutions;
- This requires energy storage solutions, drawing on the capacity of the existing AdP Group infrastructures, thereby altering their operational philosophy, as happens with the current reservoir supply systems;
- The interventions require planning and budgeting both at the company and the aggregate levels, determining the TIR, the VAL other relevant parameters, as well as a provisional chronogram, taking into account the projects with the highest TIR and the greatest level of self-consumption as the key priorities;
- Calculating the levels of CO₂ emission reduction returned by the projects as well as the value in euros of these cuts to Portugal;
- This should also leverage the opportunity to advance on issues such as territorial cohesion given that the AdP Group has had this strategy in its DNA from the very outset as well as also adopting it as a core mission.

This important development project, which began in January 2020, constitutes a relevant tool both for the AdP Group and for Portugal which, through returning significant reductions in energy consumption and boosting the in-house production of energy, shall see the Group make a decisive contribution towards obtaining the goal of a 50% cut in greenhouse gas emissions by 2030 measured against the emissions produced in 2010, which has been committed to at the United Nations level via the United Nations Global Compact – subscribed to on 6 November 2019 -, and to the country obtaining the ambitious objectives around carbon neutrality in 2050 as set out in the Path to Carbon Neutrality.

ELECTRICITY IN THE AdP GROUP

The consumption of electricity is an inherent part of Águas de Portugal Group Company activities, making up a substantial proportion of the costs of the multi-municipal systems, holding a highly significant weighting in the ESS and with direct repercussions for the tariffs in effect for water and sanitation services.

As stated, in 2020 the average electricity price for Portugal in the Iberian wholesale market (OMIE) stood at 33.99 EUR/MWh (against 47.87 EUR/MWh in 2019). This year-on-year drop broadly results from the impact of the Covid-19 pandemic on electricity markets.



* Contractual average value, discounted from network losses.

The table above sets out the trend in energy prices across the Iberian markets and portrays the curve in energy supply contracts signed by the AdP Group over the years of 2019 and 2020.

This conveys how, based on the (almost complete) invoicing data, the AdP Group electricity consumption fell back slightly between 2020 and 2019 and closing the former year on 746.0 GWh (down 2.5% on 2019).

Of these, 721.6 GWh were supplied by RESP – the national grid, that corresponds to a year-on-year decline of 0.36% and with 24.4 GWh coming from self-consumption based on endogenous and renewable sources (up 3.49% on 2019). This total of 721.6 GWh results from the third-party supply of 718.6 GWh and the provision of 3.0 GWh by REN within the scope of the Regulatory Reserve pilot project.

This furthermore highlights the in-house production of energy whether for supply to the national grid or for self-consumption. The 2020 figures point to production of almost 35.7 GWh/year (up 8.5%). In terms of energy self-sufficiency, the AdP Group thereby obtained around 4.8% of its total energy consultation (a rise from 4.4% in 2019).

This also registers the energy production for sale to the RESP national grid that, in 2020, amounted to 11.3 GWh (up 14.5% on 2019).

In general terms, the 2020 RESP balance of the AdP Group came in at 710.3 GWh, which reflects a downwards variation of 0.6% on 2019, when the balance totalled 714.3 GWh.

In terms of CO₂ emissions, the self-production of energy enabled a reduction of 9,143 tons, which conveys a drop of 11 tons on 2019 (down 0.1%).

In national terms and as regards 2020, the AdP Group features among the top five largest consumers of energy in the country and accounting for 1.5% of total RESP consumption, up from 1.4% in 2019, and the largest in terms of the number of grid connections.

On 31 December 2020, the AdP Group operated 6,453 connection points to the RESP grid (9 High Tension, 1,005 Medium Tension, 374 Special Low Tension and 5,065 Normal Low Tension points), which represents an increase of 6.5% on 2019 (+374 new connection points). Furthermore, a total of only 6,188 connection points registered consumption, representing an active rate of 95.89%.

In terms of the state sector, the AdP Group is the largest national state consumer both in terms of electricity consumption and in terms of connection points.

The annual 2020 electricity bill, including all the costs and charges, rose to EUR 75.2 million (up 0.9% on 2019), which reflects around EUR 0.7 million in additional annual costs, jointly resulting from the rise in the average procurement price of energy (up around 0.1%) and the increase in the average TAR (+3.0%).

In terms of the costs of energy to AdP Group companies, the average global price in 2020 came in at 104.3 €/MWh (103.0 €/MWh in 2019), corresponding to an average increase of 1.3% on 2019 with the energy acquisition cost standing at 60% (against 61% in 2019).

The average market energy price stood at 62.57 and 62.49 EUR/MWh, for 2020 and 2019 respectively (+0.1%).

For the year of 2021 (the AdP Group has its energy supply contracted through to 31 December 2022, with the exception of the LTN contract that extends until 31 December 2021), the average price is expected to come in at around 87.00 €/MWh (against 102.65 €/MWh in 2019), which reflects a decrease of 15.25% on the previous year, almost entirely due to the slide in the average price of energy procurement.

The totals estimated for 2021 were based on the current structure of AdP Group company energy consumption with any eventual alterations in their profiles generating effects on the average price of energy at both the company and Group levels.

Given the direct correlation between consumption and activity levels, the data hitherto available indicated that the volume of water supplies for human consumption and the flows of treated wastewaters totalled 1,132 million m³ (up 1.2% on 2019). However, the relationship between these activities is nevertheless differentiated given that this reflects a 0.6% increase in the water supplied flow (589.7 versus 593.3 million m³) and a rise of 3.2% in the wastewaters subject to treatment (542.3 versus 525.3 million m³).

Hence, the preliminary specific consumption data point to a slide of 1.3% in comparison with 2019 (0.659 kWh/ m³ in 2020 against 0.668 kWh/ m³ in 2019) and up 0.1% on 2018 (0.658 kWh/ m³ in 2018).

When this evaluation takes into consideration only the energy consumed from the RESP grid, this variation comes in down 1.5% (0.637 kWh/ m³ in 2020 versus 0.647 kWh/ m³ in 2019) and down 0.2% on 2018 (0.639 kWh/ m³ in 2018).

A further note for the energy consumption resulting from electricity powered mobility. In 2020, the 128 vehicles that are 100% electric powered in the AdP Group service fleet (with 1 430 vehicles) travelled over 1.8 million kilometres and avoiding the consumption of over 152 000 litres of fossil fuel, representing a reduction of 512.6 barrels of equivalent oil. In terms of primary energy, this reflected a reduction of 57.2% (down 74.8 tep) and with electricity consumption totalling 260 MWh.

This should also emphasise how, in terms of CO₂ emissions, the reduction obtained over combustion energies amounted to a fall of 339 tons (down 83.6%).

Despite the increase in energy consumption through the usage of electric vehicles, this nevertheless remains dependent on increasing their number, which is expected to happen gradually over forthcoming years, with their effects always more relevant on the reduction in greenhouse gas emissions and fossil fuel consumption than in raising the consumption of electricity.

In 2020, the AdP Group vehicle fleet (1 430 vehicles) consumed 2.490 million litres of fuel (diesel and petrol) and that represents a variation of -12.6% on 2019 – with the consumption of 2.849 million litres - and a cut of 13.5% against 2018 (with the consumption of 2.879 million litres), which in average daily terms reflects overall consumption of 6 803 l/day (against 7 806 l/day in 2019 and 7 884 l/day in 2018).

As regards 2015 (the PEPE year of reference), this 2020 variation represents a decrease of 20.8% (-3.145 million litres of fuel, equivalent to 8 615 l/day).

The 2020 fuel consumption accounted for a total cost of EUR 2.381 million (without VAT) which represents a year-on-year decline of 16.6% (EUR 2.856 million without VAT) and down by 15.3% on 2018 (EUR 2.81 million without VAT).

In terms of distances, the AdP Group vehicle fleet covered around 36.3 million kilometres in 2020 (which is around 906 times the earth's perimeter).

With the consumption of energy inherently bound up with the activities of Águas de Portugal Group companies, and accounting for a substantial proportion of the costs inherent to the supply of water and/ or wastewater sanitation and considering the uncertainties surrounding the trends in energy costs over time, there was an urgent need to define and integrate a harmonised energy strategy for Group companies so as to best optimise energy usages and thereby attempting to counter the prevailing trend.

Hence, improvements to the overall performance of AdP Group companies in terms of energy efficiency provide one of the great challenges from the corporate perspective, whether in terms of reducing operational costs or the decarbonisation of the economy and cutting the contributions made to climate change.

OPERATIONAL ACTIVITIES

With AdP Energias attributed the mission of maximising the endogenous and renewable assets, rationalising energy consumption and reducing or compensating for the greenhouse gas emissions of AdP Group companies within a framework of economic, social and environmental sustainability, its business encapsulates the following corporate activities:

- Energy efficiency;
- The production of energy through recourse to endogenous and renewable sources based on:
 - Biogas (sale to the RESP grid and self-consumption),
 - Micro-hydro (sale to the RESP grid and self-consumption),
 - Photovoltaic solar (sale to the RESP grid and self-consumption),
- The centralised procurement of electricity;
- Energy management;
- The introduction of e-mobility into the vehicle fleet;
- Other projects.

Through to the end of the first half of 2020, AdP Energias also held responsibility for the management of sludges and other waste effluents from livestock and agro-industrial operations. However, the reorganisation of the AdP Group holding portfolios, which took place during the 2020 financial year, transferred this responsibility to AdP Valor.

The table below sets out a summary of the core business activities of AdP Energias in 2020 in comparison with 2019.

BUSINESS AREAS	2020	2019
	(REAL)	(REAL)
Energy efficiency	X	X
Production of renewable energy	X	X
Biogas	X	X
Micro-hydro	X	X
Photovoltaic solar (sale to the RESP grid and self-consumption)	X	X
Photovoltaic solar III (self-consumption)	X	X
Acquisition of electricity	X	X
Energy management	X	X
E-mobility	X	X
Other projects	X	X

Hence, AdP Energias, across the AdP Group, based on the orientations of the shareholder and regulator, has implemented a uniform approach at the level of management companies within the scope of reducing the underlying costs of electricity supply through the reduction in electricity consumption – through alterations in the consumption profiles, the power supply contracted, eliminating the reactive energy, the installation of more efficient equipment and operational strategies without any qualitative or quantitative harm to the provision of public services -, and the significant rise in the production of electricity based on endogenous and renewable resources, preferably for self-consumption at the production installations or in the installations of any AdP Group company through means of establishing one or more Renewable Energy Communities (RECs).

Thus, the company, within the objective of maximising the leveraging of endogenous and renewable assets and resources, rationalising energy consumption and reducing or compensating for greenhouse gas emissions, within the framework of economic, social and environmental sustainability, has adopted the following vectors of activity:

- The production of electricity through recourse to the endogenous and renewable sources of the AdP Group;
- The energy efficiency and energy production plan (PEPE) for 2017 to 2020;
- The centralised acquisition of electricity;
- The certification of infrastructures under the auspices of ISO 50001 and energy audits as stipulated by DL 68-A/2015;
- The AdP Group energy neutrality program;
- The monitoring of CO₂ emissions and the plan for AdP Group energy neutrality;
- The pilot project for the regulatory reserve backed by ERSE
- Sustainable mobility and the energy certification of the service fleet.

Below, we set out a brief description of the aforementioned programs/ plans.

THE PRODUCTION OF ELECTRICITY THROUGH RECOURSE TO AdP GROUP ENDOGENOUS AND RENEWABLE SOURCES

Within the scope of Group electricity production based on endogenous and renewable sources, AdP Energias has been supporting AdP Group companies in the development and improvement of their production processes, seeking to render electricity production profitable.

The electricity produced / invoiced by AdP Group companies in 2020 (35.6 GWh/year, up 1.8 GWh/year and up 5.3% on 2019) is set out in the following table.

AdP GROUP ENERGY PRODUCTION	2020		2019	Δ 2020/ 2019	
	(KWH/YEAR)	(%)	(KWH/year)	(KWH/ year)	(%)
Biogas	31 318 606	87.8%	29 575 537	1 743 069	5.8%
Energy sold to RESP	9 161 721		8 050 370		
Self-consumed energy	22 156 885		21 525 167		
Photovoltaic solar	4 325 484	12.1%	4 125 781	199 703	4.8%
Energy sold to RESP	1 714 671		2 127 100		
Self-consumed energy	2 610 813		1 998 681		
Micro-hydro	28 902	0.1%	163 061	(134 159)	80.2%
Energy sold to RESP	28 902		163 061		
Self-consumed energy	0		0		
Total	35 672 992	-	33 864 379	1 808 613	5.3%

PEPE – THE ENERGY EFFICIENCY AND ENERGY PRODUCTION PLAN FOR 2017 TO 2020

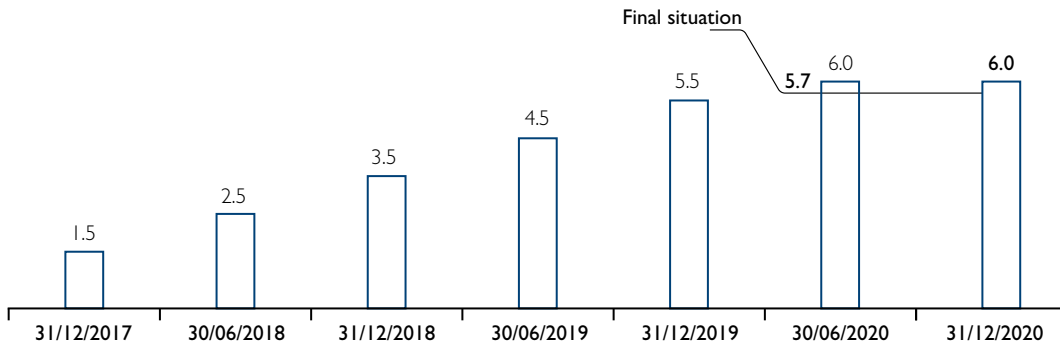
In May 2017, PEPE – the Energy Efficiency and Production Plan was approved and publicly presented by the AdP Group for the period between 2017 and 2020 as summarised in the following table.

ITEM	N.º OF MEASURES	N.º OF INFRASTRUCTURES	EFFICIENCY + PRODUCTION	SAVING	INVESTMENT
	(N.º AND %)	(N.º AND %)	(KWH/YEAR AND %)	(EUR/YEAR AND %)	(EUR AND %)
Studies	88	51	–	–	324 944
	15.3%	–	–	–	1.2%
Alterations to the load diagram	116	112	–	884 141	2 313 311
	20.2%	–	–	13.3%	8.2%
Energy efficiency	333	216	30 354 515	2 947 757	9 437 054
	57.9%	–	53.6%	44.4%	33.5%
Energy production	19	18	6 315 881	611 552	3 438 756
	3.3%	–	11.2%	9.2%	12.2%
Micro-hydro	2	2	3 159 800	261 943	1 740 000
	0.3%	–	5.6%	3.9%	6.2%
Energy production	17	50	16 802 600	1 934 473	10 896 000
	3.0%	–	29.7%	29.1%	38.7%
Total	(¹⁾ 575	316	56 632 796	6 639 866	28 150 065
	100.0%	–	100.0%	100.0%	100.0%

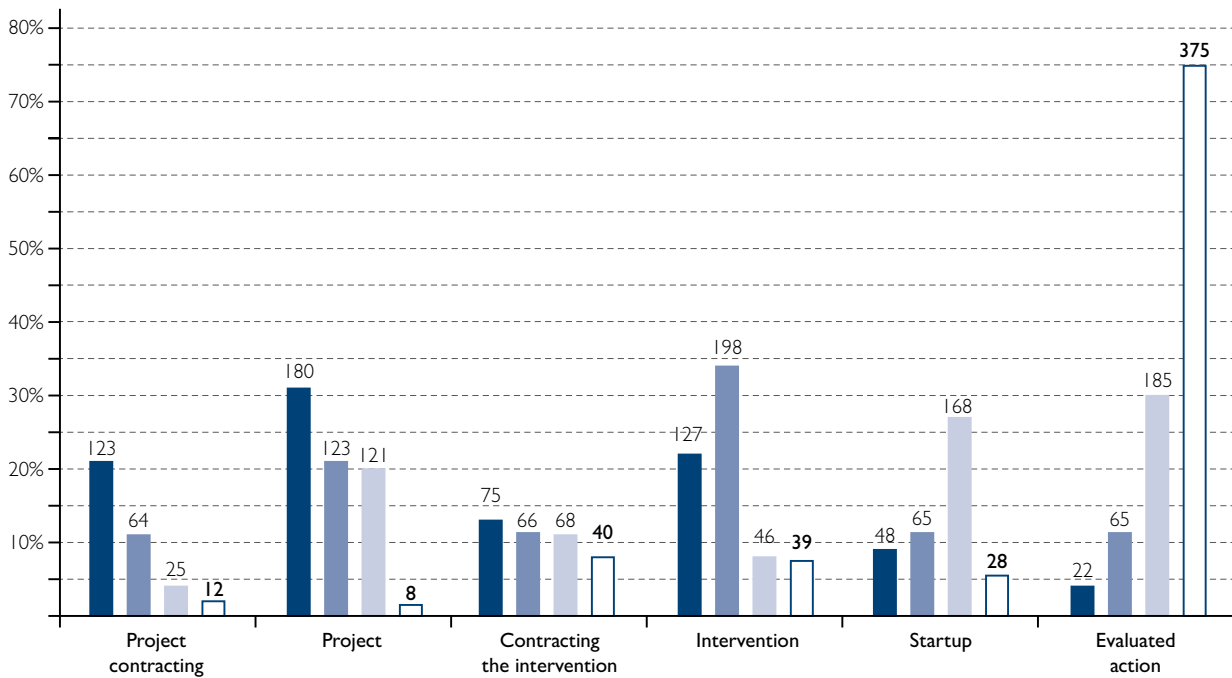
⁽¹⁾ With the revision of PEPE by some companies, the total number of measures rose to 613

The figures below and the summary table presented on the following page set out the PEPE state-of-the-art across the AdP Group on 31 December 2020, which coincides with end of the program.

PEPE STATE-OF-THE-ART



% OF MEASURES IN EACH PHASE



To gain a real balance of the PEPE project – which terminated on 31 December 2020 – the following table details the main indicators and targets obtained under the auspices of this Plan.

PEPE OBJECTIVES	2020		TARGETS FOR 2020
Infrastructures included (N.º)	305	96.5%	316 Infrastructures
Measures implemented (N.º)	406	80.7%	503 efficiency / production measures ⁽¹⁾
Investment (million EUR)	16.803	⁽²⁾ 92.6%	EUR 18.150 M ⁽⁴⁾
Reduce electricity consumption (GWh/year)	2.897	⁽²⁾ 76.9%	Down 30.4 GWh/year
Boost own electricity production (GWh/year)	0.061	⁽²⁾ 62.9%	Up 10.778 GWh/year ⁽⁴⁾
Reduce the contracted power supply (MW)	⁽²⁾ 46.840	⁽²⁾ 468.4%	10 MW in 103 infrastructures
Reduce the contracted power supply (N.º de IE)	⁽²⁾ 655	⁽²⁾ 635.9%	10 MW in 103 infrastructures
Reduce the contracted power supply cost (EUR)	⁽²⁾ 1.392	⁽²⁾ 309.4	EUR 0.450 M
Reduce the costs of reactive energy (million EUR)	⁽²⁾ 0.740	⁽²⁾ 148.0%	EUR 0.50 M in 320 infrastructures
Reduce the costs of reactive energy (N.º)	⁽²⁾ 62	19.4%	EUR 0.50 M in 320 infrastructures
Alterations to the tension (GWh/year)	0	0.0%	10 GWh/year in 63 infrastructures
Alterations to the tension (N.º)	0	0.0%	11 GWh/year in 63 infrastructures
Reduce the carbon footprint (ton CO ₂)	⁽³⁾ 53.831	199.4%	27,000 ton CO ₂ /year
Introduction of e-mobility (N.º)	128	128.0%	100% electric vehicles
Electric vehicle recharging posts (N.º)	136	272.0%	50 new recharging posts
Fleet energy certification (N.º)	1.430	130.0%	1,100 vehicles
Certification under norm ISO 50001 (N.º)	108	110.2%	98 certified infrastructures
Infrastructures audited under the auspices of DL 68-A (N.º)	62	206.7%	Further 78 infrastructures for auditing
Training of internal energy auditors (N.º)	62	206.7%	30 energy auditors
Training for energy (%)	50%	50.0%	100% compliance
Communication for energy (%)	75%	75.0%	100% compliance
Annual electricity cost savings (million EUR)	0.308	⁽²⁾ 108.5%	EUR 6.640 M

Notes:

⁽¹⁾ Following the review of PEPE by some companies, the number of measures fell from 593 to 503 | ⁽²⁾ Accumulated amount 2020 + 2019 + 2018

⁽³⁾ Reduction on 2015 | ⁽⁴⁾ The SOLAR III project was removed following its inclusion in the Group Energy Neutrality Program.

MONITORING THE AdP GROUP CO₂ EMISSIONS AND THE CARBON NEUTRALITY PLAN

In terms of CO₂ emissions, in 2020, the AdP Group obtained a positive contribution from electricity consumption sourced from the RESP grid and the consumption of its service fleet having a negative contribution as regards the production of electricity resulting from the rise in production in 2020 and the consequent reduction in the emissions factor.

The emissions avoided by the electric fleet were lower in 2020 resulting from the combined effect of the reduction in the distance travelled and the emissions factor.

The table below provides the CO₂ emissions in the 2020 financial year.

ITEMS FOR CO ₂	2020 (CO ₂ TONS)	2019 (CO ₂ TONS)	2018 (CO ₂ TONS)	2017 (CO ₂ TONS)	2015 (CO ₂ TONS)
Corrected energy consumption (RESP)	191 140	202 694	215 083	244 331	242 644
Effective energy consumption (RESP)	191 140	195 790	201 214	212 811	208 414
Correction of consumption versus flow (anon)	-	6 904	13 869	31 520	34 230
Vehicle fleet with combustion engines	6 901	7 578	7 657	7 721	8 364
Group energy production (RESP + Self-consumption)	(9 132)	(9 143)	(8 647)	(6 818)	(8 607)
Electric vehicle fleet (versus combustion engines)	(339)	(382)	(298)	0	0
Total	188 570	200 747	213 795	245 234	242 401

Variations in CO ₂ emissions	Δ CO ₂ EMISSIONS				
				(TONS OF CO ₂)	(%)
Δ 2020/ 2019	-	-	-	(12 177)	(6.1%)
Δ 2020/ 2018	-	-	-	(25 225)	(11.8%)
Δ 2020/ 2017	-	-	-	(56 664)	(23.1%)
Δ 2020/ 2015	-	-	-	(53 831)	(22.2%)

EMISSION FACTORS:

Electricity: 2015 – 0.315 kg CO₂/kWh | 2016 – 0.301 kg CO₂/kWh | 2017 – 0.298 kg CO₂/kWh | 2018 – 0.284 kg CO₂/kWh | 2019 – 0.270 kg CO₂/kWh | 2020 – 0.256 kg CO₂/kWh

Note: The electricity emission factors were sourced from RNC 2050 (2015 and 2016), and the report “Energia e número”, a publication by the Portuguese Observatory of Energy, DGEG, ADENE and APA (2017, 2018, 2019 and 2020)

Diesel: 2.660 kg CO₂/kWh

Note: The fuel emission factors are sourced from Dispatch no. 17313/2008, of 26 June and the DGEG document “Densidades dos produtos de petróleo”

Analysing specifically the items detailed in the table above, in 2020, AdP Group registered the reduction of around 12,000 tons of CO₂ on 2019 emissions (down 6.1%). As regards the years 2018, 2017 and 2015 (with the latter the reference for PEPE) there were falls of approximately 25,000, 56,000, and 53,000 tons of CO₂, representing respective reductions of 11.8%, 23.1% and 22.2%.

Recalling how the PEPE objective was set at 27,000 accumulated tons by the end of 2020, this reports that by that date, the plan had been achieved and exceeded by over 50%.

This would also refer to how the AdP Group, on 6 November 2019, committed to the United Nations, within the scope of the Global Compact, to develop actions and initiatives ensuring a reduction of at least 50% of the CO₂ emissions recorded in 2010 as a means of ensuring the rise in temperature remains below 1.5° C.

Hence, the tender process for the development of the means to monitor the CO₂ emissions of the AdP Group (covering the range of 1, 2 and 3) is in the final phase of conclusion, which shall provide the foundations for developing the AdP Group carbon neutrality plan in order to comply with the targets set out nationally and the commitment assumed to the United Nations in 2019.

INDUCED ECONOMIC GAINS

Based on the activities developed by AdP Energias, in collaboration with the AdP Group companies, the following table sets out the economic gains induced by these activities, whether undertaken in isolation or in partnership with Group companies during the financial year of 2020.

ACTIVITY/ PROJECT	SAVINGS IN 2020 (10 ⁶ EUR)
Raising the annual electricity savings (shared with companies) ⁽¹⁾	0.302
Centralised electricity procurement – 2021/2022 (shared with AdP Valor) ⁽²⁾	12.500
Fuel consumption avoided by e-mobility [152,334 litres] (shared with companies)	0.180
Reduction of costs for contracted power (shared with companies) ⁽¹⁾	0.500
Reduction of costs for reactive energy (shared with companies) ⁽¹⁾	0.180
Increase in Group energy production [60 MWh/year] (shared with companies) ⁽¹⁾	0.006
Reduction in CO ₂ emissions [-12.177 ton] (shared with companies) ⁽¹⁾	0.391
TOTAL	14.059

Notes:

The cost applied to quantify electricity was 105.18, 103.00 and 104.27 EUR/MWh for 2018, 2019 and 2020, respectively;

The cost applied to quantify fuels was 1.25, 1.35 and 1.18 EUR/l for 2018, 2019 and 2020, respectively;

The value applied to quantify the CO₂ reductions was 32.08 EUR/ton.

⁽¹⁾ Reduction on 2019

⁽²⁾ Annualised amount

The economic gains brought about over the course of 2020 by the activities developed by AdP Energias amount to around EUR 14.1 million, which come in addition to the sum of approximately EUR 13.2 million of gains achieved in 2019, unquestionably demonstrating the importance of this company and its initiatives both to management companies and to the AdP Group.

OTHER RELEVANT ACTIVITIES IN 2020 (IN ALPHABETICAL ORDER)

THE CENTRALISED PROCUREMENT OF ELECTRICITY

In 2020, AdP Energias perfected its market analysis model, especially for analysing the OMIP market.

Hence, there was the founding of GAME (Group for accompanying electricity markets) which held regular meetings to analyse energy markets and compare them with other sources of energy, with the objective of ascertaining the best timings to begin the medium-term energy procurement process procedures.

This analysis incorporates a broad range of parameters for decision-making, in particular:

- The spot and future electricity prices on the Iberian, French and German markets;
- The price of Brent crude and natural gas futures;
- The prevailing price of CO₂ emissions;
- The energy stored in dams, electricity produced by wind turbines and photovoltaic sources;
- The availability of Spanish nuclear power;
- The commercial spreads in effect among traders in this type of contract.

Still in 2019, this working group submitted a proposal to the AdP Executive Commission for opening a tender for the acquisition of electricity for the years of 2021 and 2022 as a result of its regular analysis of the energy markets. This proposal resulted in the decision to contract energy in February 2020.

These contracts display various innovative characters among which are the launching of the tender nine months prior to the beginning of supply, with a base price and for periods of supply in excess of one year.

This enabled the reduction in the energy cost component of 30% against 2019, with a total value of EUR 25 million across the two years, in a contract with an estimated base value comparable to EUR 58 million (with a total electricity invoice of EUR 109 million + VAT).

This project was part of the AdP Group's PEPE plan (2017 - 2020).

THE CERTIFICATION OF INFRASTRUCTURES UNDER ISO 50001 AND ENERGY AUDITS WITHIN THE FRAMEWORK OF DL 68-A/2015

AdP Group companies remain heavily involved in the process of infrastructure certification under the auspices of ISO 50001 as regards their energy consumption and energy audits within the scope of Decree Law no. 68-A/2015, of 30 April, with the constant support of AdP Energias.

Thus, at the end of 2020, there were 108 certified installations across 10 AdP Group companies with some installations holding multiple certificates (a total of 146 certificates on 31/Dec/2020), which reflects an increase of 34 infrastructures (up 45.9%) on those registered in 2018 (the first year of evaluation).

However, of these only 43 join the list of 66 which comply with the corporate orientation on this norm (65%), registering a rise of 10 infrastructures (up 5%).

AdP Group companies also continue to undertake the energy audits on the consumption of infrastructures within the framework stipulated by Decree Law no. 68-A/2015. Hence, at the end of 2020, a total of 388 audits (up 40 audits) had been carried out, which reflects an increase of 4 certified infrastructures (up 1%) on 2019, at 13 companies.

In terms of compliance with Decree Law no. 68-A/2015, there was a reduction from 43 (in 2019) to 37 (in 2020) in the number of audits necessary for full compliance (down 13%).

These actions took place under the AdP Group PEPE plan (2017 – 2020).

SUSTAINABLE MOBILITY AND THE ENERGY CERTIFICATION OF THE SERVICE FLEET

Throughout 2020, there was the continual monitoring of the fleet of 128 100% electric vehicles (passenger and light goods vehicles) that were taken receipt of in January 2018 as well as the 136 vehicle recharging posts that make up the AdP Group network.

This project resulted in an application, coordinated by AdP Energias, to the Environmental Fund – “Introduction to the consumption of low emission fleets in the management companies for the public water supply and/ or wastewater treatment service of the AdP Group -, which obtained financing of EUR 1,275,000.

A comment on the electricity consumption as a result of e-mobility: in 2020, the 128 100% electric vehicles in the AdP Group service fleet (with 1,430 vehicles) covered a distance of over 1.8 million kilometres, thereby avoiding the consumption of over 152,000 litres of fossil fuels, reflecting in a reduction of 512.6 barrels equivalents of oil. In terms of primary energy, this reduction came in at 57.2% (down -74.8 TEP), and with electricity consumption of 260 MWh.

In terms of CO₂ emissions, this drove a reduction in combustion engine vehicle of 339 tons (down 83.6%).

This project took place under the AdP Group PEPE plan (2017 – 2020).

In 2020, the combustion powered vehicles in the AdP Group fleet (1 302 vehicles) consumed 2.490 million litres of fuel (petrol and diesel), which represents a downwards variation of 12.6% on 2019 – In 2019, consumption stood at 2.849 million – and a decline of 13.5% on 2018 (with total consumption of 2.879 million litres of fuel), which in average terms reflects in total consumption of 6,803 l/day (in 2019, the average daily consumption was 7,806 l/day, down from 7,888 l/day in 2018).

As regards 2015 (the PEPE year of reference), the variation in 2020 conveys a decrease of 20.8% (3.145 million litres of fuel, equivalent to 8,615 l/day).

The consumption of fuel in 2020 corresponded to total expenditure of EUR 2.381 million (without VAT) that reflects a downwards variation of 16.6% on 2019 (EUR 2.856 million, without VAT) and 15.3% on 2018 (EUR 2.81 million EUR, without VAT).

In terms of distance, the AdP Group vehicle fleet in 2020 travelled a total of around 36.3 million kilometres (which is equal to 907 times around the perimeter of the earth).

A reference for the energy certification of the AdP Group service fleet.

As is known, mobility and the transport sector in Portugal account for around 37% of final energy consumption and about 25% of all CO₂ emissions, a situation that clearly impacts on AdP Group vehicles with its fleet of over 1,400 vehicles.

In keeping with this awareness and the ambitious nationally set targets, the AdP Group defined as one of its objectives under the Energy Efficiency and Production Plan (PEPE 2020) the energy certification of its fleet by the end of 2020 in order to analyse and improve on the practices adopted for vehicle management, the performance of drivers, and the optimisation of consumption and maintenance levels.

Hence, AdP Energias, in collaboration with the AdP Group companies and ADENE, has actively participated in the pilot-project for fleet energy certification, which effectively brought about the certification of the service fleets belonging to 13 AdP Group companies before the end of 2019, which together totalled 1 430 vehicles varying between Class B and Class D, with the AdP Group, as a whole, obtaining an average classification of 57% - corresponding to Class C -.

One year on from certification, this has clearly made a strong contribution to:

- Demonstrating, simply and clearly, the commitment to the reduction in the ecological footprint of the fleet;
- The active contribution towards reducing CO₂ emissions made by the fleet;
- Taking advantage of the opportunities to optimise the costs (fuel, etc.) and reduce emissions of CO₂;
- Improving the procurement process for its fleet, attributing due importance to the energy and environmental efficiency of vehicles;
- Motivation of staff, clients, suppliers and partners for most sustainable mobility.

This also refers to the project for the AdP fleet also extending to the development of specific training for a group of MOVE+ Fleet Managers and/ or MOVE+ Auditors, providing companies with the resources and competences for still greater fleet management efficiency and effectiveness.

Due to the pandemic faced by the country, these actions shall only conclude in the first quarter of 2021, with internal audits currently under preparation and / or ongoing within the scope of ensuring the renewal of the energy certification of the fleets for 13 AdP Group companies.

This project was part of the AdP Group PEPE energy efficiency plan (2017 – 2020).

THE AdP GROUP ENERGY NEUTRALITY PROGRAM

Taking into consideration the European targets and those of the Portuguese government in terms of environmental sustainability and energy and carbon neutrality, in keeping with how the AdP Group is the largest state consumer of electricity (over 748 GWh/year in 2019, equivalent to over 1.4% of national electricity consumption), with a highly significant economic and environmental impact (and with risks associated with the volatility and trends in the world energy markets and taking into account the results of the innovation program EPAL 0% for energy neutrality and the PEPE program, the AdP Group has set out a demanding Program that, on implementation, shall see the group become the first worldwide in the water sector to achieve energy neutrality and self-sustainability.

This program is based on the reduction of consumption through means of raising energy efficiency and investment in the in-house production of 100% renewable energy, fostering investment in different territories, improvements to environmental conditions, efficiency, renewable resources, digitalisation, reindustrialisation, knowledge and our members of staff to create value for the country.

Energy neutrality enables a contribution towards the reduction of CO₂ emissions considering not only the electricity consumed by the operational installation but all the electricity consumed across every AdP Group installation (both operational and non-operational) in Portugal and internationally and in addition to the vehicle service fleet.

The objective does not only involve the in-house production of energy for company consumption but also takes as its priority and ambition the reduction in the consumption of energy by the infrastructures managed by Group companies as well as establishing partnerships for the reduction in water losses and inappropriate excesses in the retail networks, furthermore taking opportunities in terms of leveraging the production and co-production of green hydrogen, encouraging reutilisation and reindustrialisation.

AdP – Águas de Portugal Group
Energy Neutrality Plan

ZERO
PROGRAMA DE NEUTRALIDADE ENERGÉTICA
Águas de Portugal



The program plans for an integrated mix of production spanning photovoltaic based systems (on-shore and floating), thermal solar, wind power (on-shore), hydro (water and wastewater pipes, entrances to reservoirs, dams) and co-generation through recourse to biogas for both electricity and thermal production, fostering self-consumption to the maximum and the storage of energy, adjusting the operations to the infrastructures.

This production enables innovative technical solutions and raises sustainability and the resilience of our systems, constituting an opportunity to foster re-engineering, taking advantage of the cycle of asset renewal to invest in more efficient solutions, furthermore investing in digitalisation and the professional re-qualification of members of staff.

The active search for opportunities to maximise production through co-digestion (agro-industrial), with the inherent additional generation of energy also creates versatile solutions and an ecosystem able to promote sustainable reindustrialisation and boosting the competitiveness of the national economy.

The establishing of energy communities within the scope of AdP Group, whether in isolation or in conjunction with its stakeholders, will enable energy transactions between points of consumption across members of the community, foreseeing support mechanisms

for more disadvantaged populations, combatting energy asymmetries in keeping with the logic of the Group's energy production constituting a factor of cohesion and territorial valuation which has always been a core facet of the AdP Group mission.

The major Program lines of development are set out in the table below.

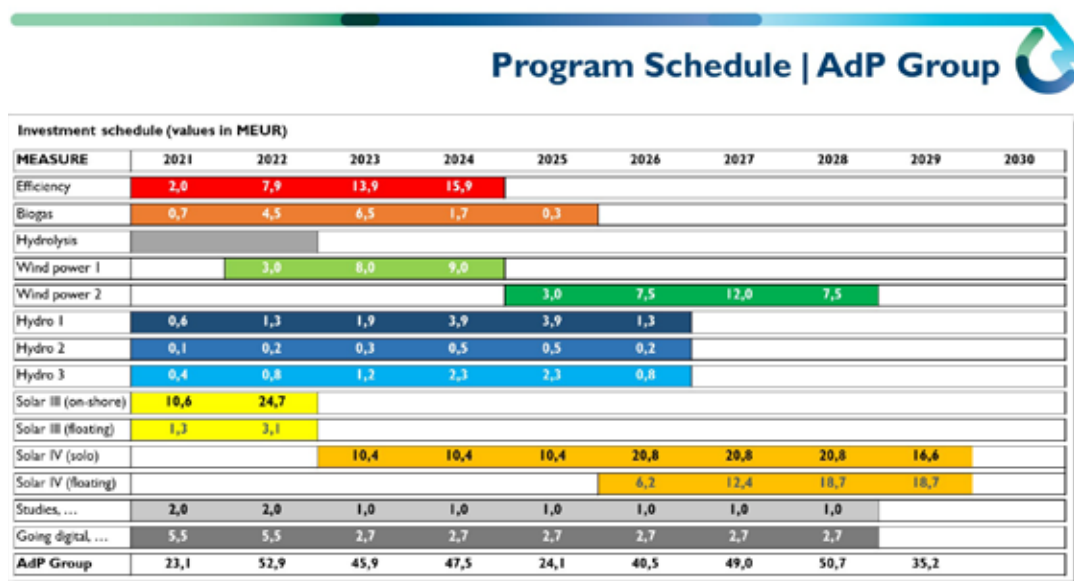
INDICATORS	VALUES
Total AdP Group consumption (in 2030 including the vehicle fleet)	764.6 GWh/year
Reduction in consumption through energy efficiency measures	- 73.4 GWh/year
Own electricity production	- 707.9 GWh/year
Program balance	- 16.6 GWh/year
Total program investment	EUR 368.8 M
Neutrality obtained	102.4%

The AdP Group Energy Neutrality Program enables the production, through its own means, of 100% renewable electricity reaching a total level of 708 GWh/year, representing investment of EUR 369 million in the territory.

This also enables a reduction in CO₂ emissions by 204,579 tons/year (2030), amounting to 3.273 million tons in the 16 subsequent years (2030 to 2045).

The emissions avoided correspond to 204,600 tons of CO₂ per year, representing a saving to Portugal of EUR 5.4m /year, totalling EUR 86.1 million over the 16 years of the complete project.

The development chronogram for the Program foresees the investments for conclusion through to 2030 as set out in the following figure.



The Program will strive for the maximisation of the energy produced for self-consumption through alterations in the patterns of operation, incorporating the production and storage of energy as a core activity for supply, sanitation and reutilisation, promoting the re-engineering of systems and processes to raise efficiency, digitalisation and greater focus on the qualifications of members of staff as well as regional development and social support in addition to opportunities in terms of leveraging the production and co-production of green hydrogen, ensuring reutilisation and reindustrialisation, boosting the competitiveness of regional economies while creating value for the country, and contributing towards the differentiation of the competences of the Portuguese water sector in international markets.

THE PILOT PROJECT FOR THE REGULATORY RESERVE PROMOTED BY ERSE

The Regulatory Reserve project first began in 2019 while the inputs from the AdP Group began in May 2020. AdP Energias coordinates the project on behalf of the AdP Group, producing a weekly report with the ongoing project results.

Participating in the Regulatory Reserve project are five infrastructures (the Areias de Vilar WTP, Lever WTP, Jovim Lifting Station, Boavista WTP and Beliche Lifting Station) belonging to four Group companies (AdNorte, AdDP, AdCL and AdA).

In 2020, a total of 2 475 proposals were made and putting 1 246 in effect (50% of the total). This resulted in the provision of 1 997 MWh, with this energy representing an average of 5.3% of the energy consumed by each project participant. This project generated savings of EUR 159 388 to the AdP Group.

FUTURE PROSPECTS

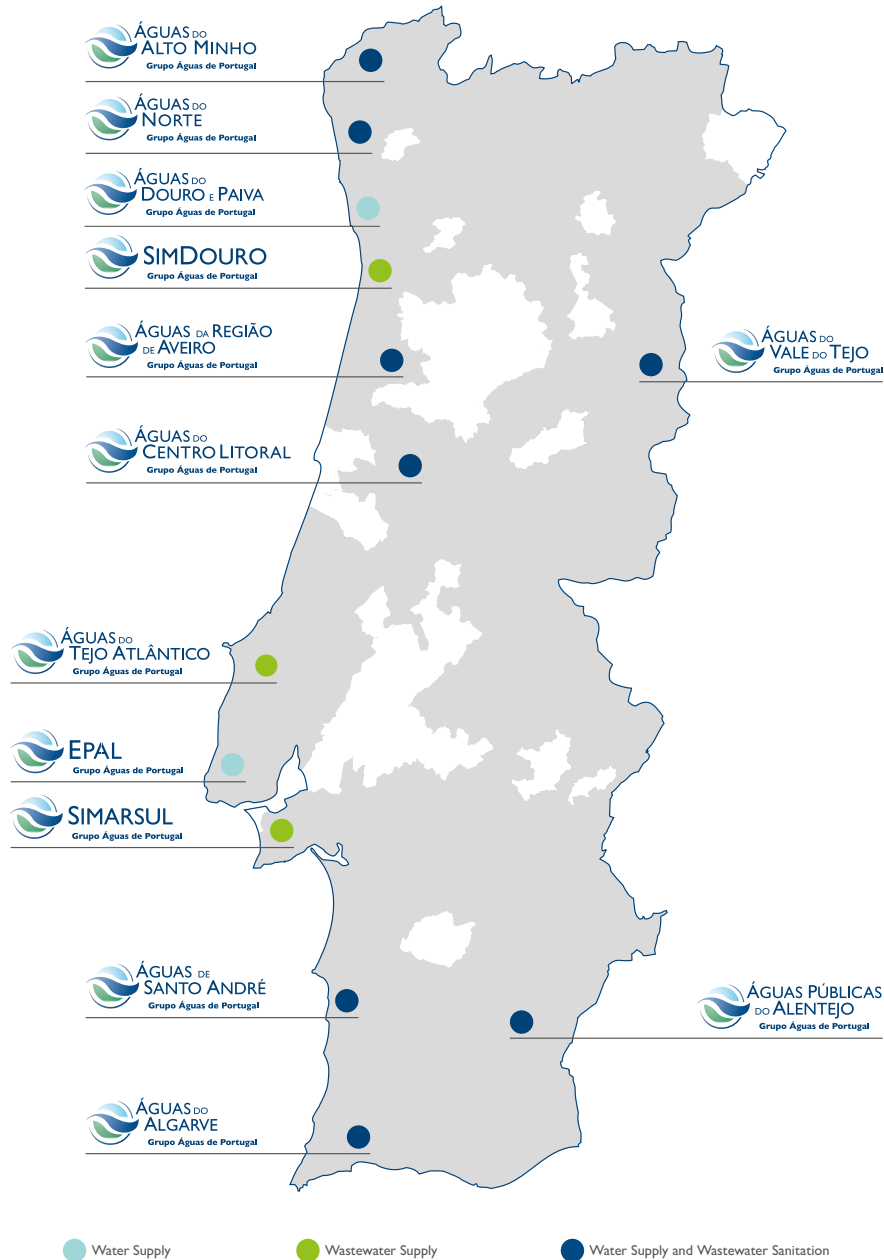
As regards the action plan for the future and the measures for the creation of value for the shareholder (raising productivity, orientation to the client, reduction of the exposure to the risks resulting from environmental, economic and social impacts of its activities, measuring and estimating the greenhouse gas emissions in the most diverse company activities, rethinking the investment cycle from the logic of the circular economy, the alignment and compliance with measures for carbon neutrality, etcetera), there are the following key actions/ measures:

- i) Launching of the tenders for the investments making up the 1st Phase of the AdP Group Energy Neutrality Program;
- ii) Continuation with the development, implementation and monitoring of the energy efficiency actions, in particular:
 - a) Developing the monitoring activities and designing the actions for integration into the AdP Group Carbon Plan;;
 - b) The implementation of the medium-term strategy proposed for the sustainable mobility of the AdP Group.

WATER SUPPLY AND SANITATION ACTIVITIES

MANAGEMENT COMPANIES

At the end of 2020, the geographical distribution of AdP Group management companies was as follows:



INDICATORS

POPULATION AND MUNICIPALITIES

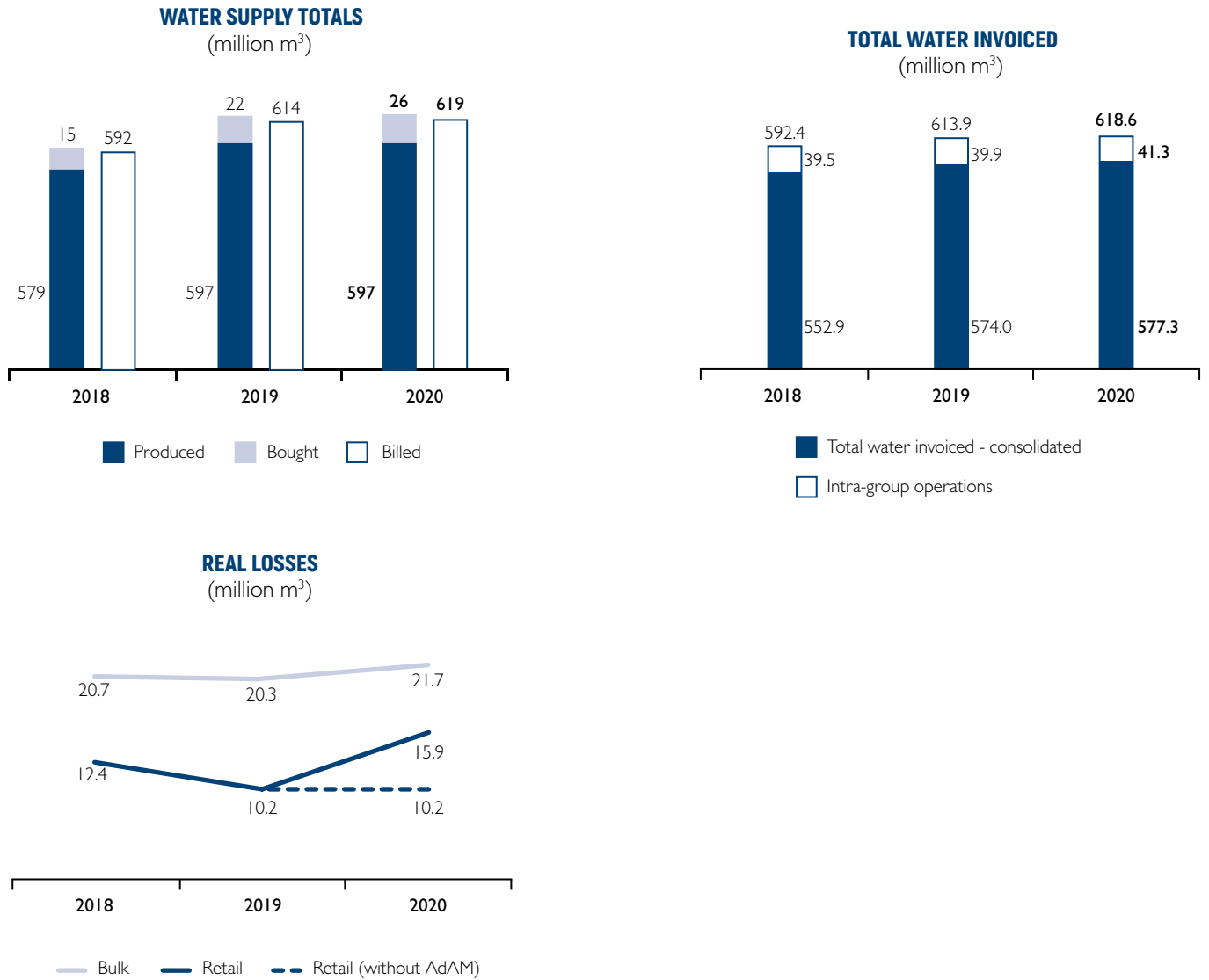
At the end of 2020, the AdP Group integrated 13 management entities that provided public water supply services to 219 municipalities and wastewater sanitation services to 222 municipalities. This duly considers both the bulk and the retail services rendered.

The supply services provided for by the AdP Group cover a population amounting to around 7.7 million inhabitants. The population covered by the respective sanitation service spans in the region of 7.6 million inhabitants.

VOLUMES SUPPLY

The amount of water billed for human consumption (consolidated) rose by 0.8% to reach 619 million m³, and registering a positive variation of 0.6% in the amount of water produced and acquired, which represent the volume Entering the System.

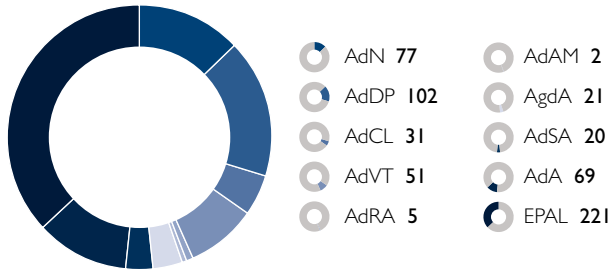
The hydric balance reports the following evolution as regards the systems as a whole:



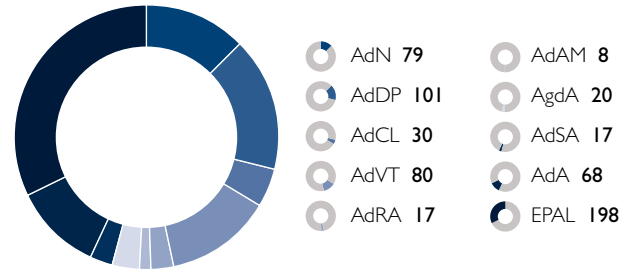
The figure above sets out the trajectory for water losses excluding AdAM given that 2020 represented this company's first year in operation and to enable comparable analysis with previous years.

The figures provided, which include the distribution segment, allow us to estimate average abstraction of around 202 litres per day per inhabitant for the drinking water supply in the municipalities served, which differs from the 207 litres per day per inhabitant registered in 2019.

WATER PRODUCED
(million m³)



WATER BILLED
(million m³)

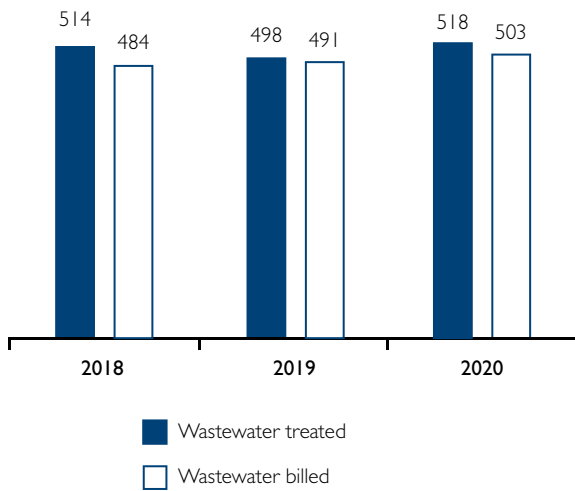


SANITATION

As regards sanitation, the volume of effluent treated, 518 million m³ reflects a 4.1% year-on-year increase. This favourable variation also reflects, even if to a lesser extent, on the volume of invoiced wastewater, which rose by 2.5%.

Regarding all systems, the evolution in the current three-year period was the following:

WASTEWATER TOTAL
(million m³)

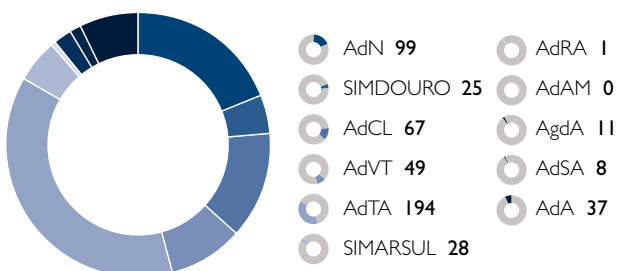


TOTAL WASTEWATER BILLED
(million m³)

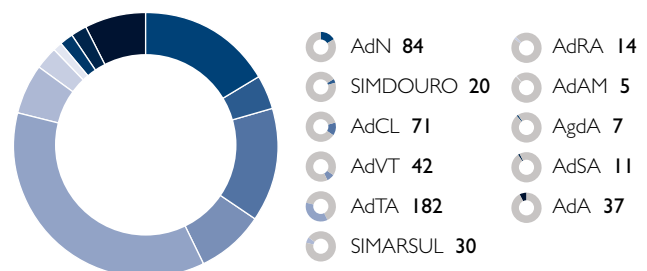


Average flow rates for wastewater in the already served municipalities stand at around 227 litres per day per inhabitant, which represents an annualised decrease of 1.3% resulting from the drop in the annualised volume of treated wastewater.

EFFLUENT TREATED
(million m³)



EFFLUENT BILLED
(million m³)



INFRASTRUCTURES

The evolution in the number of infrastructures within the AdP Group over the last three years was the following:

	2018	2019	2020
Number of water abstraction sources	1 168	1 216	1 365
Water mains pipes and distribution networks (km)	17 037	17 050	21 581
Length of drains network collectors (km)	9 788	9 692	11 972
Nº. of water treatment plants	165	118	113
Nº. of wastewater treatment plants	982	980	1004
Nº. of pumping stations – water supply	718	742	808
Nº. of pumping stations – wastewater sanitation	2 066	2 106	2 359
Nº. of reservoirs	1 810	1 791	1 952
Water supply and wastewater sanitation mains trunk branches	439 980	449 145	605 398
Number of submarine outfalls	19	19	19

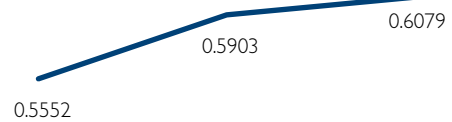
AVERAGE REVENUE

The average revenue from the bulk and retail water supply and wastewater treatment services, ascertained using the billed turnover quotient of the respective flows applied in the respective billing, displayed the following trend:

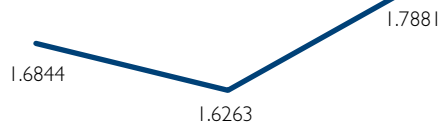
AVERAGE REVENUE - WATER SUPPLY (BULK)
(€/ m³)



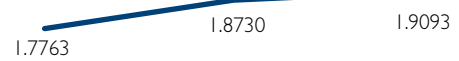
AVERAGE REVENUE - WASTEWATER TREATMENT (BULK)
(€/ m³)



AVERAGE REVENUE - WATER SUPPLY (RETAIL)
(€/ m³)



AVERAGE REVENUE - WASTEWATER TREATMENT (RETAIL)
(€/ m³)



The Group organisational restructuring that began in 2016 and which took effect on 1 January 2017 will maintain tariff standardisation between systems by (i) applying regional solidarity mechanisms (CTA) and the environment fund (financed by a water resource charge component), (ii) leveraging the operational synergies identified in the aggregated MMSs and (iii) rationalising investments.

INVESTMENT

The AdP Group advanced with investment totalling EUR 128.9 million in 2020, of this amount, EUR 121.3 million corresponds to investment in constructing or restructuring water supply and sanitation infrastructures

MEUR

	2018	2019	2020
Investment of the year	133.8	16.2	128.9

Note: The 2019 investment includes the accountancy reclassification of the Odelouca Dam for the amount of EUR 14.7 M as well as the assets under right of use.

The early years of each of the AdP Group management companies represent periods of heavy investment in new works within the scope of constructing or extending the water supply and sanitation systems. Naturally, there was also investment in substitution in this phase in order to rehabilitate and/or adapt the municipal infrastructures subject to integration even if this did not reflect the predominant investment type.

In current times, on the contrary, the rehabilitation or restructuring of infrastructures takes on rising importance in keeping with their inevitable ageing processes. The combat of this relentless problem is approached through two different means: maintenance procedures and substitution investment. The optimisation of long-term processes is attained through an appropriate balance of these two approaches.

In any case, the increasing relevance of investment in rehabilitation in the AdP Group does not mean the termination of investment in new constructions and there are companies where this component still maintains great contemporary relevance, such as AgdA - Águas Públicas do Alentejo, AdRA - Águas da Região de Aveiro and Águas do Norte, within the scope of completing or expanding their systems.

With the passage of the years, there has been a natural and progressive shrinkage in the new constructions for building to the extent that the territorial extent covered by the AdP Group has become progressively more infrastructurally complete, finalising the heavy cycle of investment that rendered it possible to change the face of the country's water sector within a period of around two and a half decades. However, Group companies are also assuming responsibility for maintaining these infrastructures in good operational condition over the course of time in that which constitutes perhaps the most noble even if more discreet dimension of their activities.

The evolution described is accompanied by a progressive reduction in the average scale of the individual investments and their comparatively greater complexity, which stems from the nature of rehabilitation operations, very often dispersed and atomised. 2020 provides a good example of this with the implementation of a large number of small and medium scale projects and the almost non-existence of large-scale investments that characterises the Group's track record. Nevertheless, this should also highlight the significant number of large scales works within this general panorama under the supervision of AgdA - Águas Públicas do Alentejo. Among these, highlights include strengthening abstraction in Castro Verde, in the Mértola Noroeste Zone and in the Almodôvar - Mértola Sudoeste Axis. This also extends to the two complementary works on the water supply system for Celorico de Basto as well as works on the supply system for S. Jorge, with these under the responsibility of Águas do Norte. Furthermore, there were also individual construction projects of note in the field of rehabilitation, such as the restructuring of the Roxo water treatment plant by AgdA - Águas Públicas do Alentejo and the intervention in the S. João da Talha wastewater treatment plant by Águas do Tejo Atlântico. The trend for this year's most significant construction works to refer to water supply is deepened by two projects within the scope of the supply to Arganil carried out by Águas do Centro Litoral.

In this context, the variation between investment in new infrastructures versus investment in their substitution clearly emerges in the following table:

ANNUAL INVESTMENT IN WATER SUPPLY AND WASTEWATER SANITATION INFRASTRUCTURES	2018	2019	2020
New	81.2	84.2	65.9
Rehabilitation / replacement	47.3	58.4	55.4

Naturally, this also assumes the relevance of the breakdown between investment in water supply and wastewater treatment services.

In historical terms and corresponding to the priority in terms of serving the populations, supply naturally emerges as the component that most immediately responded to the prevailing needs. It is therefore hardly surprising that in the first years of its activities, the AdP Group, as a whole, focused a significant proportion of investment on supplying water. In a necessarily global perspective, and without ever overlooking how the Group contains two companies focusing solely on the supply component (Águas do Douro e Paiva and EPAL) and with three dealing only with sanitation (SIMDOUOR, Águas do Tejo Atlântico and SIMARSUL), this reports how, with the passage of time, the global situation began balancing itself out before then inverting in a process of natural evolution.

Hence, in macro terms, the aforementioned first phase gave way to a second that is also drawing towards its conclusion. Currently, analysis of the whole, based on the major trends, is becoming progressively less relevant and the case-by-case vision gains in prominence especially because the regularity of the evolution, as stated above, towards a global investment universe on a noticeably smaller scale than in the Group's past.

While attention focuses on those companies undertaking the largest investment volumes in 2020, among those operating both supply and sanitation components, there is a reasonable balance between the two components in the cases of Águas do Norte, Águas do Vale do Tejo and Águas do Algarve, but a greater weighting of sanitation especially in the case of AdRA - Águas da Região de Aveiro but also with Águas do Centro Litoral and with the opposite situation prevailing at AgdA - Águas Públicas do Alentejo.

The infrastructure investment is presented below according to the same format.

MEUR			
ANNUAL INVESTMENT	2018	2019	2020
Water supply	55.4	68.0	62.0
Wastewater sanitation	73.1	74.6	59.3

EU FUNDS

By the end of 2020, approval had been received for 128 applications within the scope of the urban water cycle of POSEUR (Operational Program for Resource Sustainability and Efficiency) 2014—20 / PORTUGAL 2020, with a total of 25 operations already completed accounting for global investment in the region of EUR 258.5 million, with a forecast level of community funding amounting to EUR 175.7 million.

The non-repayable subsidies, approved within the framework of community funding, continue to prioritise investments in multi-municipal systems and more recent partnerships with the need for non-repayable funding stemming from the objective of ensuring tariff cohesion between the different systems.

A note on the inclusion of Águas do Alto Minho (AdAM), which began operations at the beginning of 2020 and that has ongoing a total of 19 approved applications that correspond to investment of around EUR 33 million.

Applications to POSEUR 2014-2020 (Urban Water Cycle), approved prior to 31/12/2020

EU FUNDING	Nº APPLICATIONS		TOTAL INVESTMENT (1)	FORESEEN SUBSIDY (2)	IMPLICIT CO-FINANCING (3)=(2)/(1)	SUBSIDY ALREADY RECEIVED	SUBSIDY RECEIVED DURING 2020
	APPROVED	COMPLETED					
AdNorte (*)	57	4	42.5	26.9	63%	16.7	2.6
AdAM	19		33.3	17.9	54%	2.9	2.9
AdCL	2	1	13.2	4.8	36%	0.7	0.0
AdRA	21	15	26.9	16.8	63%	14.2	1.0
AdTA	2	1	1.2	0.9	75%	0.5	0.2
AdVT	4	1	5.1	3.4	67%	2.6	0.2
EPAL	1	1	13.8	6.4	46%	5.4	0.0
SIMARSUL	1	1	1.2	0.8	66%	0.7	0.0
AdSA	1		1.9	1.6	85%	0.8	0.0
AgdA	13	1	78.3	64.7	83%	54.3	12.5
AdAlgarve	7		41.1	31.4	76%	27.6	2.1
	128	25	258.5	175.7	68%	126.4	21.4

(*) - The 57 applications by AdNorte include two joint applications with other AdP Group companies (AdDP and SIMDOURO).

During 2020, the investments implemented by Águas de Portugal Group companies under the auspices of these 128 applications totalled around EUR 32.7 million and requests for payment of EUR 30.3 million of expenditure were submitted. In the same period, the community funding received amounted to EUR 21.4 million, thus the amount absorbed under POSEUR 2014-20/ PORTUGAL 2020 rose to EUR 126.4 million (around 72% of the total of grants planned for under the applications approved).

MULTI-MUNICIPAL SYSTEMS (INDIVIDUAL ACCOUNTS)

ÁGUAS DO NORTE (AdNORTE) – BULK ACTIVITIES

AdNorte is the management entity for the Bulk Multi-municipal System of the Norte Region, correspondingly responsible for the bulk water supply and wastewater treatment activities. In 2017, following Decree-Law no. 16/2017, of 1 February, there was a demerger process that resulted in the establishing of the new Multi-municipal Water Supply System for South Greater Oporto and the new Sanitation System for South Greater Oporto, which led to alterations in terms of the territorial scope of the system. The AdNorte concession contract was signed in 2015 and with its 30-year duration running through to the end of 2045.

	2018	2019	2020
Business Turnover ⁽¹⁾	99.9	109.9	116.9
Cost Recovery Deviation (CRD)	4.5	(5.2)	(15.6)
Operational Result ⁽²⁾ (OR)	22.0	17.4	13.7
EBITDA ⁽³⁾	45.9	53.9	62.0
Financial Results	(10.7)	(9.9)	(7.7)
Net Annual Result	6.7	4.7	3.9

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	1 090.5	1 060.5	1 034.8
Investment (increases)	10.6	20.3	15.5
Client Debts ⁽²⁾	96.2	71.6	84.0
Total Assets	1 488.2	1 465.9	1 412.9
Financial Debt ⁽³⁾ – Medium and Long Term	525.5	512.1	490.0
Financial Debt ⁽³⁾ – Short Term	24.8	27.0	6.4
Financial Debt ⁽³⁾ Total	550.3	539.2	496.5
Financial Debt – Net ⁽⁴⁾	549.5	538.4	495.1
Financial Debt Net/EBITDA	12.0	10.0	8.0
Investment Subsidies	504.5	485.8	467.3
Equity	245.1	249.9	253.8
Accumulated CRD (Asset)	235.3	230.1	214.5

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation.

(3) Loans and Financial Leasing

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO DOURO E PAIVA (AdDP) – BULK ACTIVITIES

AdDP is the managing company for the Multi-municipal Water Supply System of South Greater Oporto and results from the demerger of the Multi-municipal Water Supply and Sanitation System of the Norte de Portugal region that took place following the publication of Decree-Law no. 16/2017 of 1 February. The AdDP concession contract was signed in February 2017 and with its 20-year duration running through to the end of 2036, extending for another 10 years, until 2046.

MEUR

	2018	2019	2020
Business Turnover ⁽¹⁾	37.3	37.3	36.6
Cost Recovery Deviation (CRD)	(9.5)	(10.1)	(9.7)
Operational Result ⁽²⁾ (OR)	1.9	1.4	1.3
EBITDA ⁽³⁾	19.1	19.2	18.7
Financial Results	(0.7)	(0.5)	(0.2)
Net Annual Result	0.9	0.7	0.8

(1) Includes neither the value of either Earnings from Construction (IFRIC 12) nor the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

MEUR

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	168.5	161.9	153.0
Investment (increases)	3.7	4.0	3.6
Client Debts ⁽²⁾	3.5	3.5	9.8
Total Assets	209.0	204.5	201.8
Financial Debt ⁽³⁾ – Medium and Long Term	21.4	49.1	41.5
Financial Debt ⁽³⁾ – Short Term	41.8	1.8	1.1
Financial Debt ⁽³⁾ Total	63.2	50.9	42.6
Financial Debt – Net ⁽⁴⁾	50.3	36.9	28.2
Financial Debt Net/EBITDA ⁽⁴⁾	2.6	1.9	1.5
Investment Subsidies	56.0	52.9	49.7
Equity	30.6	30.5	30.5
Accumulated CRD (Liability)	(21.0)	(31.1)	(40.8)

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS

SIMDOURO – SANEAMENTO DO GRANDE PORTO (SIMDOURO) – BULK ACTIVITIES

SIMDOURO is the management company for the Multi-municipal Sanitation System of Greater Oporto and results from the demerger of the Multi-municipal Water Supply and Sanitation System of the Norte of Portugal region following the publication of Decree-Law no. 16/2017, of 1 February, hence with figures only available after 2017. The SIMDOURO concession contract was signed in February 2017 and with its 50-year duration extending until the end of 2066.

MEUR

	2018	2019	2020
Business Turnover ⁽¹⁾	13.8	14.6	14.8
Cost Recovery Deviation (CRD)	(0.0)	(1.3)	(2.4)
Operational Result ⁽²⁾ (OR)	2.8	2.1	2.0
EBITDA ⁽³⁾	6.2	7.0	7.9
Financial Results	(1.3)	(1.0)	(1.0)
Net Annual Result	1.1	0.8	0.7

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

MEUR

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	134.7	133.0	133.0
Investment (increases)	3.4	1.0	2.7
Client Debts ⁽²⁾	1.9	3.1	2.7
Total Assets	161.1	160.9	157.1
Financial Debt ⁽³⁾ – Medium and Long Term	6.1	55.3	52.4
Financial Debt ⁽³⁾ – Short Term	50.7	2.9	0.9
Financial Debt ⁽³⁾ Total	56.8	58.1	53.3
Financial Debt – Net ⁽⁴⁾	56.3	55.0	50.7
Financial Debt Net/EBITDA ⁽⁴⁾	9.1	7.9	6.4
Investment Subsidies	54.6	53.8	52.7
Equity	30.4	31.2	32.0
Accumulated CRD (Asset)	18.6	17.2	14.8

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO CENTRO LITORAL (AdCL)

AdCL is the management company for the central region's multi-municipal system, responsible for both bulk water supply and wastewater treatment. The company results from (following the publication of Decree Law no. 92/2015, of 29 May), the June 2015 aggregation of Águas do Mondego, S.A., SIMLIS – Saneamento Integrado dos Municípios do Lis, S.A. and SIMRIA - Saneamento Integrado dos Municípios da Ria, S.A. The AdCL concession agreement was concluded in 2015 and remains in effect for 30 years, hence to the end of 2045.

	2018	2019	2020
Business Turnover ⁽¹⁾	50.9	51.2	52.4
Cost Recovery Deviation (CRD)	(3.6)	(5.0)	(3.4)
Operational Result ⁽²⁾ (OR)	9.1	7.4	7.3
EBITDA ⁽³⁾	30.2	29.1	29.0
Financial Results	(4.9)	(4.6)	(4.5)
Net Annual Result	2.7	1.8	1.6

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	425.0	418.4	409.7
Investment (increases)	8.1	10.3	8.8
Client Debts ⁽²⁾	42.1	45.4	52.1
Total Assets	548.3	542.4	544.3
Financial Debt ⁽³⁾ – Medium and Long Term	199.1	196.5	195.3
Financial Debt ⁽³⁾ – Short Term	18.9	15.7	14.2
Financial Debt ⁽³⁾ Total	218.0	212.1	209.5
Financial Debt – Net ⁽⁴⁾	217.2	205.0	203.8
Financial Debt Net/EBITDA ⁽⁴⁾	7.2	7.0	7.0
Investment Subsidies	163.7	157.4	155.0
Equity	97.3	99.1	100.7
Accumulated CRD (Asset)	60.6	55.7	52.3

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation.

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO VALE DO TEJO (AdVT)

AdVT is the management entity responsible for the bulk multi-municipal water supply and sanitation system for the Tagus Valley and results from the demerger of the multi-municipal water supply and sanitation system for Lisbon and the Tagus Valley, which correspondingly resulted in the establishment of two multi-municipal wastewater sanitation systems: the Greater Lisbon and West system and the Setúbal Peninsula system. Following the publication of Decree-Law no. 34/2017, of 24 March, which brought about the aforementioned demerger the company was renamed and with its territorial scope subject to substantial change. The concession contract was signed in 2015 for a 30-year period running until the end of 2045.

	MEUR		
	2018	2019	2020
Business Turnover ⁽¹⁾	82.9	91.9	99.9
Cost Recovery Deviation (CRD)	6.1	(1.2)	(8.0)
Operational Result ⁽²⁾ (OR)	15.7	15.3	10.1
EBITDA ⁽³⁾	42.4	42.4	46.0
Financial Results	(5.4)	(9.0)	(5.2)
Net Annual Result	4.2	4.2	3.3

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

	MEUR		
	2018	2019	2020
Operating Assets (net) ⁽¹⁾	629.8	614.4	596.4
Investment (increases)	9.2	13.6	11.8
Client Debts ⁽²⁾	124.6	95.8	104.3
Total Assets	1 056.2	1 046.8	1 024.1
Financial Debt ⁽³⁾ – Medium and Long Term	380.1	380.5	359.9
Financial Debt ⁽³⁾ – Short Term	43.7	36.1	46.2
Financial Debt ⁽³⁾ Total	423.7	416.6	406.1
Financial Debt – Net ⁽⁴⁾	420.5	412.8	377.7
Financial Debt Net/EBITDA ⁽⁴⁾	9.9	9.7	8.2
Investment Subsidies	261.7	250.2	235.9
Equity	200.5	204.7	208.0
Accumulated CRD (Asset)	225.0	223.8	215.8

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation.

(3) Loans + Financial Leasing

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO TEJO ATLÂNTICO (AdTA)

AdTA is the management company of the Multi-municipal Wastewater Sanitation System for the Greater Lisbon and West region resulting from the demerger of the Multi-municipal Water Supply and Sanitation System for the Lisbon and Tagus Valley region following the publication of Decree-Law no. 34/2017, of 24 March and hence only presenting results from the 2017 financial year onwards. The concession contract was signed with a 30-year duration extending until the end of 2046.

MEUR

	2018	2019	2020
Business Turnover ⁽¹⁾	82.3	83.2	83.5
Cost Recovery Deviation (CRD)	(14.1)	(13.1)	(10.8)
Operational Result ⁽²⁾ (OR)	14.4	12.8	11.3
EBITDA ⁽³⁾	43.6	41.5	38.2
Financial Results	(7.1)	(7.0)	(6.0)
Net Annual Result	5.5	4.3	3.7

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

MEUR

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	456.2	448.5	442.8
Investment (increases)	9.2	16.2	17.4
Client Debts ⁽²⁾	18.9	13.2	11.9
Total Assets	650.7	629.1	610.5
Financial Debt ⁽³⁾ – Medium and Long Term	222.1	212.1	200.5
Financial Debt ⁽³⁾ – Short Term	9.2	10.1	11.6
Financial Debt ⁽³⁾ Total	231.2	222.2	212.2
Financial Debt – Net ⁽⁴⁾	139.9	126.6	116.0
Financial Debt Net/EBITDA ⁽⁴⁾	3.2	3.1	3.0
Investment Subsidies	134.9	130.4	125.7
Equity	117.2	115.9	115.6
Accumulated CRD (Asset)	26.9	13.8	2.9

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS - Holding Group Treasury Support

SIMARSUL – SANEAMENTO DA PENÍNSULA DE SETÚBAL (SIMARSUL)

SIMARSUL is the management company for the Multi-municipal Wastewater Sanitation System for the Setúbal Peninsula resulting from the demerger of the Multi-municipal Water Supply and Sanitation System for Lisbon and the Tagus Valley system following the publication of Decree-Law no. 34/2017, of 24 March. The concession contract was signed with a 30-year duration extending until the end of 2046.

MEUR

	2018	2019	2020
Business Turnover ⁽¹⁾	14,9	15,1	17,3
Cost Recovery Deviation (CRD)	2,9	1,5	0,2
Operational Result ⁽²⁾ (OR)	5,6	4,2	3,6
EBITDA ⁽³⁾	6,4	6,5	7,6
Financial Results	(3,2)	(2,6)	(2,4)
Net Annual Result	1,9	1,2	1,0

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

MEUR

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	156.3	152.8	148.8
Investment (increases)	1.3	0.5	0.9
Client Debts ⁽²⁾	6.2	5.5	6.6
Total Assets	242.3	240.1	236.6
Financial Debt ⁽³⁾ – Medium and Long Term	79.6	75.9	71.5
Financial Debt ⁽³⁾ – Short Term	3.4	3.8	4.4
Financial Debt ⁽³⁾ Total	83.0	79.6	75.9
Financial Debt – Net ⁽⁴⁾	70.7	68.1	65.7
Financial Debt Net/EBITDA ⁽⁴⁾	11.0	10.5	8.7
Investment Subsidies	59.5	58.0	57.2
Equity	64.6	65.9	66.9
Accumulated CRD (Asset)	62.7	64.2	64.4

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS - Holding Group Treasury Support

ÁGUAS DO ALGARVE (AdA)

AdA is the management company for the Multi-municipal Bulk System for the Western and Eastern regions of the Algarve, responsible for bulk water supply and wastewater treatment activities. A new concession contract was signed in 2019 according to which, under the auspices of Decree Law no. 93/2019, of 15 July, the management of this system was attributed to AdA for the period 2019-2048.

MEUR

	2018	2019	2020
Business Turnover ⁽¹⁾	58.4	60.5	59.0
Cost Recovery Deviation (CRD) ^(*)	0.0	(5.4)	6.5
Operational Result ⁽²⁾ (OR)	14.8	7.5	7.6
EBITDA ⁽³⁾	28.3	27.5	26.9
Financial Results	(5.3)	5.9	(6.6)
Net Annual Result	7.2	1.2	0.7

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

(*) In 2019 the company began recording the CRD in the statutory accounts

MEUR

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	413.2	418.1	407.1
Investment (increases)	16.2	26.8	7.5
Client Debts ⁽²⁾	39.4	36.4	34.7
Total Assets	520.2	500.3	490.7
Financial Debt ⁽³⁾ – Medium and Long Term	181.9	166.8	151.8
Financial Debt ⁽³⁾ – Short Term	36.1	29.4	33.7
Financial Debt ⁽³⁾ Total	218.0	196.2	185.6
Financial Debt – Net ⁽⁴⁾	185.2	174.2	185.5
Financial Debt Net/EBITDA ⁽⁴⁾	6.5	6.3	6.9
Investment Subsidies	167.4	161.3	155.7
Equity	44.8	29.5	30.2
Accumulated CRD (Liability) ^(*)	0.0	(18.4)	(24.9)

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation.

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS

(*) In 2019, the company began registering CRDs in its statutory accounts.

PARTNERSHIPS BETWEEN THE STATE AND MUNICIPALITIES (AdRA, AgdA AND AdNORTE – NORTHWEST SYSTEM) (INDIVIDUAL ACCOUNTS)

ÁGUAS DA REGIÃO DE AVEIRO (AdRA)

AdRA manages and operates a public partnership for water supply and wastewater treatment services in the Aveiro metropolitan region. The AdRA concession agreement was concluded in 2009 and remains in effect for five decades, thus until the end of 2059.

	MEUR		
	2018	2019	2020
Business Turnover ⁽¹⁾	51.8	54.1	55.0
Cost Recovery Deviation (CRD) ^(*)	(4.7)	(5.1)	(5.1)
Operational Result ⁽²⁾ (OR)	0.8	0.6	0.8
EBITDA ⁽³⁾	14.3	17.1	15.7
Financial Results	0.3	0.3	0.2
Net Annual Result	0.9	0.7	0.6

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

(*) From an 'individual accounts' perspective

	MEUR		
	2018	2019	2020
Operating Assets (net) ⁽¹⁾	171.1	188.8	197.4
Investment (increases)	13.9	17.1	14.8
Client Debts ⁽²⁾	4.6	4.6	7.1
Total Assets	276.6	295.0	303.1
Financial Debt ⁽³⁾ – Medium and Long Term	56.7	57.8	57.4
Financial Debt ⁽³⁾ – Short Term	3.7	4.2	5.4
Financial Debt ⁽³⁾ Total	60.4	62.0	62.8
Financial Debt – Net ⁽⁴⁾	60.1	61.6	62.4
Financial Debt Net/EBITDA ⁽⁴⁾	4.2	3.6	4.0
Investment Subsidies	37.5	37.3	36.0
Equity	18.9	18.8	18.7
Accumulated CRD	(9.0)	(14.1)	(19.2)

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS (n.a)

ÁGUAS PÚBLICAS DO ALENTEJO (AgdA)

AgdA manages and operates a public partnership for the bulk water supply and wastewater treatment services in the lower Alentejo region. The AgdA concession agreement was concluded in 2009 and lasts for five decades, hence until the end of 2059.

	2018	2019	2020
Business Turnover ⁽¹⁾	14.3	15.0	16.1
Cost Recovery Deviation (CRD)	0.0	1.4	(0.4)
Operational Result ⁽²⁾ (OR)	1.1	1.2	1.3
EBITDA ⁽³⁾	2.7	1.6	3.6
Financial Results	(0.6)	(0.6)	(0.6)
Net Annual Result	0.4	0.5	0.6

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	111.0	133.6	144.9
Investment (increases)	20.6	23.8	17.3
Client Debts ⁽²⁾	11.4	6.1	5.6
Total Assets	136.9	154.8	161.0
Financial Debt ⁽³⁾ – Médio e Longo Prazo	49.1	48.6	48.2
Financial Debt ⁽³⁾ – Curto Prazo	4.5	6.5	5.5
Financial Debt ⁽³⁾ Total	53.5	55.1	53.6
Financial Debt – Net ⁽⁴⁾	52.0	53.9	52.4
Financial Debt Net/EBITDA ⁽⁴⁾	19.1	32.9	14.8
Investment Subsidies	58.1	68.6	78.2
Equity	7.0	8.7	10.2
Accumulated CRD (Liability)	(0.3)	1.1	0.7

(1) Intangible assets + Tangible assets + Right-of-use assets

(2) Refers only to the amounts billed for water and sanitation.

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO NORTE (AdNORTE) – RETAIL ACTIVITIES

AdNorte manages and operates a public partnership for the retail water supply and wastewater treatment services in the northwest of the country. The management agreement was concluded in 2013 and remains in effect until the end of the AdNorte bulk concession.

	2018	2019	2020
Business Turnover ⁽¹⁾	13.3	15.2	18.2
Cost Recovery Deviation (CRD)	3.4	3.6	2.6
Operational Result ⁽²⁾ (OR)	0.9	0.8	1.3
EBITDA ⁽³⁾	0.3	0.8	2.9
Financial Results	(0.3)	(0.1)	(0.4)
Net Annual Result	0.5	0.5	0.5

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	49.0	58.6	64.3
Investment (increases)	12.8	9.6	6.3
Client Debts ⁽²⁾	4.0	6.4	5.7
Total Assets	91.9	107.0	116.1
Financial Debt ⁽³⁾ – Medium and Long Term	36.0	36.0	36.0
Financial Debt ⁽³⁾ – Short Term	3.4	10.8	12.8
Financial Debt ⁽³⁾ Total	39.4	46.8	48.8
Financial Debt – Net ⁽⁴⁾	39.3	46.7	48.8
Financial Debt Net/EBITDA ⁽⁴⁾	118.1	55.3	16.7
Investment Subsidies	10.1	15.0	15.8
Equity	11.2	14.8	15.5
Accumulated CRD (Asset)	30.4	34.0	36.6

(1) Intangible Assets + Tangible Assets + Investment Properties

(2) Refers only to the amounts billed for water and sanitation

(3) Loans and Financial Leasing

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO ALTO MINHO (AdAM) – RETAIL ACTIVITIES

AdAM is responsible for the operation and management of the water system for the Alto Minho region with the provision of both water supply and wastewater sanitation services. The AdAM partnership and system management contracts were signed in 2019 for a three-decade duration.

Clause 10 of the Águas do Alto Minho Water System Management Contract stipulates a six-month transition period beginning on the date of signing of the Management Contract throughout which the Parties are to jointly prepare the transfer of responsibility to the Partnership Management Company. The deadline for this period was brought forward to 1 January 2020, the date on which AdAM launched its operating activities.

	MEUR		
	2018	2019	2020
Business Turnover ⁽¹⁾	-	0.0	23.3
Cost Recovery Deviation (CRD)	-	0.3	1.9
Operational Result ⁽²⁾ (OR)	-	0.1	0.1
EBITDA ⁽³⁾	-	(0.2)	2.5
Financial Results	-	0.0	(0.1)
Net Annual Result	-	0.0	0.1

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC 12)

	MEUR		
	2018	2019	2020
Operating Assets (net) ⁽¹⁾	-	0.4	6.0
Investment (increases)	-	0.4	5.2
Client Debts ⁽²⁾	-	0.0	11.1
Total Assets	-	1.7	25.9
Financial Debt ⁽³⁾ – Medium and Long Term	-	0.0	0.0
Financial Debt ⁽³⁾ – Short Term	-	0.0	2.0
Financial Debt ⁽³⁾ Total	-	0.0	2.0
Financial Debt – Net ⁽⁴⁾	-	(1.0)	1.8
Financial Debt Net/EBITDA ⁽⁴⁾	-	5.7	0.7
Investment Subsidies	-	0.0	4.7
Equity	-	1.2	1.9
Accumulated CRD (Asset)	-	0.3	2.2

(1) Intangible Assets + Tangible Assets + Investment Properties

(2) Refers only to the amounts billed for water and sanitation

(3) Loans and Financial Leasing

(4) Financial Debt Total - Availabilities - FRCS

OTHER STATE-OWNED COMPANIES (INDIVIDUAL ACCOUNTS)

EMPRESA PORTUGUESA DAS ÁGUAS LIVRES (EPAL)

The successor to the century-old CAL - Companhia das Águas de Lisboa (1868/1974), the previous concession holder for supplying water to the city of Lisbon, EPAL is thus responsible for distributing water to households in Lisbon and approximately 357,000 customers. Upstream, EPAL supplies bulk water services to 35 municipalities on the north side of the River Tagus. Since 2015, the company has been the delegated manager of the multi-municipal system supplying water and sanitation to the Lisbon and Tagus Valley Region. This system was established on 29 May by Decree-Law 94/2015.

	2018	2019	2020
Business Turnover	158.2	167.0	161.2
Cost Recovery Deviation (CRD)	0.0	0.0	0.0
Operational Result ⁽¹⁾ (OR)	69.9	75.9	66.6
EBITDA ⁽²⁾	94.6	102.5	94.1
Financial Results	(0.9)	(0.8)	(1.0)
Net Annual Result	49.1	52.5	47.0

(1) Results before interest and tax

(2) OR + Amortisations + Provisions + Losses due to Impairities and Reversions– Investment Subsidies

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	701.9	689.7	673.2
Investment (increases)	12.4	12.2	9.6
Client Debts ⁽²⁾	24.6	15.1	27.4
Total Assets	853.7	853.1	839.8
Financial Debt ⁽³⁾ – Medium and Long Term	101.7	89.1	78.9
Financial Debt ⁽³⁾ – Short Term	15.9	12.5	10.3
Financial Debt ⁽³⁾ Total	117.6	101.7	89.1
Financial Debt – Net ⁽⁴⁾	24.9	(2.0)	(16.1)
Financial Debt Net/EBITDA ⁽⁴⁾	0.3	(0.0)	(0.2)
Investment Subsidies	33.2	31.7	31.1
Equity	621.3	634.9	640.1

(1) Intangible Assets + Tangible Assets + Assets under Right of Use + Investment Properties

(2) Refers only to the amounts billed for water and sanitation

(3) Loans

(4) Financial Debt Total - Availabilities - Holding Group Treasury Support - Financial Applications

ÁGUAS DE SANTO ANDRÉ (AdSA)

AdSA manages and operates the Santo André system, supplying water of sufficient quality and quantity to the local population and collecting and treating wastewater in the same area. This company is simultaneously responsible for meeting the drinking water, industrial water and wastewater and industrial waste needs of the industries located in the Sines Industrial and Logistics Area (ZILS). The AdSA concession contract was signed in 2001 for the water supply, wastewater and solid waste treatment areas and its 30-year duration lasts until 2030.

	2018	2019	2020
Business Turnover ⁽¹⁾	15.2	14.7	14.4
Operational Result ⁽²⁾ (OR)	5.1	6.2	5.3
EBITDA ⁽³⁾	9.5	8.4	7.3
Financial Results	0.3	(0.1)	(0.1)
Net Annual Result	6.0	4.4	3.9

(1) Does not include earnings from construction (IFRIC 12)

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to Impairities and Reversions– Investment Subsidies – Construction Earnings/Costs (IFRIC 12)

	2018	2019	2020
Operating Assets (net) ⁽¹⁾	45.6	45.2	41.1
Investment (increases)	0.9	1.4	0.4
Client Debts ⁽²⁾	10.4	3.0	3.4
Total Assets	71.1	70.6	70.7
Financial Debt ⁽³⁾ – Medium and Long Term	0.0	0.0	0.0
Financial Debt ⁽³⁾ – Short Term	0.0	0.0	0.0
Financial Debt ⁽³⁾ Total	0.0	0.0	0.0
Financial Debt – Net ⁽⁴⁾	(7.1)	(4.5)	(20.1)
Financial Debt Net/EBITDA ⁽⁴⁾	(0.7)	(0.5)	(2.7)
Investment Subsidies	28.1	26.0	23.8
Equity	21.6	20.7	24.5
Accumulated CRD	0.0	0.0	0.0

(1) Intangible Assets + Tangible Assets + Assets under Right of Use

(2) Refers only to the amounts billed for water and sanitation.

(3) Loans

(4) Financial Debt Total - Availabilities - Holding Group Treasury Support - FRCS

PROSPECTS [WATER SUPPLY AND SANITATION SYSTEMS]

For 2021, there remains the core objective of increasing the productive efficiency of the various systems, seeking to obtain savings for users through the tariffs. Placing the focus on the robustness of operations and the maintenance of services and system, this seeks to achieve the consolidation of operations as well as the investment plan. These objectives are duly incorporated into the Strategic Framework of Commitment approved for the 2020 – 2022 triennial.

This Strategic Framework rests on three pillars that focus on excellence of service, the social utility of water supply and sanitation services and the Group culture, placing the knowhow of the AdP Group in the service of the sector and the country for the resolution of the core challenge faced by the Environment sector.

We consider that the challenges faced should not result in added tariff pressures in order not to hinder popular accessibility to the services associated with the urban water cycle. We adopt a collaborative and proactive approach to the management of water supply and sanitation services within the scope of transforming into benefits the positive externalities that this sector may generate for the economy and the livelihoods of the populations.

Hence, there come the innovation objectives that shall enable the reduction of costs, such as through the implementation of the sludge plans and energy and carbon neutrality as well as also boosting the usage of treated wastewaters for various other purposes and thus relieving pressure on hydric resources.

This strategic work is accompanied by the careful management of assets to render them more resilient and capable of responding to extreme situations, with an emphasis on maintaining the productive capacity, consolidating the campaign against losses, digitalisation and continually striving for efficiency.

These objectives continue to be strongly buffeted by the consequences of the Covid-19 crisis, in particular with the restrictions stemming from the non-degradation of the operating efficiency ratio, ascertained through the balance between operating costs, without amortisations and business turnover. Despite the resilience demonstrated by the water supply and sanitation operations, reflecting in the complete lack of any interruption to services throughout the pandemic period, the team's management challenges remain very high.

Throughout 2021, we shall give continuity to the work begun in 2020 on reviewing the tariff trajectories for the Multi-Municipal Systems subject to aggregation and demerger (Norte), with the objective of containing the rising trend. This also maintains the work on the methodology for defining the indicators for measuring compliance with the public service obligations as well as the functional evaluation methodology for the assets allocated to the water supply and sanitation services.

The year will also feature another round of negotiations within the framework of reaching Agreements on the Regularisation of Municipal Debts as part of efforts to continue reducing the client portfolio and the respective costs in keeping with previous years.

OTHER ACTIVITIES

INTERNATIONAL

The AdP Group's international business is carried out by AdP - Águas de Portugal Internacional, Servicos Ambientais, S.A. (AdP Internacional), which was set up in 2001. The company undertakes the mission to render services at the international level and to support cooperation initiatives for the development of the water service sector in an efficient, sustainable and innovative manner, leveraging the maximum from both the experience and the technological solutions of the AdP Group, contributing towards the international projection of the Portuguese water sector in line with the Sustainable Development Goals (SDGs) 2030, in particular SDG 6 related to water and basic sanitation.

AdP Internacional operates primarily in consortia and partnerships and thereby positioned to support the internationalisation of other Portuguese companies in this important sector of activity.

Difficulties were encountered in 2020 in the full implementation of the two largest Technical Assistance contracts in Angola in the Provinces of Bengo and Cunene, with a global value of USD 14 M, as well as the awarding of the Contract 78NCI/HUILA/19 –

Management, Operation and Maintenance Services for the Water Supply Systems in Huila Province, which will only be launched in 2021. The Angolan market remains one of the most significant to the activities of AdP Internacional and its respective variations generated significant impacts on the results of AdP Internacional for this financial year.

The 2020 highlights feature the strengthening of commercial efforts and the expansion of the international presence to new markets in Africa and Asia. In relation to new markets, especially in India, there was the notable signing of the Technical Assistance Contract signed with the government of the State of Goa, in February.

As regards contractual implementation, there were the following developments:

- Consultancy contract for Technical Assistance to Global Water Practices, within the scope of emergency just-in-time (JIT) responses to the Covid-19 pandemic;
- In the Mozambican market, 2019 saw the design of the Strengthening the Resilience of Drinking Water Production Systems project in Mozambique approved for financing by the Environmental Fund of the Ministry of the Environment and Energy Transition of Portugal. The global SARS-CoV-2 Pandemic, decreed on 11 March 2020 by the WHO – the World Health Organisation, meant all these activities were postponed until 2021 when there should be the minimum conditions necessary to visit Maputo, Beira, Inhambane, Maxixe and Nampula. Also in this same country, in 2020, AdP Internacional maintained its role in the consortium led by Castalia (USA), that has provided consultancy services to AURA (the Water Regulatory Authority) since 2017 within the framework of a World Bank financed project with its objectives including the definition of a tariff model for AURA. In 2020, the AdPI team provided support to the establishing of a mechanism for ascertaining the tariff for charging to the 15 main concessionaires for supplying water in Mozambique based on the principle of cost recovery and services to socially vulnerable groups;
- In Angola, the intervention of AdPI was brought about by the contracts financed by the African Bank of Development (BAfD) for Technical Assistance to water supply and sanitation companies in the provinces of Bengo and Cunene. The implementation of these contracts ensures the continuity and affirmation of AdPI as an actor in the development of the water sector in Angola, particularly through deepening the competences and technical means provided over recent years. In July 2020, there was the signing of Contract 78NCI/HUILA/19 – Management, Operation and Maintenance Services for the Water Supply Systems in the Province of Huila. This contract was awarded by the National Directorate of Waters of the Ministry of Energy and Waters of Angola, and in receipt of World Bank financing totalling USD 6.3M. The implementation period spans 48 months but shall only begin in the second quarter of 2021 following the prior issuing of approval by the Audit Court of Angola;
- For the Cape Verde market, efforts focused on the design of the project to Strengthen the Existing Competences of Cape Verde in the Prevention and Management of Water Usage Conflicts and the Preparatory Project for the Circular Economy Route in the Urban Water Cycle of Cape Verde – Action Plan for the Reutilisation of Treated Wastewaters approved for financing by the Environmental Fund of the Ministry of the Environment and Energy Transition of Portugal. These contracts shall only come into effect in early 2021 due to the prevailing pandemic;
- The project to improve the water and energy services of EAGB (the Electricity and Water Company of Guinea Bissau), financed by the World Bank in partnership with AdP Internacional and Leadership Consulting (consortium) maintained its foreseen path between January and March 2020 with the teams focused on the implementation of activities in support of the EAGB water and electricity departments. However, and again due to the Covid-19 pandemic, on 29 March 2020, the permanent members of the consortium faced the need to return to Portugal in accordance with the instructions handed down by the Portuguese consulate. There are expectations for re-launching the contract towards the end of the first quarter of 2021 depending on the pandemic situation then prevailing;
- In Tunisia, the projects advanced under the auspices of the Cooperation Convention between the Portuguese and Tunisian Ministries of Environment, sponsored by the Environmental Fund, through a contract with AdP's Tunisian peer, the "Office National de l'Assainissement" (ONAS). This also highlights in Tunisia the presentation of the proposed Concession Contract for the Management of the Sanitation System in the North of Tunes Region for a 10-year period with financing from the World Bank, with the tender result due to be announced during the first half of 2021.
- In the Ivory Coast, two projects are under preparation, financed by the Environmental Fund; the Sanitation and Hygiene Communications Plan for development by the Ministère de l'Assainissement et de la Salubrité (MINASS) and the Training and Empowerment Project in Sanitation Systems with the latter's beneficiaries drawn from the technical staff of the various entities supervised by the aforementioned Ministry;
- In Malawi, there was continuation of the "Consultancy Services for the Preparation of an Improvement Strategy for Sanitation and Drainage and the Directive Plan for the City of Lilongwe", which is undergoing development by a consortium of companies including AdP Internacional;
- In East Timor, the year stood out for the implementation of projects for the water supply and sanitation systems for four Municipal capitals: Baucau, Los Palos, Viqueque and Same. AdP Timor Leste took part in a consortium with ENGIDRO - Estudos de Engenharia Lda. The contract involves the provision of technical assistance services seeking to develop projects in the four Timorese district

capital that shall serve over 145,000 persons, and with a six-month duration with a total value of USD 2.1 million. At the end of 2020, work also started on drafting the Water and Sanitation Directive Plans for the municipal capitals of Ainaro, Bobonaro and Covalima;

- Following the signing of the Memorandum of Understanding (MoU) for Technical Cooperation signed between the Government of Goa (through its Department of Public Works) and the Ministry of the Environment of the Portuguese Republic (represented by Águas de Portugal), signed on 29 September 2018, this planned for the launching of the Technical Assistance project for the Department of Public Works – Operational Efficiency of the Água de Goa Systems for March 2020. However, the global SARS-CoV-2 Pandemic, decreed on 11 March 2020 by the WHO – the World Health Organisation, forced the delay of the launch in a first phase until September 2020, with this then once again delayed for a date still to be scheduled in 2021 whenever the conditions necessary then prevail.

Furthermore, under the auspices of a project financed by the World Bank entitled “Utilities of the Future”, AdP Internacional is providing technical support to the World Bank for three water and sanitation concessions, **i)** KWSB in Karachi (Pakistan); **ii)** CAGEPA in Paraíba (Brazil) and **iii)** SEDAPAL in Lima (Peru). AdPI, through its technical staff, conveys specialist support for the objective of promoting and implementing wide reaching and efficient plans for transforming and preparing the concessionaires to meet the rising challenges stemming from increasingly demanding climate, social and demographic changes. The concept underlying “Utilities of the Future - UoF” involves not only the digital transformation and technological modernisation but also new business processes, innovative organisational structures and cultural changes. This contract, although minor in financial terms, represents an important signal of recognition by the leading global development bank as regards the added value and competences provided by AdPI.

2020 was an important year for the consolidation of AdP Internacional activities in new markets and in Portuguese language countries. This would highlight the deepening of relationships with the World Bank that began in mid-2019 within the framework of a new strategic project at this Multilateral Financial Institution entitled “Utilities of the Future”. However, the global pandemic situation that we currently experience has forced the suspension and/or delay to 2021 of many of the contracts foreseen for implementation in 2020.

As a consequence of this situation, there is a corresponding reduction in EBITDA that came in negative at EUR 79,000, due to the lack of operational implementation of the ongoing contracts in accordance with the schedules in effect. The Financial Result is broadly in line with that of 2019. As another negative facet, we would highlight the rise in gross debt held by AdP Internacional, amounting to EUR 1.9 million, resulting from the significant delays in the receipt of funding, especially from the World Bank in Angola.

The economic recovery of AdP Internacional advanced at a slower pace than planned due to the delays in launching and/or the suspension of new contracts in Angola, in Guinea Bissau, in Goa, in the Ivory coast, in Mozambique and in Cape Verde, which led to significant impacts, driving down the company's annual business turnover.

INDICATORS

thousand EUR

	2018	2019 ⁽¹⁾	2020
Business Turnover	3 991	3 491	3 544
Operational Result	165	(073)	123
EBITDA ¹	397	018	(079)
Financial Results	(049)	(101)	(083)
Net Annual Result	083	(219)	030

¹ Operational Result + Amortisations + Provisions

thousand EUR

	2018	2019	2020
Net Assets	5 130	3 655	6 371
Equity	181	(037)	211
Total Liabilities	4 948	3 692	6 160

(1) Cf Accounts published in the AdP Internacional's 2019 Annual Report

OUTLOOK

In 2021, AdP Internacional shall ensure its trajectory of economic and financial sustainability in conjunction with a rising level of specialisation in key areas for the markets where the company is present. In keeping with the defined strategy, the approach to new markets and new contracts will maintain the principle of economic and financial sustainability of the projects for AdP Internacional participation in order to bring about improvements to its operational margins.

Commercial activities shall continue aligned with the strategy defined for recent years in seeking to broaden the scope of action of the company into neighbouring markets to those hitherto deemed priority, especially North Africa (Morocco and Tunisia), in West Africa (Ivory Coast) and, eventually certain Asian countries, such as India and others in which the experience of the AdP Group holds relevance to the Multilateral Financial Institutions, such as the World Bank, the European Bank for Reconstruction and Development and the Asian Development Bank.

As regards operational activities, this plans for growth in the number of projects as a result of the proposals submitted in 2020, in particular in Angola, in the Ivory Coast, India and East Timor.

ACTIVITIES OF OTHER HOLDINGS

AQUATEC

AQUATEC provides technical assistance for water supply, wastewater treatment and urban waste treatment systems. This represents the AdP Group's platform for attracting business in Mozambique, with a particular focus on business management and maintenance management systems (see the International Business Activities chapter).

AdP TIMOR-LESTE

AdP Timor-Leste provides assistance in the development of water and sanitation infrastructures alongside services in water supply and sanitation and waste collection and also serves as a partner for the future development of East Timor (see International Business).

ÁGUAS DO BRASIL

Águas do Brasil, S.A., is non-operating and in the process of dissolution.

AdP ENERGIAS

The provision of the AdP Group's water supply and sanitation services is based on a long-term perspective, which is only achievable when duly considering the economic and financial consolidation of its operations, including compliance with the concession, partnership and management contracts as well as the obligations arising from the legally stipulated statutes of the managing entities.

Amongst the responsible economic policies, the management of energy consumption and the in-house production of renewable energy, the measurement of CO₂ emissions and the development of actions to mitigate or minimise climate change and pursuing activities based on the principles of the circular economy stand out as those receiving greatest AdP Group attention.

Hence, the AdP Group company, AdP Energias, based on its shareholder and supervisory guidelines, is current implementing a uniform approach at the management company level in order to reduce the electricity supply related costs through reducing electricity consumption - changing consumption profiles, contracted power, the elimination of reactive energy, the installation of more efficient equipment and operating strategies, without any qualitative or quantitative harm to public service provision -, and significantly increasing the production of electricity from endogenous and renewable resources, preferably for self-consumption at the generating facility, at the generating company's facilities or at the facilities of any AdP Group company by setting up one or more Renewable Energy Communities (RECs).

Thus, the AdP Energias mission involves maximising the usage of assets and endogenous and renewable resources, the rationalisation of energy consumption and the reduction or compensation of greenhouse gas emissions in the water sector and to be an active partner of AdP Group companies in their implementation of public policies, developing the sector and the regions where they operate, within a framework of economic, social and environmental sustainability:

- The centralised acquisition of electricity;
- The production of electricity using endogenous and renewable sources, from:
 - Biogas (sale to the RESP national grid and self-consumption),
 - Micro-hydro energy (sale to RESP and self-consumption)

- Solar photovoltaic energy (sale to RESP and self-consumption),
- Wind power (sale to RESP and self-consumption),
- Energy efficiency;
- Energy management;
- Sustainable mobility in the service vehicle fleet;
- Monitoring of CO₂ emissions and the carbon neutrality of AdP Group companies;
- Other projects.

Hence, AdP Energias, in conjunction with the AdP Group managing companies, combines and deploys a uniform approach to the efficient management of energy, which, without any qualitative or quantitative harm to public service provision, involves measures and actions that lead to:

- Reductions of consumption as a result of implementing operational, structural and other management measures that promote the energy efficiency of infrastructures;
- Reductions of costs by further improving procurement processes, optimising voltage levels, reducing contracted power, eliminating reactive energy, adjusting the grid's energy consumption profile according to tariff periods and operating cycles through efficient energy management;
- Increases in own energy production for self-consumption by taking advantage of endogenous potential (in particular by boosting the production of biogas and the corresponding cogeneration and taking advantage of existing piezometric falls to install micro-hydroelectric power stations) in addition to renewable sources (solar photovoltaic and wind power), thus reducing the consumption of grid energy and, consequently, decreasing the level of market dependence.

Further information on the key activities carried out by AdP Energias in the 2020 financial year is available at:

<https://www.adp.pt/pt/?id=78&emp=11>.

PERFORMANCE

In 2020, AdP Energias activities registered a slight decrease due to the reduction in business turnover (down 19%, corresponding to almost EUR 72,000). This decrease is essentially based on the continued decrease in subsidised tariffs for the purchase, by the grid, of electricity from photovoltaic sources.

The aforementioned factor, combined with the stabilisation of the company's operating expenditure structure, drove reductions in the operating income and EBITDA, and reflects at year end in a negative result of EUR 93,000, down by a further EUR 71,000 compared to the 2019 financial year despite the continued efforts to contain costs.

Regarding the financial position, a reduction in its net assets (and liabilities) took place at the end of the 2020 financial year. This stems from the derecognition of the amount attributed to the environmental fund (approximately EUR 1 million) due to the transfer of contractual position from AdP Energias to AdP Valor in accordance with the existing protocol.

INDICATORS

thousand EUR

	2018	2019	2020
Business turnover	184	374	302
Operational result	(2 002)	(20)	(91)
EBITDA ¹	(357)	14	(2)
financial results	(0)	(2)	(2)
Net annual result	(2 003)	(22)	(93)

¹ Operating Result + Amortisations + Provisions

thousand EUR

	2018	2019	2020
Net assets	1 273	2 218	1 147
Equity	1 156	1 134	1 040
Total liabilities	116	1 084	107

OUTLOOK

Regarding the action plan for the future and measures to create value for shareholders (increased productivity, customer orientation, reduced exposure to the risks arising from the environmental, economic and social impacts of activities, measuring and estimating greenhouse gas emissions across the most diverse company activities, rethinking the investment cycle from a circular economy perspective, alignment and compliance with carbon neutrality targets, etc.), the following actions/ measures stand out:

- i) Launching the tenders for the investments that constitute the 1st Phase of the AdP Group Energy Neutrality Program;
- ii) Continued efforts to develop, implement and monitor energy efficiency actions, in particular for the:
 - Improvement of the electricity acquisition process,
 - Increase in own electricity production,
 - Optimisation of photovoltaic power plants already in operation, ensuring their repair and regular maintenance,
 - Implementation of energy efficiency actions, both in progress and those that may subsequently be planned,
 - Reduction of spending on reactive energy in the EDP Group's infrastructures,
 - Change of supply voltage level, to higher levels with lower costs,
 - Continuous monitoring of the support processes for energy efficiency measures, whether through national or community funding, in order to maximise and monetise the investments of AdP Group companies;
- iii) Developing the monitoring activities and designing the actions that will integrate the AdP Group's Carbon Neutrality Plan;
- iv) Implementing the proposed medium-term AdP Group strategy for sustainable mobility.

Of the 12 strategic challenges set out in the Strategic Commitment Framework, AdP Energias displays close involvement in the Circular Economy challenge, both through its participation in the PEPE project and through its participation in the Energy Neutrality Program, in particular through renewable energy production from its assets. The Electricity Markets/Electricity Contracting project constitutes a very relevant contribution within the scope of the Knowledge challenge, and with the work under the auspices for the regulatory reserve pilot project furthermore reflected in the Operations Efficiency challenge. AdP Energias also plays an active role in two international projects, thereby contributing to the Business and International Cooperation strategic challenge.

AdP VALOR – SERVIÇOS AMBIENTAIS

AdP - Águas de Portugal, Serviços Ambientais, S.A. (AdP Serviços) carried out, during 2020, the activities stipulated by the scope of its mission. However, 2020 represented a year of company transformation due not only to the AdP Group Corporate Reorganisation process into which it was integrated but also with the definition of the new strategic lines that aim to reposition the company both inside and outside the Group.

Thus, with the framework of the reorganisation of the AdP Group Corporate Centre, the company title AdP - Águas de Portugal Serviços Ambientais, S.A. was changed to AdP Valor - Serviços Ambientais S.A.

Up until August 2020, AdP Serviços acted as the shared services company of AdP Group, integrating four departments that provided services to the different AdP Group companies in the areas of Engineering, Procurement and Logistics, Legal and Information Systems. As of that date, the Purchasing and Logistics, Legal and Information Systems departments were integrated into the activities of AdP SGPS.

Within the strategic framework of the AdP Group reorganisation, and following approval by the decision, in August 2020, of the AdP SGPS Executive Committee, the strategic lines of action were redefined based on the priority and importance of responding in a sustainable and efficient way to the new paradigms faced by water services in general and AdP Group companies in particular and as duly detailed in the Strategic Commitment Framework 2020-2022.

Thus, AdP Serviços reconfigured its structure and positioned itself to act as a means of value creation, providing value-added services and driving innovation throughout the Group's network, creating an environment conducive to fostering new business areas within the paradigm of the circular economy and contributing towards strengthening the resilience and efficiency of company operations.

This reconfiguration has resulted in a focus on new challenges, in particular:

- In Strategic Innovation with AdP Valor taking on responsibility for management and monitoring;
- The engineering and operational skills required to support those activities prioritised as strategic to the AdP Group, within the scope of deploying these skills at the service of the country;

- The need to promote integrated solutions in order to resolve serious economic and environmental problems, promote a circular economy and obtain solutions for agro-industrial and industrial wastewaters.

ACTIVITIES

During 2020, AdP Valor activities were divided into two totally distinct periods with the first spanning the continuity provided to current activities. Among the AdP Valor activities in the first six months of the year, we would here highlight the collaboration in preparing and launching the new company AdAM - Águas do Alto Minho as well as various processes for founding bulk systems and partnerships for retail systems coupled with the development of several innovation based projects, in addition to the recurrent activities of supporting the shared services to all AdP Group companies, in particular for the Purchasing and Logistics, Legal Services and Information Systems fields.

Through the Engineering Department, the company participated in various national forums and working groups, in particular, the PENZAAR monitoring and management group and the reservoir management and drought management commissions alongside the collaboration with APA and DGADR in the management of contingency situations deriving from the drought that occurred in 2020. In the second semester, the AdP Valor transformation process began with the reorganisation of the AdP Group corporate centre.

As a result, the shared services centre gained a new corporate paradigm: AdP Valor. During this semester, the company focused on organising the transformation process and, in parallel, the initiatives inherent to the continuity of service provision to AdP SGPS and the operating companies. We would highlight the activities stemming from resource valuation, in particular the consolidation of the AdP Group Sludge Plan and the initiatives interrelated with the intervention in the National Strategy for Agricultural and Agro-Industrial Effluents 2030, targeting the most critical regions. Of further note is the support provided to AdP Internacional in the "Utilities of the Future" project, which is coordinated by AdP Valor in close coordination with AdP Internacional.

PERFORMANCE

As a result of this reorganisation, there was a downturn in the AdP Valor operating activities in 2020, impacting in particular on the fall in business turnover (26%). This reduction reflects the transfer of the departments of Purchasing and Logistics, Legal and Information Systems to the AdP SGPS sphere, resulting in the consequent loss of billing for the respective services provided by these departments.

However, the AdP Valor economic performance incorporates an increase in the Operating Result of approximately 9% due to the decrease in operating expenses. In fact, there was a 27% reduction in personnel costs arising from the transfer of human resources to AdP SGPS in conjunction with a 25% reduction in spending on the supplies and external services allocated to these departments.

In parallel, the 2020 performance reflects the continued effort to contain costs, combined with some downsizing of the teams; a factor contemplated in the restructuring process.

INDICATORS

	2018	2019	2020
Business turnover	8 075	7 022	5 216
Operational result	615	1 614	1 755
EBITDA ¹	2 110	3 119	2 810
Financial results	1 003	1	(6)
Net annual result	1 605	1 206	1 354

thousand EUR

¹ Operating Result + Amortisations + Provisions

Regarding the financial position, between the end of the 2019 and 2020 financial years, the decrease in its net financial liabilities stands out, reflecting an approximately EUR 2 million downturn. This favourable annualised variation derives primarily from the reduction in long-term lease liabilities. Furthermore, the liabilities also reflect the recognition of the Environmental Fund Protocol, for the approximate amount of EUR 950 thousand, in which there was a contractual position transferred from AdP Energias to AdP Valor. This protocol will remain in effect until 30 November 2021.

thousand EUR

	2018	2019	2020
Net assets	22 587	21 946	22 508
Equity	12 983	14 189	15 543
Gross financial debt	7 582	6 095	4 611
Net financial debt	6 242	4 406	2 408
Total liabilities	9 605	7 757	6 965

ACTIVITIES OF OTHER SHAREHOLDINGS

TREVO OESTE - TRATAMENTO E VALORIZAÇÃO DE RESÍDUOS PECUÁRIOS

Trevo Oeste - Tratamento e Valorização de Resíduos Pecuários, S.A. (Trevo Oeste) was set up in 2005. Its business is the construction and management of infrastructures and systems for the collection, treatment and discharge of pig farming effluent, the collection, treatment and discharge of effluent and leveraging the potential for recycling wastewaters, deposits and sludges from effluent treatment, the sale of the by-products resulting from its operations, consultancy and services in these and similar or complementary areas in the western region.

SUSTAINABILITY

AdP Group Sustainability constitutes an integral part of the management strategy as it underpins its actions and commitment to improve the natural and human capital for the benefit of current populations and future generations.

The water supply and wastewater treatment and recovery activities are fundamental to sustainable development and the quality of our services, over time, is based on our ethical, social, labour, economic and environmental concerns.

Water, the most precious of resources, is a human right enshrined by the UN, as is Sanitation, with SDG 6 assuming this transversal importance within the framework of the Sustainable Development Goals of the 2030 Agenda.

Thus, the Águas de Portugal Group, whose mission is to provide public water supply and sanitation services and as the business group generating the greatest impact on the lives of the Portuguese, is fully aware of the enormous responsibility inherent to these activities essential to quality of life and health, the development of economic activities and the preservation of the environment, and over recent decades contributing to a profound transformation in this sector in Portugal. Through our regionally based companies and by integrating sustainability into the foundations of our management strategy, and as a tool for enhancing the creation of value for all our stakeholders, we have progressively stepped up our contribution and believe we represent part of the solution to achieving the SDGs in this field.

2020 was a turbulent year, greatly disturbed by the health pandemic. Despite this context of uncertainty, we continued on our path, adapting internal processes so as not to compromise respect for the principles of universality, quality of service and efficiency. Indeed, the Águas de Portugal Group, applying its experience and accumulated knowledge, carried out its commitment to provide critical and essential services in an uninterrupted manner in keeping with the spirit of its mission and our employees, who are on the front line in ensuring the operating continuity. We never stopped. An added responsibility fell to us as our services are the guarantor of public health. We thus implemented contingency plans in good time across every Group company in order to guarantee an effective response in minimising the impacts of potential health risks to our workers and thus to the continuity of our activities. We readjusted the operations, guaranteeing the health and safety of our workers both in the operational structures and those able to perform their functions remotely. We provided all our workers with adequate PPE, psychological support, labour gymnastics, among other aspects. We readapted ourselves to ensure our clients never lacked water supply and their wastewater got treated.

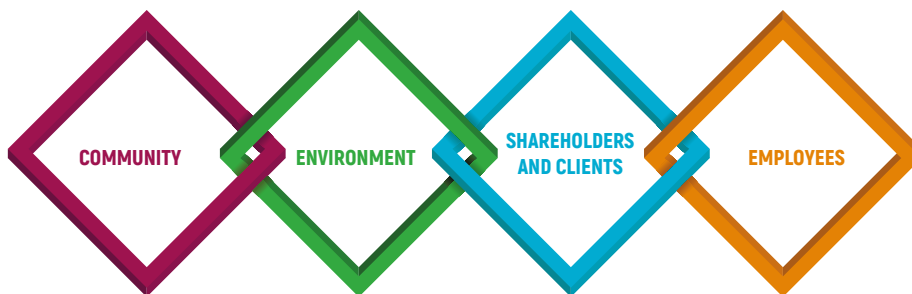
The sustainability strategy of the AdP Group, redefined in 2017, incorporates analysis of the management guidelines and business strategy, the PENSAAR sector plan, reflection on stakeholder expectations, the consolidation of existing best practices, commitments made to the principles of the Global Compact within the framework of the United Nations and the 17 Sustainable Development Goals. Therefore, this defines the analysis of material practice, identifies the main challenges facing the group and guides its principles and commitments.

The AdP Group Sustainability Strategy arises from the assumptions that sustainability is indeed able to foster symbiotic relationships with society, shareholders and clients, with employees, the community and other interested stakeholders. At the operational level, this serves to identify the core challenges and define the key commitments of the AdP Group in the sustainability field. Our performance in relation to our commitments and targets are described and detailed in the AdP Group (consolidated) sustainability report available at www.adp.pt.

In order to cope with the huge societal challenges associated with climate change, pollution control and the protection of human health and the environment, we must evolve this paradigm, an approach included within the scope of the Strategic Commitment Framework that systematises our vision for 2030. In 2021, we shall review our sustainability strategy based on the challenges defined in the Strategic Commitment Framework and our commitments and goals for the 2021-2023 period.

SUSTAINABILITY STRATEGY 2017-2020

The AdP Group defined its strategy based on the concept of symbioses. We believe that sustainability is achieved by leveraging symbioses with shareholders and clients, with employees, with other stakeholders and with the environment, with which we maintain such a close and interdependent relationship.



Symbiosis is a mutually beneficial relationship between two or more living organisms of different species. In a symbiotic relationship, organisms actively act together for the mutual benefit.

IN SYMBIOSIS WITH THE ENVIRONMENT

Managing the urban water cycle in equilibrium with the cycles of nature

Commitments:

- Preserve and enhance bodies of water
- Minimise waste production and recover by-products
- Conserve biodiversity and promote ecosystem services
- Invest in Research and Development

Contributing to combatting climate change

Commitments:

- Guaranteeing Group eco-efficiency

SYMBIOSIS WITH SHAREHOLDERS AND CLIENTS

Guaranteeing the continuation of sectorial policies consolidating a benchmark reference business group in the environment sector

Commitments:

- Guarantee Group economic and financial sustainability, creating value for shareholders and other stakeholders
- Guarantee the credibility, transparency and accuracy of the Group's management model
- Contribute to developing a responsible local economy

Providing a public service of excellence, with direct impacts on improving the quality of life

Commitments:

- Guarantee accessibility to water and wastewater treatment services, ensuring social justice and the quality of life of local populations
- Guarantee the efficiency, reliability and quality of service and product safety
- Personalise, simplify and innovate relationships with customers based on greater proximity

SYMBIOSIS WITH EMPLOYEES

Valuing employee relationships, ensuring the sustained growth of Group know-how

Commitments:

- Invest in employee development
- Ensure equal opportunities
- Ensure occupational health and safety
- Promote a balance between professional and personal life
- Guarantee crosscutting and effective internal communication

SYMBIOSIS WITH THE COMMUNITY

Nurturing growing proximity to the community

Commitments:

- Promote the sustainable usage of essential water and wastewater treatment services
- Play an active role in engaging with the population on social issues
- Share knowledge through cooperation, capacity building and technical support projects
- Invest in relationships and the sharing of values along the supply chain

TO BE HIGHLIGHTED IN 2020/ RELEVANT ASPECTS

(These themes are further detailed in the AdP Group (consolidated) sustainability report available at www.adp.pt.)

In 2020, in the context of the pandemic, we mobilised so as to make a relevant contribution to the promotion of a sustainable future by promoting access to quality water and sanitation services, combating climate change, investing in the circular economy and in implementing internal and external social policies to mitigate the great difficulties and uncertainties of this year.

- 2020 was a year greatly impacted by the effects of the Covid-19 pandemic, which has buffeted and continues to buffet the world, its countries and businesses. On 11 March 2020, the World Health Organization (WHO) classed the public health emergency caused by the Covid-19 disease as an international pandemic and constituting a public calamity.

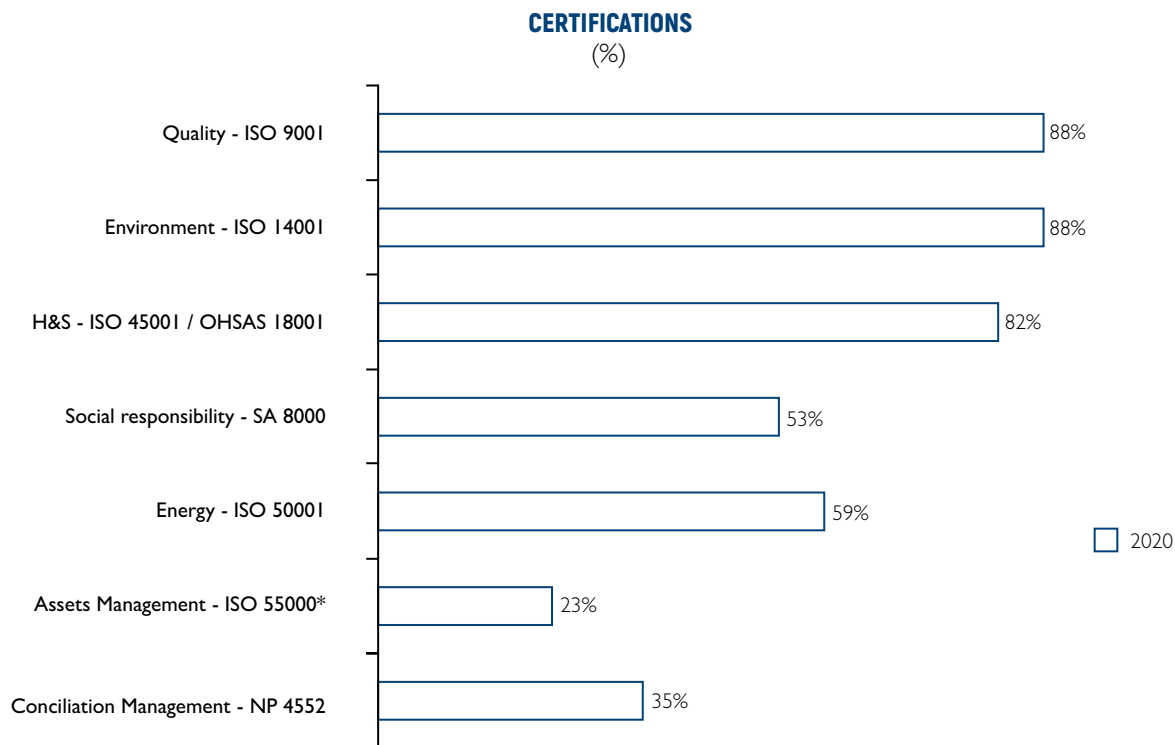
Nevertheless, AdP Group still remained robust and ensured, through the fulfilment of its mission, the provision of essential public services (water supply for human consumption and wastewater treatment services) while also ensuring the well-being, health and safety of its employees, with these values constituting the main factors in the decision-making processes for the actions implemented. Special attention was paid to raising awareness and informing all employees about adopting the essential individual personal hygiene and social conduct behaviours, both in working and personal life situations. We guaranteed every condition for safety and the conciliation of personal, family and professional life. Since March, we have offered psychological support consultations to all Group employees and their families as well as open online gymnastics classes.

The Contingency Plans were activated and adjusted throughout the year according to the evolution of the epidemiological situation and the measures enacted in Portugal. However, all the adjustments always contained two premises: **(i)** maintaining the safety of all workers and **(ii)** the continuity of the provision of an essential public service.

Also noteworthy in this context is the COVIDTECT research project aimed at establishing an early warning system for the presence of the SARS-CoV-2 virus through wastewater analysis, contributing to improving the response to eventual new outbreaks of the disease, which is under the coordination of Águas de Portugal.

- In 2020, the Group undertook a strategic reflection process, which effectively represented a milestone in the Group's history, giving rise to the Strategic Framework of Commitment 2020-2022. This was a transversal and participative process that involved the main stakeholders as well as mobilising the collective intelligence as the Group's main asset. This led to the identification of three main axes for priority actions, focused on People and Organisation, Customer and User, and Environment and Society - 12 strategic challenges were established that furthermore led to around 500 proposals for action, reflecting the personal and professional experience of employees, specialists and experts in the complete water cycle, its evolution and needs.
- We continued to pursue the policy of developing and continuously improving processes to which the certification of the Quality, Environment, Safety, Energy and Social Responsibility systems strongly contributes in a logic of transparency and credibility. In 2020, 88% of Group companies have guaranteed their certification in Quality - ISO 9001, 88%, in Environment - ISO 14001, 82% in Safety

- ISO/45001/OSHAS 18001, 53% in Social Responsibility - SA 8000, 59% in Energy - ISO 50001 and 23% (of the 12 operational) in Asset Management - ISO55000 and 35% in Conciliation Management - NP 4552:2016.



*- In ISO 55000 certification, only the 13 operational companies were included in this perimeter.

Notes: - The percentages of certifications are lower compared to 2019 due to two factors:

- AdAM started operating this year and is now undergoing the certification process
 - SIMARSUL's certification was suspended for one year.
- The corporate scholarship program that contributes to the development and learning of employee children represents a high impact internal social responsibility program. In 2020, following the highest number of applications, 45 scholarships were awarded, 22 grants for higher education and 23 scholarships for special education for the amount of EUR 1,200 each. This project, which began in the 2013/2014 academic year, has now distributed 269 scholarships for the purposes of higher and special education.
 - Also noteworthy is the AdP Group commitment to the Sustainable Development Goals (SDGs) and the deepening of the Global Compact principles that we signed up to in 2009, which cover the fields of human rights, labour practices, environmental protection and anti-corruption mechanisms. We also reinforced our commitment to the Alliance for Sustainable Development Goals. This year, we again participated as co-organisers in the Social Responsibility Week event organised by GCNP and APEE on the theme "Water: Towards 2030".
 - To highlight the support and participation of Águas de Portugal within the scope of the SDG Ambition, a program designed to accelerate the implementation of the 17 Sustainable Development Goals of the United Nations Global Compact. In Portugal, the program is run by the Global Compact Network Portugal with the support of the Águas de Portugal Group and EDP and counts on the participation of 12 companies, including AdP SGPS, EPAL and Águas do Vale do Tejo.
 - The Corporate Volunteering Program, "Drop by Drop We Change Lives", was continued (but not very actively given the Pandemic context in 2020). One key event this year was the delivery of Christmas hampers to 35 disadvantaged families in the Cova da Moura neighbourhood, identified by the Alto da Cova da Moura Social Solidarity Association in Amadora, ensuring a reinforced Christmas dinner for 76 people at a time of reinforced social needs.
 - The AdP Group continued to partner Paralympic sport, supporting the Portuguese Paralympic Committee (CPP) for the Tokyo 2020 Olympic Games. As part of our social responsibility strategy, we provide backing to sport for all and in keeping with the Group mission.
 - The AdP Group also once again hosted an intern from among the participants in the Girl Move project. The Girl Move Foundation holds the mission of nurturing a movement in life, supporting and empowering females in Mozambique through

education and the creation of human networks of mutual help and cooperation among peers, inter-generational and international. One of the programs developed is called “Change” and is aimed at young graduates between 20 and 30 years old, who can do a “life internship”, lasting one year, with the support of partner companies such as the AdP Group. In this context, we welcomed another young Mozambican woman, Letícia. Exceptionally, this year, the entire internship was carried out through videoconference sessions.

- At the beginning of 2020, we joined EDP, the Lusíadas Group and Junior Achievement Portugal to deliver, through the Portuguese NGDO APOIAR – Portuguese Association for Support to Africa, 3 900 backpacks containing school material kits to support children in the Dondo region, in the province of Beira. Everybody in the Group, together and with the support of friends and family, collected 1 000 backpacks that have now been delivered to the children. Mission accomplished!
- SDG 17 calls for partnerships and the Águas de Portugal Group has taken this path both in knowledge and innovation management and social responsibility. We collaborate with various entities from the Portuguese Network of the United Nations Global Compact, the Alliance for SDGs, the BCSD, the IGEN Forum, the Portuguese Charter for Diversity, among others, all aligned for sustainable development.
- Sustainable mobility features as one of the determinant factors in combatting climate change. In 2020, the 128 100% electric vehicles that integrate the AdP Group service fleet (with 1,430 vehicles) travelled more than 1.8 million km, having avoided the consumption of more than 152,000 litres of fossil fuels, which represents a reduction of 512.6 barrels of oil equivalent. In terms of primary energy, the reduction was 57.2% (-74.8 tep), and electricity consumption was 260 MWh. This should also note that, in terms of CO₂ emissions, the reduction achieved compared to vehicles with thermal engines amounted to 339 tonnes (-83.6%). This was one result of the AdP Group PEPE project (2017 - 2020).
- Aware of this area and the national goals, an objective the AdP Group defined in the Energy Production and Efficiency Plan (PEPE 2020) involved the energy certification of its company vehicle fleets achieved by the end of 2020. To this end, in collaboration with ADENE (the energy agency), it actively participated in the pilot project for fleet energy certification, seeking efficient mobility for the energy transition. The 13 AdP Group companies, which together account for 1,430 vehicles, actively participated in the process and correspondingly obtained their fleet energy certification within the scope of the pilot project developed by ADENE, with results varying between Class B and Class D.
- The commitment to energy neutrality taken on by the Águas de Portugal Group was reaffirmed with the ZERO Energy Neutrality Program, which aims for the Group to achieve energy neutrality within a decade through the implementation of a continued strategy of consumption reduction and the increased production of 100% renewable energy.
- In the international field, the Group’s activities also underwent important developments in 2020, particularly through implementing technical assistance to the Government of Goa for improving the operating efficiency of water treatment systems and planning sanitation systems interventions in this Indian state, formalised in a contract signed in February between AdP Internacional and the Public Works Department of Goa (PWD) under the auspices of the state visit of the President of the Republic to India. Progress was also made in East Timor, where the Águas de Portugal Group has been present since 2000, providing significant support to developing the water sector. Additionally, in the context of the pandemic dominating the world agenda, special reference should be made to the partnership established by AdP Internacional with the World Bank for the “Covid Just-in-Time” project, an initiative designed to support supply and sanitation management entities in their emergency responses to the Covid-19 pandemic, including a reference framework for the preparation of Emergency Plans for Water Service Operators and support to operators in different countries, mainly located in Africa and Latin America.
- As regards promoting the circular economy in the urban water cycle, 2020 will see the AdP Group draft its Action Plan for the Reuse with the aim of identifying treatment facilities able to feasibly produce water for reuse (ApR), the potential usages and investment needs to ensure treatment levels in accordance with the required quality standards and the corresponding construction of ApR distribution systems in keeping with the demand in effect at any given time.
- Furthermore within the scope of the circular economy, we should highlight the participation in various European consortia that are developing innovation projects, in particular “LIFE RENATURWAT”, which involves demonstrating the improvement of wastewater treatment using the sludge that results from the water filtration process in Wastewater Treatment Plants, and “LIFE PHOENIX”, which aims to develop and demonstrate modular, flexible and efficient solutions for the sustainable and safe production of water for reuse (ApR).

- It should be noted that in 2020, and in partnership with the Ministry of Education under the EDS Project - Education for Sustainable Development, pedagogical resources developed by Águas de Portugal were provided to the Ministry of Education through the Directorate General of Education and are now in usage by teachers on #EstudoEmCasa.
- In this context, it is also worth highlighting the game "Aquaquiz" that provides a tool made available by the Group to teachers and education communities while seeking to support the development of participative, creative and dynamic pedagogic practices that promote the value of water within the context of the Sustainable Development Goals (SDGs).
- We maintained the "Water at 360°" project in order to pursue the National Strategy for Environmental Education, specifically for the guiding principles and thematic axes: Decarbonising Society, Making Circulation Economical and Valuing the Territory, the aim of the "Water at 360°" project, which includes the Water at 360° Environmental Education Centre.
- One of our core guidelines is equality and respect for diversity. We actively promote the combating of discrimination and consider ethics to be fundamental values within the scope of our performance. In 2020, we continued to play an active role in various projects fostering gender equality and combating poverty and social exclusion. The AdP Group has implemented a sustained Gender Equality policy. In addition to this specific policy, the existence of a set of non-discriminatory Human Resource policies, the Code of Conduct and Ethics, the Collective Labour Agreement, the SA 8000 Social Responsibility and the Conciliation between Professional, Family and Personal Life NP 4552:2016 certifications, consolidate this issue. The Group's Human Resources Policy guarantees respect for diversity and equal opportunities, increasing corporate culture and social cohesion in the Group. The AdP Group Strategic Sustainability Plan adopts specific commitments to "Guarantee equal opportunities" and to "Promote the balance between professional and personal life". Águas de Portugal is one of the flagship organisations in the Conciliation Pact, with six companies with key advances including AdP SGPS, AdP Valor, AdP Internacional and AdP Energias certified since 2019 and EPAL and Águas do Vale do Tejo certified in 2020 with the NP 4552: 2016 standard - Management System for conciliation between professional, family and personal life. In 2020, we integrated the project "Engineers for a day", an initiative that seeks to promote the take-up of the branches of engineering and technology among secondary school students, demystifying the idea these areas reflect male domains.
- The AdP Group annually discloses in the Corporate Annual Report and Sustainability Report relevant human resources information disaggregated by gender (as well as at the individual company level). The corporate Sustainability Report is delivered to the key stakeholders and made available on Group and company websites as well as on its intranet.

COVID-19 PANDEMIC

The year 2020 was deeply marked by the spread of the new Covid-19 coronavirus infection, which held significant consequences for the country's socio-economic activities, with impacts that are not yet fully quantifiable in terms of their respective magnitudes. In line with the European Union, Portugal has adopted several measures to mitigate the impacts of this event on the national economy. Among these measures include support for corporate cash flow, expected to have positive repercussions in terms of maintaining employment and income within the scope of sustaining domestic demand and keeping the economy running.

These measures also targeted maintaining services of general economic interest in operation; the scope of AdP Group activities. On 22 March 2020, the Ministry for the Environment and Climate Action determined the continued provision of essential services during this period (Order 3547-2020).

For all supply and sanitation activities, among other services, this determined that the entities and companies managing these systems should define the teams necessary to ensuring the continuity and uninterruptedness of the provision of the public drinking water supply service.

Within this scope, Contingency Plans were implemented by the Group's companies, which recommended the maintenance of all the essential services, ensuring the continuity of the water supply and wastewater treatment without significant disturbances, either in terms of the quantity or quality of the water supplied and of the final effluent rejected, while also guaranteeing the resilience of all computer systems with an increased focus on information security.

These plans were revised and updated according to the respective phases of the epidemic outbreak in Portugal, in articulation with the guidelines issued both by the Directorate General of Health (DGS) and by the World Health Organization (WHO). Hence, operational type adjustments were made in order to ensure the safety and security of workers and processes while simultaneously guaranteeing the continuity of the company's service.

This would emphasise that the pandemic held very significant impacts on the organisation of work and the management of Human Resources across all areas of the companies.

In terms of investments, the pandemic returned significant impacts due not only to the slowdown in the execution of ongoing contracts but also to the postponement of project preparation and contracting procedures. Simultaneously, there have been tender suspensions that have led to corresponding delays in their implementation.

In terms of impacts on the 2020 financial statements, the following aspects stand out:

- The non-recording of impairments in the AdP Group Assets, as, due to the effects of Covid-19, the assets do not permanently cease to generate economic and future benefits;
- The drop in sales and services provided by some operating companies (more significant in EPAL and AdSA), due to the fall in economic activities not counterbalanced by the increase in domestic consumption resulting from the prophylactic confinement in effect for various periods of the year;
- The increase in operating expenses, whether due to the goods and services procurement strategy or the increase in personnel expenses in order to ensure team response capacities as these were increased in number and extended in time as well as the rise in overtime worked;
- The maximisation of stocks, in order to ensure service continuity, minimising exposure to critical suppliers;
- The reduction in receipts from municipal clients but the maintenance of average payment periods;

In view of the above, there are no forecast problems for the continuity of the respective operations over the short and medium term as the Group has contracted credit lines expected to be cover its commitments and liabilities.

STAKEHOLDERS

Stakeholders are those people or groups able to affect and/or be affected by the strategic results in effect and who hold relevant demands as regards the company's performance.

The engagement of stakeholders in AdP Group activities consists of an exercise in sharing and full transparency in its relationship with society and particularly with those entities that impact or are impacted on by Group companies.

The AdP Group has identified the following groups as its main stakeholders:



Through its Planning and Management Control and Regulation Departments, the AdP Group seeks to maintain an appropriate institutional and informative relationship with the stakeholders detailed above.

This department acts as an interlocutor between the executive committee and stakeholders, ensuring engagement and professional and constant communication and is responsible for the speed, reliability and accuracy of all the available information.

Efforts are made and expertise established to this end and ensuring constant communication flows with all stakeholders and thereby providing all the necessary information, observing all the applicable formal rules, laws and regulations. Only thus can replies be provided to all the requests for information received.

The AdP Group responsibility in this area has risen and become particularly sensitive given its role as a public service provider and with its core business making a decisive contribution to sustainable national development.

SPECIAL INFORMATION DISCLOSURE DUTIES

The AdP Group meets all legal, statutory and contractual obligations for the disclosure of information, always based on the principle of transparency and fully ensuring the duties inherent to an adequate relationship with the universe of stakeholders.

INNOVATION 2020

In 2020, the AdP Serviços Department of Engineering (now renamed AdP Valor) continued, under the guidance of AdP SGPS, with the role of promoting and accelerating innovation in the AdP Group in partnership with the various Group operating companies.

The cornerstone of the activities carried out in the Innovation area in this year was the approval of the strategy that guides the activity for the 2018-2020 triennium, in the search for alignment not only with the corporate objectives but also various prevailing operational needs, specifically:

- Innovation integrated into a framework of sustainability for Group activities:

- The interrelationship between Innovation and Motivation emerges as a contribution towards the Group process of value retention
- The organisational processes require constant evaluation and updating as well as their evolution in keeping with the trends in innovation
- The recovery of resources as a complement to optimising their utilisation represents a Group objective and feeds into the principle of the circular economy
- The communication and dissemination of innovation initiatives takes on particular importance as an accelerator of innovation across the Group
- The transition to digitally backed activities releases resources from tasks returning lower added value
- Marketing the processes and products developed within the scope of the Group
- Support for driving forward the process of Group internationalisation.

- During 2020, AdP Valor's innovation sector was involved in a number of strategic activities supporting the Group and the sector in Portugal, of which the following stand out:

- Participation in the thematic working group "Innovation and Digitalisation" within the scope of AdP's participation in the working group on the strategic plan for the water supply and wastewater and rainwater management sector for the period 2021 to 2030, PENSAARP 2030;
- Participation in the "Innovation 360° Strategic Challenge" working group, with the aim of making an effective contribution to a strategic definition of innovation for the AdP Group;
- Drafting a proposed Innovation Strategy for the Group for the 2021-2022 biennium.

In terms of research and development (R&D), AdP Valor sought to strengthen the project portfolio it participates in so as to meet the challenges and needs of the Group through fulfilling the commitments already made, strengthening and expanding partnerships and identifying new funding opportunities.

In total, AdP Valor participated in 12 R&D project applications in 2020, having seen four new projects approved in addition to the other four projects underway since 2019. The company closed the year with a total portfolio of eight projects, with funding allocated by different national and EU instruments and with a wide network of partners:

- **REUSE** (Financed by: Environmental Fund; 2019-2020; Status: completed; AdP Valor Role: coordinator)

The project seeks to boost recourse to water for reutilisation (ApR) for agricultural irrigation in the Alentejo region through the deployment of environmentally sustainable and low-cost technologies while also fostering knowledge and the development of communication actions over water reutilisation. The objective of the methodology adopted demonstrates how such reutilisation is safe and adapted to the respective case, supported by cost-effectiveness analysis. The project applies the circular economy as a pillar, seeking to enhance the reutilisation and recovery of water and nutrients as well as the level of recourse to renewable energies.

One important project component is community awareness, especially in the agricultural sector, as regards the significance of wastewater reutilisation in irrigation activities. This component is put into practice through a cycle of conferences and community actions primarily targeting lead actors in the agriculture sector.

- **PYROLIFE** (Marie-Curie Innovative Training Networks financing (H2020); 2019-2023; Status: on going; AdP Valor Role: secondment)

The greater incidence of forest fires, not only in southern Europe but also in other European regions, requires a change in the paradigm of combatting forest fires and instead to “live with fire”, which involves planning resilient landscapes and communities better prepared to deal with forest fires.

The PyroLife project brings together knowledge from different countries, fields and scientific practices. The leadership of southern Europe in managing forest fires serves as the foundation for understanding and predicting fires in the north of Europe while lessons from the latter shall be applied in preventing flooding in regions in southern Europe.

- **FRISCO** (Financed by: FCT; 2020-2023; Status: on going; AdP Valor Role: partner)

Rural fires may lead to mass water contamination with fine sediments, nutrients and ashes with water managers thereby needing the appropriate information to determine the post-fire risk and select the most suitable impact mitigation measures. FRISCO seeks to provide answers to these needs through the construction of two outputs:

- i) An index of post-fire contamination, analysing information on the impacts of forest fires on the vegetation and soils, the mobilisation and transport of contaminants and episodes of contamination with statistical tools and artificial learning;
- ii) A stochastic model of occurrence and fire, applying this to test mitigation solution according to current and future climate scenarios.

- **CRISI ADAPT II** (Financed by: EIT Climate KIC; 2019-2022; Status: to be decided; AdP Valor Role: case study provider)

This seeks to monitor and optimise planning for adaptation to climate change through the implementation and validation in real time of seasonal predictions for climate and nature related dangers. As risk and operating management require holistic approaches to the various sectors affected, this project shall foster the democratisation of information on climatic risks necessary for each user and information on the vulnerability inherent to each impact model.

- **COVIDTECT** (Financed by: Compete 2020; 2020-2021; Status: to be determined; AdP Valor Role: coordinator)

COVIDetect aims to create an early warning system of the presence of the SARS-CoV-2 virus, the etiologic agent of Covid-19, through the analysis of wastewater, contributing to improving responses to possible new outbreaks of the disease.

- **LIFE PHOENIX** (Financed by: LIFE; 2020-2024; Status: on going; AdP Valor Role: partner)

The LIFE PHOENIX project aims to develop and demonstrate modular, flexible and efficient solutions for the sustainable and safe production of water for reuse (ApR) from wastewater following secondary treatment in line with new European requirements.

- **LIFE RENATURWAT** (Financed by: LIFE; 2020-2024; Status: on going; AdP Valor Role: partner)

LIFE RENATURWAT seeks to demonstrate the effectiveness of using sludge from drinking water purification processes to improve wastewater treatment through its use in artificial wetlands, contributing to the removal of nutrients and organic compounds and to biodiversity and promoting the circular economy in the urban water cycle.

- **SARS CONTROL** (Financed by: Compete 2020; 2020-2021; Status: on going; AdP Valor Role: coordinator)

SARS Control aims to understand the behaviour of the SARS-CoV-2 virus over the urban wastewater treatment chain (net phase and solid phase), to assess the extent to which wastewater treatment plants constitute effective barriers to the viability and dissemination of the virus, and to assess the direct and indirect impacts on public health and the health of ecosystems of the flows generated at the plants, in a circular economy context.

The Group also continued to participate on the advisory board of several projects already in the implementation phase, such as SCALER and CLIM2POWER.

In 2020, AdP Valor saw its application to the Corporate R&D Tax Incentives System (SIFIDE) approved for the year 2018 and submitted a new application for the year 2019.

The application for the INMOVAGUA project was also approved, a programme that aims to support the internationalisation of R&D by encouraging the participation of entities of the R&I System in European research and innovation programmes, in particular under Horizon 2020.

The AdP Valor innovation team continued to operationally implement an open and collaborative innovation strategy, in particular through the supervision of a master's degree thesis in business environment in partnership with academia. Aligned with this strategy, a set of projects and initiatives took place with several national and international engineering universities alongside promoting interfaces with start-ups across various contexts.

AdP Valor continues to represent AdP Group at WATEREUROPE, specifically in the Policy Advisory Committee, with the role of Water Ambassador, aiming to promote AdP Group innovation in this international context but also contributing to positively influencing European water sector policies.

In a fully online format, the 11th Engineering Conferences held a session dedicated to innovation with Ann Cousins as the key note speaker, presenting the new innovation strategy of the UK water sector before a round table discussed innovation.

The AdP 100% Innovation Award initiative was also continued in an award that aims to highlight and support both the innovation initiatives and the innovators in the AdP Group.

HUMAN RESOURCES

AdP SGPS takes on, within the framework of its corporate policy for human resource management, the commitment to actively promote the continuous development and valuation of all members of staff, thereby contributing to their involvement and commitment as well as to Group sustainability.

The processes of planning, managing and evaluating training seek to provide responses to the training needs identified and guarantee their respective quality, effectiveness and appropriateness. This also involves the holding of dynamic training initiatives of a transversal and strategic nature with a view to fostering organisational development. The Professional Valuation Regulation incentivises the participation of staff in post-graduate, Master's Degree and Doctoral programs in fields directly related with their activities and that unequivocally boost their intellectual capital. Participation in professional or class based associations able to contribute towards professional valuation or that are demonstrably tailored towards achieving Company goals is equally encouraged and supported.

The performance evaluation process shares the objective of aligning individual performance with the strategies and objectives of Group companies and enable continuous improvement. This represents a permanent and ongoing process that enables the substantiation of expectations, defining clear goals and objectives and identifying opportunities for improvement such as, and especially, the development of members of staff.

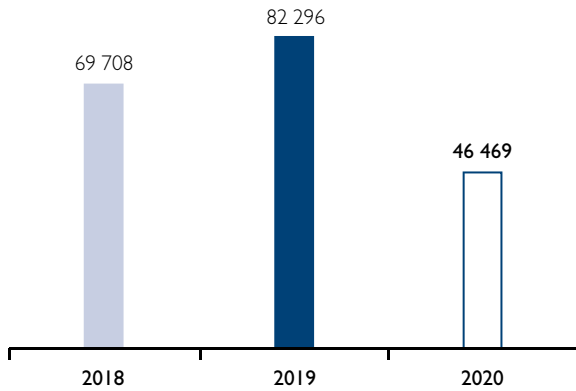
The internal mobility of employees is a practice that we value and stimulate across the Group, which represents an important factor in the professional evolution of our human resources. The internal recruitment of professionals for allocation to projects and / or to meet needs for specific knowhow is a process that adds value to AdP and enables employees to gain access to new contexts and challenges that enable the acquisition of further knowledge and competences.

Within the scope of the National Strategy for Equality and Non Discrimination, the AdP Group, with the objective of officially expressing already existing practices, monitoring and developing still better working conditions for employees, launched the certification process under Norm NP 4552:2016, for the Conciliation of Professional, Family and Personal Life, with AdP SGPS and instrumental Group companies (AdP Internacional, AdP, AdP Valor and AdP Energias), as well as EPAL and AdVT, already certified under this norm.

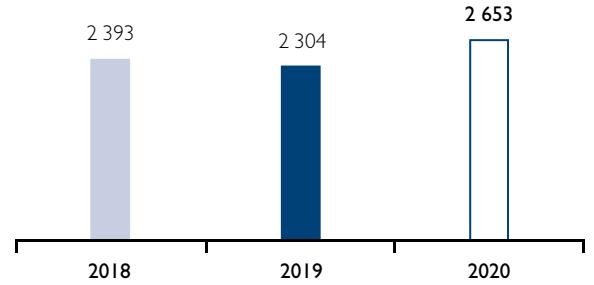
TRAINING AND DEVELOPMENT

Our strategy embodies a culture of ongoing improvement that we believe essential to providing our human resources with the skills they need to fulfil their potential, thereby contributing to the success of AdP Group companies. Employee training is therefore a key focus of our human resource management policy.

NUMBER OF TRAINING HOURS



NUMBER OF TRAINEES



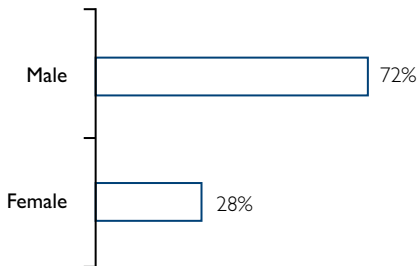
The number of training hours* decreased compared to previous years, mainly due to the pandemic situation that marked the year 2020. Several face-to-face training sessions were cancelled, due to the adaptation period that the partner entities had to assume, replacing face-to-face sessions by remote, digital formats. Nevertheless, it should be noted that the number of trainees* was significantly higher in 2020, having increased the scope of training actions by about 11%.

* The figure reported in 2020 depicts the training of employees during 2020 regardless of their status at the end of the year (active, suspended or leaving during 2020)

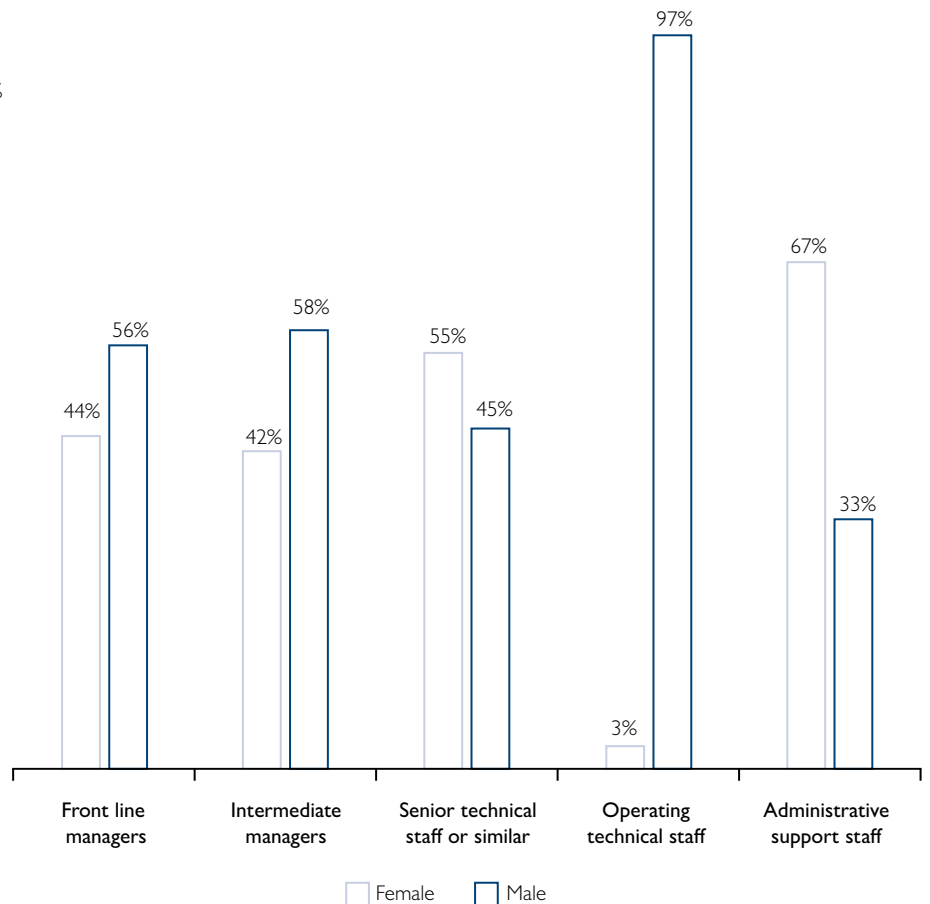
GENDER EQUALITY

Of the Group's active employees, 72% are male and 28% are female. Gender representation in the Group directly relates to the nature of the functions performed in the operating companies, predominantly in the operation and maintenance areas.

GENDER DISTRIBUTION (%)



PROFESSIONAL CATEGORIES, BY GENDER (%)

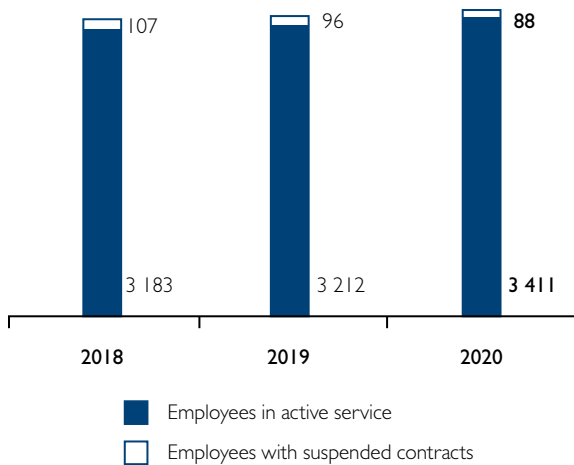


In compliance with paragraph 2 of Council of Ministers Resolution 18/2014 of 7 March and the procedures in place in the AdP Group, AdP SGPS, S.A. promotes, disseminates and publishes online information about the remuneration paid to women and men in its annual sustainability report.

Among the working population, the Group has 62 people with disabilities and 31 people of minority nationality.

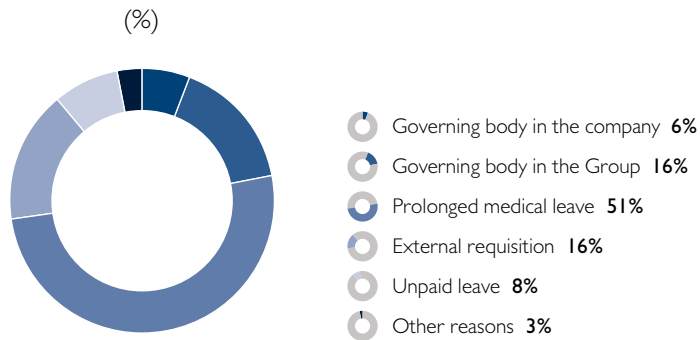
CHARACTERISTICS OF GROUP HUMAN RESOURCES AS AT 31 DECEMBER 2020

TOTAL GROUP EMPLOYEES



At 31 December 2020, the Group had 3,411 active employees, 6% more than at the end of 2019. The number of employees on suspended contracts reduced from 96 to 88 (-8%).

EMPLOYEES WITH SUSPENDED CONTRACTS

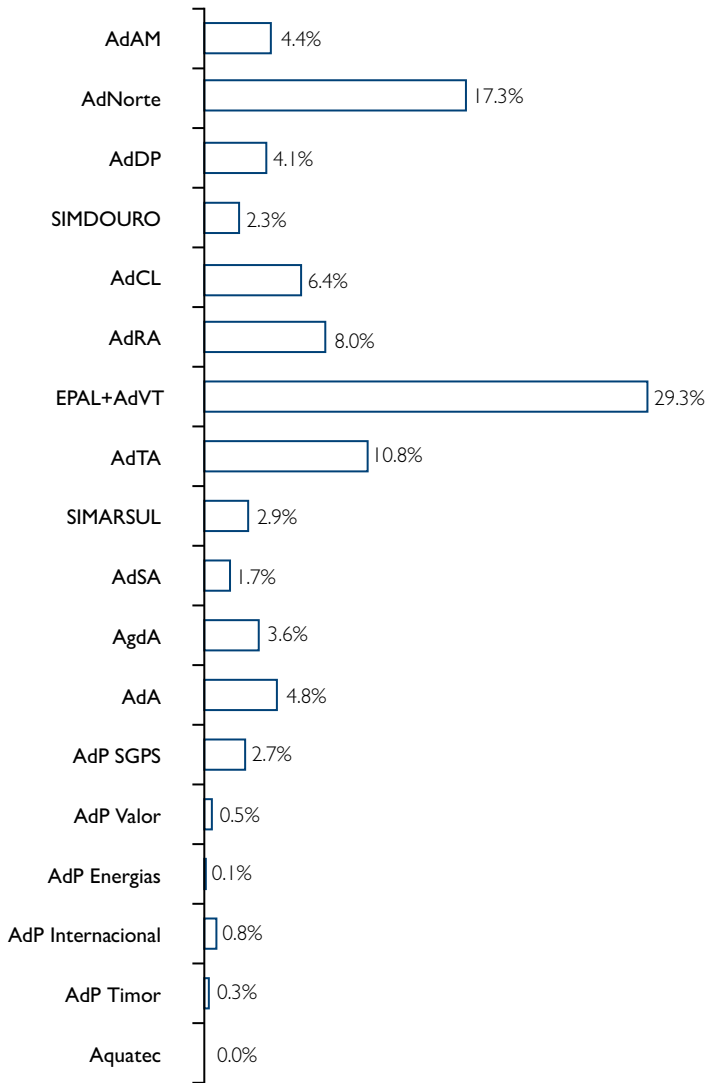


Of the employees with suspended contracts, 51% were on long-term sick leave while 22% were undertaking administrative functions in Group companies. The remaining situations concern suspended contracts for the performance of public duties (external requisition), unpaid leave, and other reasons.

CHARACTERISATION OF THE ACTIVE WORKERS

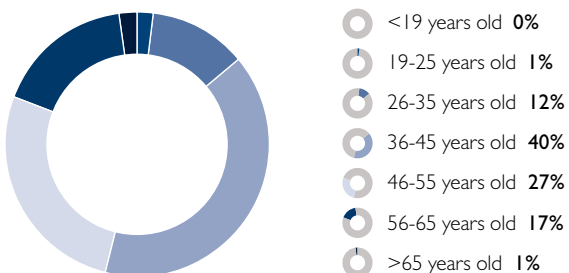
The companies employing the largest number of workers are EPAL (which includes AdVT workers) with 29.3%, Águas do Norte with 17.3% and Águas do Tejo Atlântico with 10.8%. The remaining companies concentrate the remaining 42.6% of active workers.

ACTIVE EMPLOYEES BY COMPANY
(%)

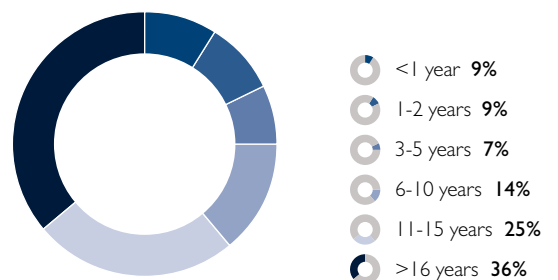


The average age of members of staff is 46, with 41% aged 36-45 and 27% aged 46-55. The active workers aged over 56 total around 17%.

AGE DISTRIBUTION
(%)



YEARS WORKED PER ACTIVE EMPLOYEE
(%)

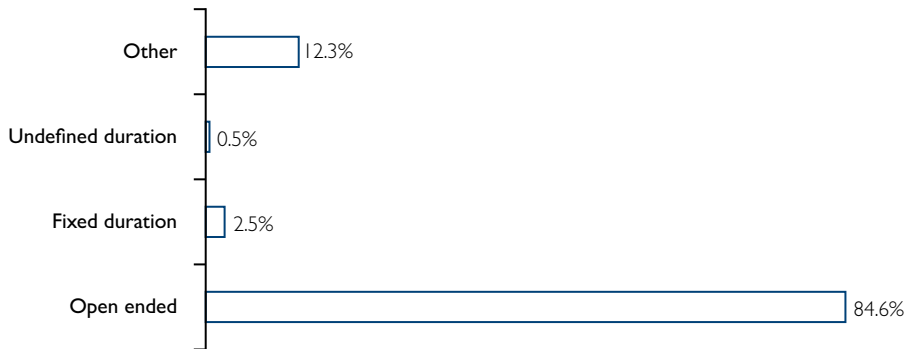


The average length of service of AdP Group employees is 13 years, with 61% having been with the Group for more than 10 years.

As regards the contractual relationship, 96.9% of the employees have permanent contracts (84.6%+12.3%). The employees on temporary assignment between Group companies, or on public interest assignment with other public bodies, represented in the chart as "other type of contract" are bound to their companies of origin with open-ended contracts.

TYPES OF CONTRACTS

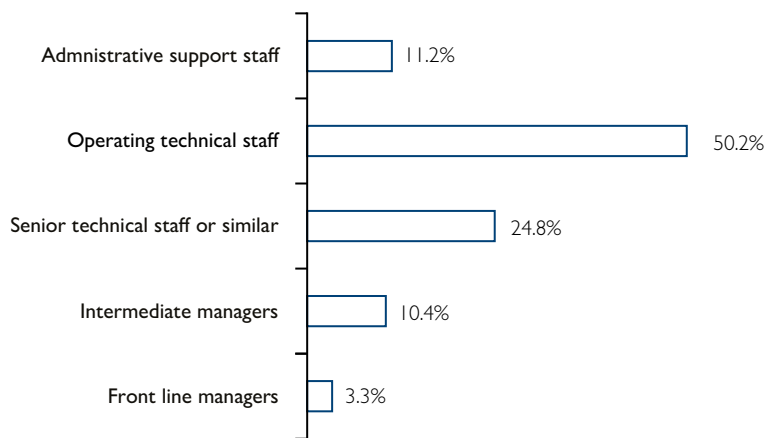
(%)



About 50% of the active workers are operational technicians and 25% are senior technicians. Management and middle management positions are occupied by 13.7% of the active workers.

PROFESSIONAL CATEGORIES

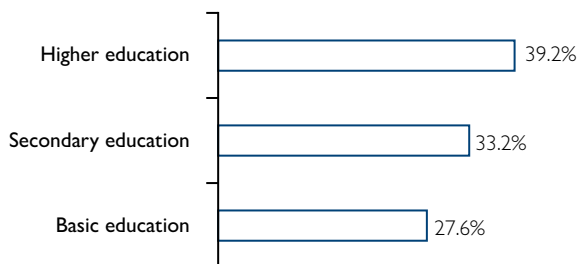
(%)



As regards the level of education qualification, approximately 40% of AdP Group members of staff hold at least undergraduate degrees.

EDUCATION LEVELS

(%)



INTERNAL CONTROL AND RISK CONTROL SYSTEMS

“Internal control” is a process carried out by the Board of Directors, management and other staff of an entity, planned to provide a reasonable guarantee in relation to obtaining the objectives related to the operations, reporting and compliance.”
COSO 2013

The AdP Group in general and the Board of Directors of AdP SGPS in particular pay great attention to themes such as internal control, risk management, fraud, the transparency of information and the reliability of financial reporting.

As these constitute transversal concerns to the AdP Group and, in order to enable the deployment of a systematic and appropriately visible internal control existing in all Group companies, in 2019 AdP SGSP approved the project for defining and implementing the SCI – the Internal Control System transversal to the Group. To this end, among the various internal control systems existing, the selection opted for the CUBE of COSO (the Committee of Sponsoring Organisations of the Treadway Commission) as the model for implementation considered the most adaptable to the company structures given its flexibility spanning the entire entity and any one of its units or business activities as well as its reliability regarding the responses provided to existing challenges.

This model returns a direct correlation between the objectives the organisation is striving to achieve across three categories (Operation, Reporting and Compliance), and the five components (Control Environment, Risk Management, Control Activities, Information and Communication and Monitoring Activities), which represent those necessary to achieving the objectives set, in the structure prevailing and as portrayed below.

Control environment

- Establish an organisational character that influences the perception of control among staff;
- This is at the basis of all other internal control components, providing discipline and structure to the remaining SCI components.

Risk evaluation

- Risks from external and internal sources;
- Prior condition: definition of objectives interconnected with the different levels of the entity and while internally consistent;
- Identification and analysis of the risks relevant to achieving objectives;
- Foundation for risk management.

Control activities

- Policies and procedures that help in ensuring: **i)** responses to risks within the scope of obtaining the respective objectives; **ii)** compliance with the directives in effect at the entity;
- Spanning the entire organisation, across every level and every function;
- Activities designed to prevent or reduce the adverse impact of risks.

Information and communication

- Identification of relevant information, captured and communicated with quality to guarantee the treatment and exchange of relevant data, within deadlines and in ways that enable the effective and timely management and control of company activities and risks;
- The IT systems are a source of information that facilitates management and business control.

Monitoring activities

- Evaluation of the quality of the SCI performance over time.
- Ensuring the appropriateness and effectiveness of SCI on a continuous basis;
- Guarantee the timely identification of eventual shortcomings or opportunities for improvements within the scope of continuous improvement.

The 2020 project drove the development of the following activities:

- Completion of the mapping of the 13 priority processes and identification of risk events and controls implemented for their mitigation, in two pilot companies (Águas do Norte and EPAL), through the preparation of the respective Risk and Control Matrices (MRC);



- ii. The preliminary analysis of the maturity of the Internal Control System (ICS) in one of the pilot companies (Águas do Norte), through the completion of a questionnaire by a sample of workers in order to assess the awareness prevailing in the company on this matter;
- iii. Preparation of the report defining the metrics to be used for the future annual ICS evaluations by AdP Group companies;
- iv. Drafting of the core version of the Group Company Internal Control Manual, which will only be completed on terminating the mapping of all processes identified as critical within the scope of the Internal Control System;
- v. Beginning the mapping work of the priority processes in the remaining Group companies based on the information systematised in the pilot company CRMs but which implies their tailoring to the reality of the risks and controls implemented by each company. This work, which began in the 4th quarter of 2020, has a defined timeline for its completion, expected by the end of the 4th quarter of 2021;
- vi. Audit of Group company procurement processes, which included the identification of risk events and the respective controls and the performance of compliance tests evaluating the effectiveness of the controls implemented. The procedure was not carried out in AgdA - Águas Públicas do Alentejo and AdAM - Águas do Alto Minho;
- vii. Beginning of the audit tests assessing the effectiveness of the controls applied to accounts payable processes at three Group companies (Águas do Norte, EPAL and Águas da Região de Aveiro) for which the respective CRMs had already been completed.

In 2021, the implementation of the Internal Control System will continue, with the following activities planned:

- i. Carrying out preliminary analysis of the maturity of Internal Controls in the Group's other companies by means of a questionnaire completed by a sample of employees with a view to ascertaining the level of awareness prevailing in each company on this issue;
- ii. Conclusion of the mapping of the 13 priority processes, by the companies, through the preparation of the respective MRCs, in accordance with the defined time schedule;
- iii. AICR review and analysis of the MRCs when finalised by the companies for the later inclusion of the final versions as annexes to the respective Internal Control Manuals;
- iv. Review of the remaining processes identified within the scope of the Group's Internal Control System as being critical and requiring mapping in order to ascertain their alignment with the strategic objectives and significant company goals;
- v. Beginning the process of contracting the external services of an entity to map the remaining critical processes for inclusion in the pilot company Internal Control Systems;
- vi. Beginning the mapping of the remaining pilot company critical processes, through the identification of risk events and existing controls and the drafting of flowcharts and MRCs;
- vii. Review the evaluation metrics of the internal control system with each company in order to assess their applicability or need for alteration. An evaluation test will then be carried out at one pilot company;
- viii. Conclusion of the audit tests and assessment of the effectiveness of the accounts payable process controls in keeping with the company completion of their MRCs;
- ix. Performing audit tests and evaluating the effectiveness of the controls in effect for salary processing and eventually for accounts receivable, based on the MRCs then under preparation. The realisation of these and other control audit tests depends on the physical scope for their undertaking and the availability provided by the respective company MRC.

Within the scope of the model under implementation, the evaluation of the metrics established, in conjunction with the control test results (in particular for core issues) obtained through the internal control audits carried out annually on certain processes, shall produce the information enabling the assessment of whether the five internal control components are operating according to an integrated approach able to provide a reasonable level of assurance to the AdP SGPS Board of Directors over the SCI performance.

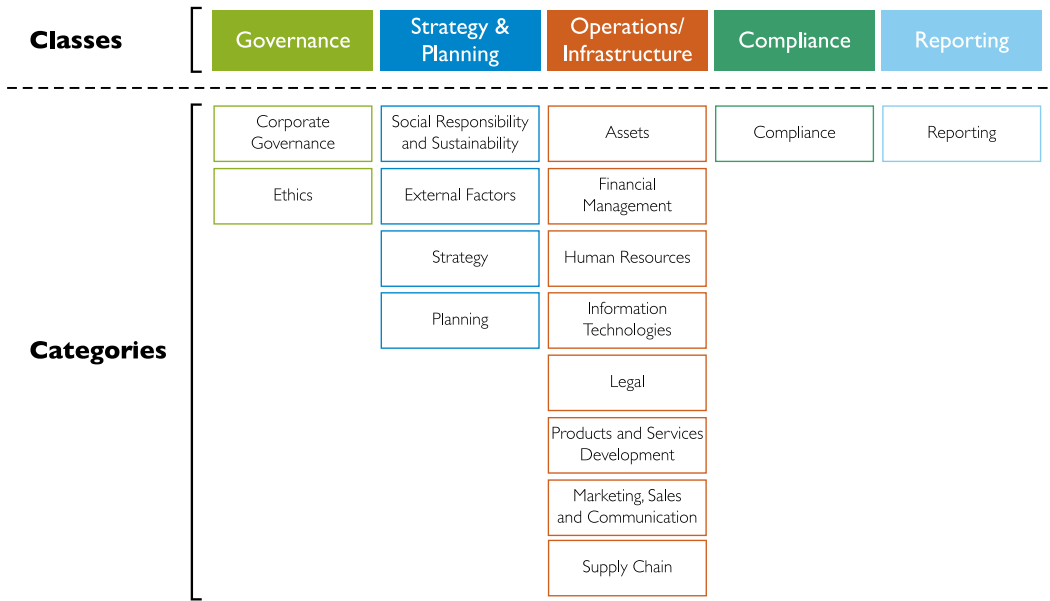
Awareness raising and internal control training will also be promoted, aiming at fostering the permanent monitoring of the controls implemented by the companies and especially by staff responsible for managing the business processes.

The above changes will also require the revision and adjustments to the risk management model in effect across the AdP Group to allow its Board of Directors to focus its monitoring and analysis on the critical risks identified, inherent to the activities and resulting from daily operations.

The deployment of a corporate risk management model enables integrated risk assessment throughout the company and the maturing of its risk culture, allowing for the creation of a common language around the definition and concept of each risk along with aligning the objectives with the risks and respective controls in force in the Group, thus helping to reduce the risk of investment and asset losses, while assisting in guaranteeing the reliability of financial statements and compliance with the legislation and regulations in effect.

The suitability of the SCI aligns with the risk management model, and adjusted whenever, through risk assessment, risks are identified that class as unacceptable or weaknesses or failures are detected in the analysis of the underlying controls.

The corporate risk management model currently implemented in the AdP Group, also defined according to the COSO methodology, presents the risks organised according to a structure of defined classes and categories, as set out below:



Risk assessment is made based on the probability and impact of events occurring, considering the respective inherent and residual risks. Hence, we try to ascertain the efficiency of the SCI as devised to maintain the level of risk at thresholds deemed acceptable in accordance with the following matrix:



Risk assessment from the perspective of impact analysis includes the following analytical dimensions:

- Financial;
- Reputation;
- Legal or regulatory; and
- Level of alignment with business goals.

The probability of risk occurrence is also evaluated according to a wide range of factors, including:

- Existence and effectiveness of controls;
- Previous occurrence of the risk;
- Complexity of the risk; and
- Installed capacity to manage risk (people, processes, systems).

The Internal Audit and Risk Control Department is responsible for identifying the risks to AdP Group businesses, pinpointing the key control factors required to minimise or eliminate their impacts, undertaking compliance tests to assess the results and performing internal audits of those subsidiaries in which it holds a majority interest.

Reporting directly to the AdP SGPS Board of Directors, the department’s independence is strengthened in relation to the management of the audited companies and correspondingly experiencing an appropriate degree of autonomy to carry out its work, optimising the resources available and avoiding any duplication of units.

In managing business risk, those risks related to the categories of governance, strategy and planning, compliance and reporting are both handled directly and monitored at the Group company level while periodically examined by AdP SGPS in its capacity as majority shareholder. Operational and infrastructure risks are addressed not only by the Group companies and their governing bodies but also by the majority shareholder's centralised monitoring and control units, which are responsible for both identifying and managing the main risks.

The implementation of the SCI, combined with the needs identified within the scope of the Strategic Challenges defined for the AdP Group, fostering a review and alterations to the risk management matrix and methodology in force to enable company Boards of Directors to focus more closely on monitoring and analysing the critical risks identified, meant that risk assessment was not carried out in 2020. Taking into consideration the risk evaluation process carried out in 2018, some of the core risk exposure faced by the Group are the following:

Bulk sanitation infiltrations: Risk of infiltrations along the bulk sanitation chain with a resulting reduction in treatment capacity and financial losses due to undetected malfunctions and faults, ageing infrastructure and the absence of network separation.

Losses in retail water supply: Risk of losses of hydric resources over the extent of the retail supply chain with consequent decreases in the supply capacity and financial losses stemming from breakdowns and leakages going undetected in due time or the ageing of the infrastructures.

Talent management: Risk of difficulties in attracting and retaining the human capital due to limitations inherent to the sectorial or economic conjuncture.

Environmental impact: Risk of the inefficient utilisation of environmental resources or their contamination due directly or indirectly to company activities or the failure to comply with the environmental legislation / regulation in effect.

Disasters: Risk of disasters that may have an impact at the level of continuity of the business through placing at risk the operating capacity of the infrastructures. In order to deal with these risks, Group companies have contracted insurance in order to ensure the transfer of these risks.

Regulatory: Decree Law no. 10/2014, of 6 March, approved the new ERSAR statutes which correspondingly takes on the role of an independent administrative entity with strengthened autonomy in organic, functional and financial terms and equivalent to the other independent regulatory entities.

Regulation represents the most significant restriction on the profitability of the economic activities undertaken by the Group. The Regulator may take measures with a negative impact on the cash flow stemming from the eventual contractual definition of a scenario of negative productive efficiency establishing costs for recovery at a tariff that may differ from the costs effectively incurred. These costs include the terms of Group financing.

Whenever risk assessment deems an aspect intolerable or unacceptable to a company, risk handling plans are drafted, approved and adopted as mitigation measures. These identify the corrective actions to be taken, the strategy for handling them (avoiding, accepting, reducing or sharing the risk), the respective timeframe for implementation and the person in charge for each dimension to the implementation plan in question. Depending on the duration of the defined handling period, monitoring date schedules may be defined as well as their designated officers and the impact of such actions is ascertained during the assessment stage.

According to the methodology implemented, having concluded the risk evaluation processes carried out by AdP Group Companies, the Boards of Directors are to evaluate the need to identify and/or implement corrective actions that then require regular monitoring so as to accompany their implementation, their impact on mitigating the risks identified and ascertaining the respective level of control.

FINANCIAL RISK MANAGEMENT

RISK FACTORS

AdP Group business operations are exposed to a number of financial risk factors: credit risk, liquidity risk and the interest rate associated cash flow risk. The AdP Group has correspondingly developed and implemented a financial risk management program, which, in addition to constantly monitoring the financial markets, seeks to minimise potentially adverse effects on the financial performance of AdP and its subsidiaries. This risk management is the responsibility of the central treasury department acting in accordance with the policies approved by the Board of Directors. The treasury department identifies, assesses and undertakes operations designed to minimise financial risks in close cooperation with the AdP Group operational units. The Board of Directors drafts the principles for risk management as a whole in addition to policies that cover specific areas such as currency conversion risks, interest rate risks, credit risks, recourse to derivatives, other non-structured instruments and the investment of surplus liquidity. The Board of Directors is responsible for establishing the general risk management principles as well as the exposure limits. All

transactions undertaken involving derivatives require the prior approval of the Board of Directors and the ministry, which set the parameters for each transaction and approve the formal documents describing the specific objectives.

MARKET RISK

INTEREST RATE RISK

The interest rate risk of the AdP Group broadly stems from long-and short-term loans. Such loans, with their variable interest rates, expose the AdP Group to cash flow risks whereas loans with fixed interest rates expose the Group to fair value risks linked to the interest rate. The table below provides approximate sensitivity analysis of the AdP Group financial costs.

	31.12.2020	IMPACT OF AVERAGE RATE +1%	IMPACT OF AVERAGE RATE -1%
Interest (cost) at a variable rate	1 080 130	4 601 585	-

EXCHANGE RATE RISK

Exposure to the exchange rate risk is negligible in the AdP Group. This risk basically encompasses future commercial transactions, recognised assets and liabilities as well as net investments in foreign operations not incurred or expressed in the AdP Group operating currency. The AdP Group's central treasury manages the net exposure of the Group in each currency, contracting swaps centrally so as to minimise commercial risks to recognised assets and liabilities when applicable. AdP Group has investments denominated in foreign currencies, whose net assets are exposed to exchange rate risk by translation. The exchange rate exposure inherent to net assets in foreign currency is residual. In 2020 and 2019, no currency swaps or financing in foreign currency were contracted.

RAW MATERIALS PRICE RISK (ENERGY AND FUEL)

Águas de Portugal Group's annual expenditure on energy and fuel represents approximately 36% of total supplies and services. The Group, through AdP Serviços, centrally negotiates and contracts the acquisition of these raw materials for the whole Group. In the case of electricity, the price is fixed for the contract horizon.

LIQUIDITY AND CAPITAL RISKS

The management of liquidity risk requires both the holding of a reasonable level of availabilities, equivalents and the consolidation of floating debt through an adequate level of credit facilities and the ability to liquidate market positions. The AdP Group treasury department, given the dynamics of the underlying businesses, strives to secure the flexibility of the floating debt through maintaining credit lines available for this purpose. The Group manages its liquidity risk by contracting and maintaining credit lines and financing facilities with a solid underwriting commitment from domestic and international financial institutions providing immediate access to funds. The table below details the AdP Group liabilities by their contracted residual maturity intervals. The amounts listed in the table are the non-discounted contractual cash flows for future payment.

	NOTE	< 1 YEAR	1 TO 5 YEARS	> 5 YEARS
<i>Asset</i>				
Capital reconstitution fund	11	2 177 301	21 183 381	-
Financial assets at fair value	17	17 551 801	-	-
Other financial assets	11	-	451 284	-
Trade receivables and other assets	15;18	326 835 549	6 680 864	-
Cash and cash equivalents	21	255 790 943	-	-
		602 355 594	28 315 529	-
<i>Liability</i>				
EIB financing	28	100 771 760	450 211 319	875 155 345
Shareholder financing	28	7 376 665	379 244 461	167 433 523
Bank overdrafts	28	232 478	-	-
Trade payables and other liabilities	29; 33; 34	146 728 424	75 212 954	16 036 560
		255 109 327	904 668 734	1 058 625 428
Net amount		347 246 267	(876 353 205)	(1 058 625 428)

The EIB loans contractually allow the AdP Group to choose the type of interest rate for application: variable interest rate, fixed rate for the loan maturity or fixed rate revisable for a determined period of time. In this sense, the purposes of determining future EIB loan interest considers the known and formally contracted interest for the respective period of time after which the no interest fixed rate enters into effect, as detailed considered in the table above, given the inability to reliably determine the future interest incurred beyond these timeframes.

As at 31 December 2020, the outstanding principal EIB loan amounts display the following stratification by years of rate re-fixing/revision:

thousand EUR	
YEAR THE PERIOD FOR THE CURRENT INTEREST RATE IN EFFECT IS TO END	CAPITAL OUTSTANDING AT 31.12.2020 (NOTE 28)
2021	142 884
2022	2 631
2023	8 077
2024	7 917
2025	700 585
2026	75 959
2027	72 693
2028	8 000
2029	186 251
2040	30 000
	1 234 997

For the purposes of determining future variable rate interest (shareholder loans), this considered (i) the known interest coupon on 31 December 2020 and for settlement in 2021; and (ii) the following coupons took into account the Euribor indexer on 31 December 2020 plus the contractually formalised spread.

In September 2017, AdP SGPS entered into a 25-year, EUR 220 million financing agreement (tranche A) with the European Investment Bank under a EUR 420 million credit facility approved in July 2017 by the Board of Directors of this financial institution. In addition, on July 31 2019, the AdP Group formally took up the remaining EUR 200 million that may serve as funding for the termination of debt regularising agreements reached between the AdP Group and its municipal clients under the auspices of Decree Law no. 5/2019, of January 14. As at 31 December 2020, the Group has drawn down EUR 30 million of tranche A and EUR 41.8 million of tranche B.

In view of the above, as well as recurring operating assets, AdP does not foresee difficulties in fulfilling its financial commitments. Particularly for short term bank loans, AdP has immediate liquidity to cover the entire cost of debt servicing forecast for the next twelve months.

Contracted short term lines of credit

LIQUIDITY RISK (IN MILLION EUR)	LINE OF CREDIT AVAILABLE	LINE OF CREDIT USED	LINE OF CREDIT UNUSED
Bank overdrafts (AdP Group)	140.0	0.2	139.8
	140.0	0.2	139.8

The objective of the AdP Group in relation to capital management, which is a broader concept than the capital shown on the face of the balance sheet, is to maintain an optimal capital structure through the prudent use of debt that allows it to reduce the cost of capital. The purpose of capital risk management is to safeguard the continuity of the Group's operations, with adequate compensation to shareholders and generating benefits for all interested third parties.

The AdP Group's policy is to contract loans with financial entities, at the level of the parent company, AdP (except for investment loans), which in turn makes loans to its subsidiaries. This policy aims at optimising the capital structure with a view to greater efficiency and reducing the average cost of capital.

	NOTE	31.12.2020	31.12.2019
Non-current loans	28	1 705 786 127	1 756 133 493
Current loans	28	80 579 663	78 264 969
Capital reconstitution fund	11	(23 360 682)	(32 810 072)
Availabilities	21	(255 790 943)	(138 163 519)
Leasing liabilities (*)		6 799 407	8 466 772
Net debt		1 514 013 572	1 671 891 643
Investment subsidies	31	1 484 046 405	1 523 133 254
Total of equity (without minority interest)		1 385 322 840	1 333 400 923
Capital and subsidies		2 869 369 245	2 856 534 177
Debt/ Total capital		0.53	0.59

(*) Only concerning leases with financial entities

The AdP SGPS financing model fundamentally incorporates two major categories to ensure the balance of its capital structure, bank financing, in particular financing contracted with the EIB, shareholder financing and non-reimbursable equity and investment subsidies.

CREDIT RISK

Credit risk is essentially related to the risk of a counterparty defaulting on their contractual obligations resulting in financial losses to the Group. The AdP Group is exposed to the credit risk over the course of its operational, investment and cash management activities.

OPERATING COUNTERPARTY

Credit risk in operations basically derives from receivables for services rendered to customers (water and sanitation services).

The composition of the AdP Group's customer portfolio is threefold: **(i)** local authorities, municipal or intermunicipal services and municipal or intermunicipal companies; **(ii)** private, institutions and companies supplied by the retail distribution network; and **(iii)** large industrial customers in the sphere of wastewater treatment and raw water supply.

i. Local authorities, municipal or intermunicipal services and municipal or intermunicipal companies

The credit risk associated to these customers is considered low or close to sovereign risk, noting historically that the non-payment of the services rendered results essentially from divergences on invoices reflected in lawsuits. Under the terms of the legislation and regulations in force, applicable to multi-municipal and partnership systems, the change in the amounts owed, by voluntary or extrajudicial agreement between the managing entities and these entities or by judicial sentence, is relevant for the purpose of recalculating the Cost Recovery Deviation to be recovered via the tariffs or tariff income charged for future services rendered.

Notwithstanding the above, the administrative procedure associated to the collection or regularisation through agreements and imputation to the deviation of cost recovery is lengthy, which explains the high value of the amount of overdue debts (see Notes 15 and 18 customers) as well as the financial income (see Note 45.1).

AdP's Board of Directors continues to understand that on those balances there are no indicators that lead to the recognition of prospective impairment losses (except in very specific situations and that result from the agreements signed and already incorporated into the calculations of the Cost of Recovery Deviation).

ii. Households, institutions and companies supplied by the retail distribution network:

The credit risk associated to these customers is considered medium insofar as the supply through the low distribution network allows for the supply to be cut off in case of non-compliance with timely invoice payments by customers. Nevertheless, for customers supplied by the retail distribution network, there are two segments: **(i)** supply by the retail network under Partnerships, in which losses due to customer credit risks are offset by the Cost Recovery Deviation mechanism; and **(ii)** other supplies by the retail network in which failure to pay invoices on time results in an asset loss. For this second segment, expected impairment losses are recognised according to the expected loss. For debts resulting from supply through the retail distribution network, the expected losses are determined as follows: **i)** for invoices that are liable for over six months, 100% impairment is applied (the legal prescription for invoices

due for over six months); ii) for invoices issued but not yet due or liable for less than six months, the percentage of the historical loss is applied and raised to include the “forward looking” effect.

iii. Large Industrial Clients:

The credit risk associated to these customers is considered medium as they are private sector customers. However, the expected losses due to impairment by credit risk are assessed annually, on an individual basis, taking into consideration the following factors: i) the average collection period; ii) the customer's financial condition; and iii) the macroeconomic situation.

CLIENT PORTFOLIO	LOCAL AUTHORITIES, MUNICIPAL OR INTERMUNICIPAL SERVICES AND MUNICIPAL OR INTERMUNICIPAL COMPANIES	HOUSEHOLDS, INSTITUTIONS AND COMPANIES SUPPLIED BY THE RETAIL DISTRIBUTION NETWORK	LARGE INDUSTRIAL CLIENTS
Risk	Low	Medium	Medium
Gross exposure	295 839 497	47 175 643	16 184 251
Impairment	(31 728 846)	(17 950 996)	(13 114 447)
Net exposure	264 110 651	29 224 647	3 069 804

DEPOSITS COUNTERPARTY

The following table sets out the maximum exposure of the Group to credit risk (not including customer and other debtor balances) as at 31 December 2020, not considering any collateral held or other credit enhancements. The defined exposure for assets on the balance sheet reflects their carried over value as reported on the main balance sheet.

FINANCIAL BANKING ASSETS	NOTE	31.12.2020	31.12.2019
Demand deposits	21	152 002 584	113 016 459
Term deposits	21	103 705 000	25 005 000
Capital reconstitution fund	11	23 360 682	32 810 072
Others		163 614	163 614
		279 231 880	170 831 531

RATING	31.12.2020
A2	177 401
A3	167 834
B2	658 454
B3	52 134
Ba1	5 588 030
Baa1	1 636 975
Baa3	270 365 383
not available	585 669
	279 231 880

Note: Moody's rating obtained from the websites of the financial institutions in February 2021.

OPERATING RISK

DISASTER RISK

The Águas de Portugal Group companies are exposed to the risks of disasters and natural phenomena, which may put at risk the operability of the infrastructures and the consequent loss of revenue. To offset these risks, Group companies have contracted insurance for their transfer.

REGULATORY RISK

Law 10/2014 of 6 March approved new statutes for ERSAR, which now operates as an independent administrative entity with enhanced autonomy in organic, functional and financial terms on a par with other independent regulatory bodies.

Regulation is the most significant restriction on the profitability of economic activities developed by the Group. The regulator can adopt measures with a negative impact on cash flow, resulting from the contractually defined possibility of defining a scenario of productive efficiency that establishes costs to be recovered through tariffs which may differ from the expenses actually incurred. These costs include financial expenses.

// WE NEVER STOP //

FINANCIAL ANALYSIS

(YEAR-ON-YEAR)



NET RESULT

78.6
EUR MILLION

down EUR 4.6 million (-5.5%, impacted by the fall in the OT from 0.75%, in 2019, to 0.75%, in 2020)

OPEX

517.3
EUR MILLION

increase of EUR 24.8 million (+5.0%), with the significant items including EUR 3.5 million in subcontracts, EUR 5.2 million in Maintenance and Repairs and EUR 3.9 million on Personnel Costs. The SARS-CoV-2 pandemic accounts for an additional EUR 2.6 million of expenses.

GROSS DEBT

1 793.2
EUR MILLION

reduction of EUR 49.7 million (-2.7%)

INVESTMENT

128.9
EUR MILLION

down EUR 15.3 million (-10.6%) without the effects of IFRS16

BUSINESS TURNOVER

715.3
EUR MILLION

advance of EUR 23.8 million (+3.4%)

NET DEBT

1 514.0
EUR MILLION

reduction of EUR 157.9 million (-9.4%)

EBITDA (ADJUSTED)

374.1
EUR MILLION

improvement of EUR 8.4 million (+2.3%)

**GO/VN | GO=CMVMC+ESS
+HRCOSTS| VN=SALES
+POP.SERV**

46.2 %

reduction of 0.4 p.p. (47.4% without the effect of Covid-19)

CRD (RESULTS)

55.4
EUR MILLION

surplus, rise of EUR 17.2 million (third consecutive year in which the Group turns in a surplus in consolidated terms)

As essential services, the AdP Group management places particular emphasis on the economic and financial sustainability of its operations, considering the specific characteristics of each operation and seeking to mitigate the exogenous and endogenous risks to all activities. This also takes other economic factors into account, such as ageing infrastructures, the pressure for efficiency in water resource consumption, the growing scenario of uses, and the need to expand public service coverage to areas of lower population density or in tougher to access terrains.

This particularly considers the following issues.

a) Economic sustainability

The AdP Group operates on the basis of its plans to return ongoing improvements through rational investments and efficient operations. The objective is to recover the rises in the charges for the operation and maintenance of systems in keeping with the emergence of more restrictive regulatory frameworks in terms of quality and the environment, without this adversely affecting tariff stability.

These operations take place in close coordination with the concession grantor, the Portuguese state, regulators, ERSAR and the APA, and as well as the municipalities in their different capacities, i.e., as the shareholders of subsidiaries, customers and delegators of the water services through partnership commissions. The underlying objective is to establish a regulatory framework enabling rational investments and efficient operations and maintenance, standardised prices between areas, tariff stability and generating operating cash flows for companies.

Within this framework, the defining of efficiency indicators by ERSAR and the setting of corridors for price standardisation between systems holding particular importance, as is the case with other utility sectors in Portugal and internationally, will benefit territorial cohesion and better water resource management

Finally, there is the Multi-Annual Price-Convergence Plan that began with the partnership processes and continued with the sector restructuring in 2015. Its aims include eliminating the cost recovery deviations resulting from deficits arising from the difference between the prices charged and the tariffs as returns on investment (including own- and third-party equity costs), in accordance with that stipulated in the concession contracts or the partnership management contracts.

b) Financial sustainability

AdP takes consolidated action as regards managing Group financial sustainability and reflected both in each operation and at the consolidated level by: **(i)** the amount of financing matching the Group's ability to release resources, **(ii)** funding from multiple sources of permanent, long-term financing consistent with the useful life of assets and the system concession periods and **(iii)** managing the interest rate risk by maximising the natural hedge between the fixing of interest rates and their recoverability via the prices charged.

This also requires special action in the collection and customer account risks given their specific weighting in some operations and the scope for impacting on the investment programs of Management Companies. The effort to establish debt settlement agreements, within the specific legal framework, has allowed a more sustained reduction of outstanding debts, which nevertheless continues to require permanent attention.

These two spheres of action have enabled the consolidation of the Group's financial debt, driving a significant decrease in its servicing costs even in a simultaneously favourable context in terms of the prevailing interest rate.

2020

THE RESULTS

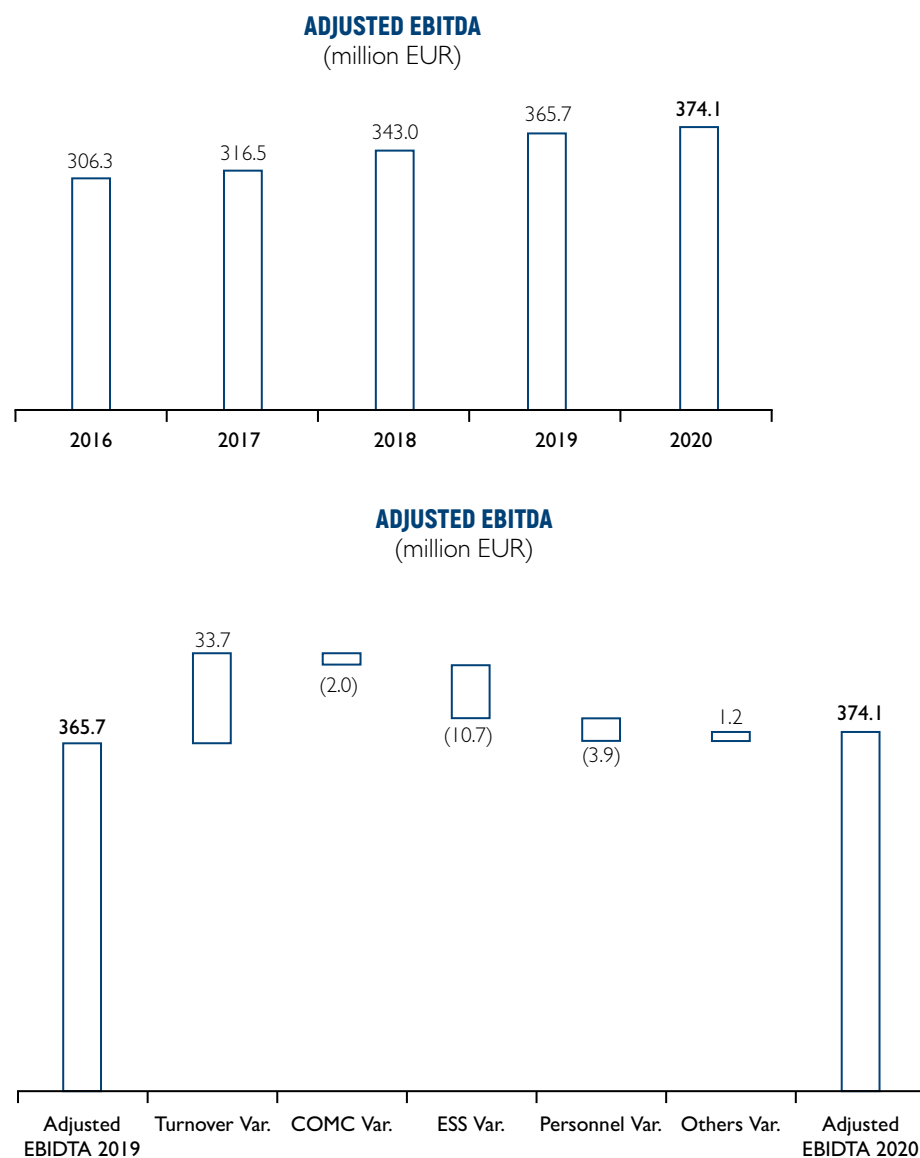
The AdP Group closed the 2020 financial year with a net result of around EUR 78.6 million, representing a decrease of 5.5% on the previous year (which recorded a result of approximately EUR 83.1 million). The net results per share stood at EUR 0.90 EUR (vs. EUR 0.96 in 2019).

The reduction in Net Profit is mainly due to the following factors: **i)** lower sales due to the pandemic associated to SARS-CoV-2 virus, which particular impacted on the results of EPAL, Águas da Região de Aveiro, Águas do Algarve and Águas de Santo André, not offset by any reduction in charges; **ii)** the effect of the decrease in the Portuguese State 10-year Treasury Bond rate, the index used to determine the Net Results of Multimunicipal Systems and State-Municipal Partnerships. In the last three years, this index registered a sharp reduction, dropping from 1.84% in 2018 to 0.75% in 2019 and to 0.41% in 2020.

EBITDA, adjusted for the surplus of cost recovery, amounted to EUR 374.1 million, which represented an increase of 2.3% year-on-year (EUR 365.7 million), consolidating an upwards trajectory stretching back to 2015 arising above all from operating improvements

across the AdP Group. This growth is due to the improvement in the Business Turnover of both activities, (up EUR 23.8 million with particular emphasis on sanitation (up EUR 18.8 million), which allowed the Group to cope with an increase in operating expenses.

The EBIT recorded in 2020 (affected by the SARS-CoV-2 pandemic), adjusted for the cost recovery surplus, was only EUR 1.1 million below that of 2019, demonstrating the resilience of the operations in this pandemic context.



During 2020, there was an improvement in the coverage ratio for operating expenses by business turnover ($OC/BT \mid OC=CMVMC+ESS+GP \mid BT=SALES+PSERV$) of 0.4 p.p. compared to 2019, highly conditioned by the extraordinary year 2020 constituted due to the pandemic. In this year, this ratio amounted to 46.2% compared with 46.6% in 2019.

This evolution results from consolidating the supply and sanitation operations within in a context of continuous demands for greater production efficiency.

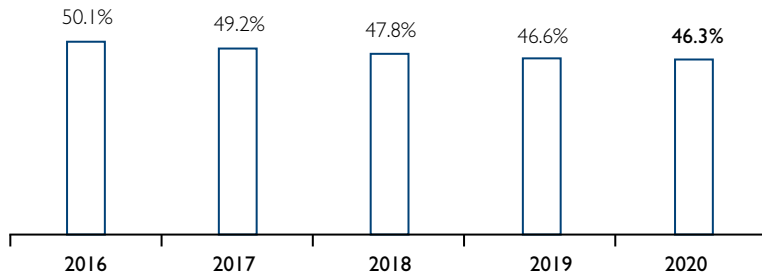
While falling within the scope of the consolidated accounts, in order to comply with the guidelines issued by the DGTF (Directorate General for the Treasury and Finance) for application to companies belonging to the Public Business Sector, the OC/BT ratio should be purged of the impacts of the SARS-CoV-2 virus associated pandemic. As indicated, adjustments were made to the Business Turnover and Operating Costs. Thus, the year of 2020 considered the following adjustments resulting from the pandemic:

- Decrease in the Business Turnover (in Águas do Algarve, Águas de Santo André and in the retail activity - EPAL and Águas da Região de Aveiro), with a total value of EUR 12.3 million;
- Increase in staff costs, due to the increase in the value of spending on overtime and individual protection equipment in an amount of approximately EUR 2 million

- Increase in spending on infrastructure cleaning and disinfection totalling EUR 860,000 (Covid-19 effect);
- Reduction in the cost of transporting water by EUR 654,000; and
- Increase in the cost of temporary work by EUR 409,000..

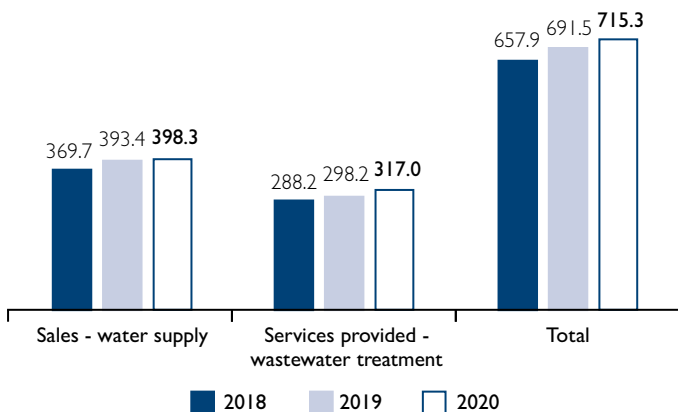
Without these effects, the coverage ratio for expenses by business turnover amounts to 47.4%.

OPERATIONAL COSTS/ TURNOVER

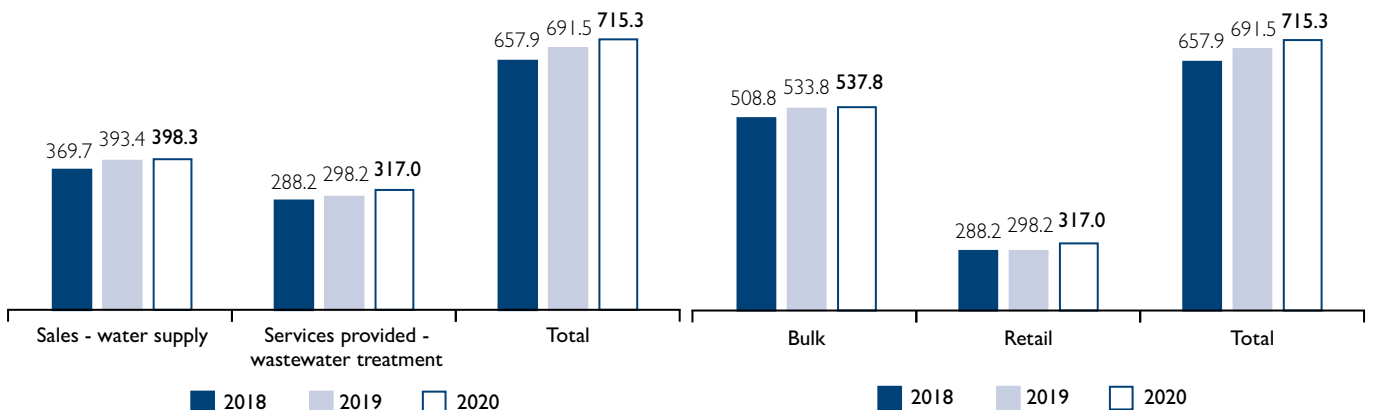


The Group's consolidated business turnover (excluding the income from the construction of concession assets under IFRIC 12 and the deviation in cost recovery) amounted to EUR 715.3 million, up approximately 3.4% on the previous year due to both the supply and sanitation activities.

TURNOVER BY BUSINESS AREA (million EUR)



TURNOVER BY SEGMENT (million EUR)

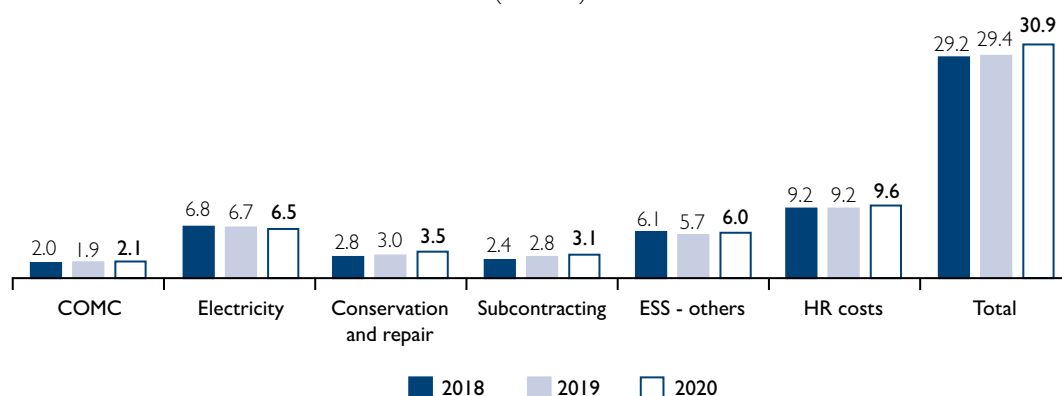


The 3.4% variation in business turnover derives from the following factors:

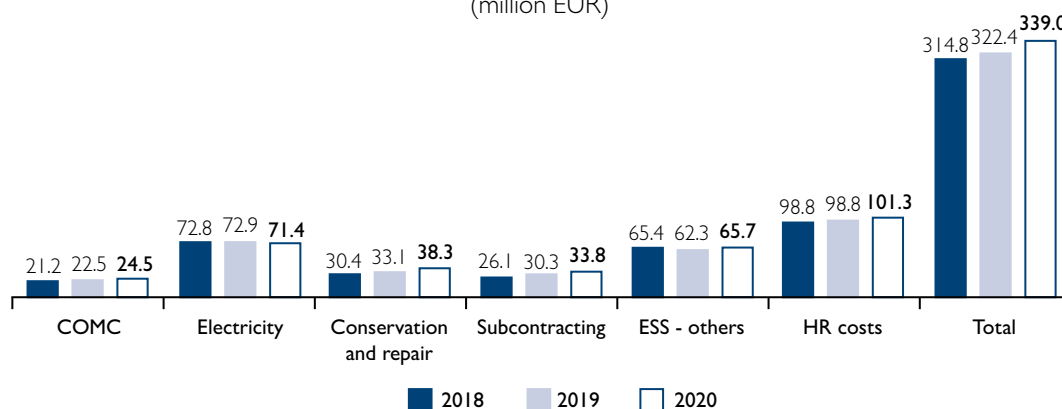
- In the supply activity, there was a 1.3% increase in sales resulting from the tariff update and the increase in the volume of billed water compared to 2019 (+4.7 million m³).
Despite the above, this should note that the retail activity was materially and negatively harmed by the Covid-19 pandemic. This effect was felt particularly in the regions with higher levels of tourism such as Lisbon (EPAL down 5.1 Mm³ year on year), Oporto (AdDP down 1.8 Mm³ year on year) and Algarve (Águas do Algarve with a 5.9 Mm³ year on year fall). Furthermore, there were also the effects of the reduction in activities in the Sines Industrial Area (AdSA down 1.7 Mm³ year on year).
- In the wastewater treatment sector, there was an increase (6.7%) in the provision of services.
This highlights how the business turnover generated by the treatment of bulk wastewaters maintained the two parameters essential for stabilisation: (i) applying a tariff earnings methodology, disconnected from the flow volume treated, and (ii) In its place, making recourse to a multi-year moving average based on the previous six full semesters in order to offset the effects of variations in levels of rainfall.

In unit terms, the cash-cost, which accounts for the costs of operation and maintenance for each measured unit of water produced and effluent treated, increased by 5.2% (approximately EUR 0.15 per m³) from EUR 0.294 per m³ in 2018 to EUR 0.309 EUR cents per m³ in 2020, duly reflecting the rise in operating and maintenance costs.

CASH-COST (ct€/ m³)



CASH-COST STRUCTURE (million EUR)



The set of operating and maintenance costs rose by EUR 16.6 million in 2020, rising from EUR 322.4 million to EUR 339.0 million, strongly marked by the effect of the SARS-CoV-2 pandemic.

This should emphasise how the AdP group has been adopting energy efficiency measures within the scope of PEPE – the Energy Efficiency and Production Plan (seeking reductions in consumption and costs and boosting the Group's own production of energy for self-consumption), which has enabled the minimisation of the impact of the rising electricity price. As in 2019, this effort, together with the strategy of acquiring energy in the market, allowed for a 2% decrease in the energy cost in 2020, with total expenditure of around EUR 71.4 million. This effect is expected to be maintained in 2021.

The increase in subcontracting costs amounts to EUR 3.5 million above all due to the rise in sanitation activities, especially in the Vale do Ave and Algarve regions.

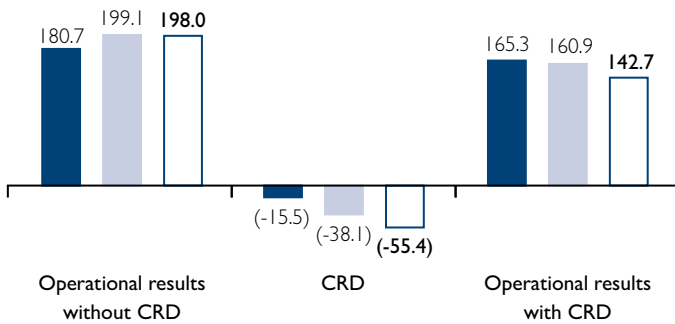
There was also an increase in operating expenses, due to the commissioning of the Companheira and Faro-Olhão Wastewater Treatment Plants, in Águas do Algarve, whose operating conditions and respective expenses are substantially higher due to the new technical solutions that these investments imply, and which represent a significant environmental improvement for the region.

As mentioned, the Group has been focusing on the rehabilitation and/or remodelling of its infrastructures. In this sense, 2020 experienced a significant increase in spending on infrastructure maintenance and conservation (+ EUR 5.2 million), which represents a recovery in comparison with recent years. This amount, plus investment in the replacement of production capacity, accounts for 1.6% of the total of gross investment in line with that recorded in 2019. The amounts above the sector benchmarks and as identified by the Regulator, reflects the efforts attributed to the management of productive assets, efforts that have earned the Regulator's recognition of the AdP Group strategy for recovery by preventive maintenance.

Personnel expenses in 2020 amounted to EUR 105.2 million, higher than the EUR 101.3 million recorded in 2019. This increase in expenses was due to the amount spent on overtime and personal protective equipment, under the Covid-19 pandemic and the measures resulting from the contingency plans implemented by Group companies. Of particular note in this context is the

expenditure on uniforms, the acquisition of protection and safety equipment and cleaning services. The need to incur significant levels of expenditure of this nature nevertheless guaranteed the maintenance of the quality required for the public service rendered by Group companies. This also enabled the year of 2020 to close without any interruption in the services provided by the AdP Group: a result of the tight measures taken to stave off infections among workers and effective efforts to isolate workers who did become affected in order to avoid teams becoming unavailable.

OPERATIONAL RESULTS (million EUR)



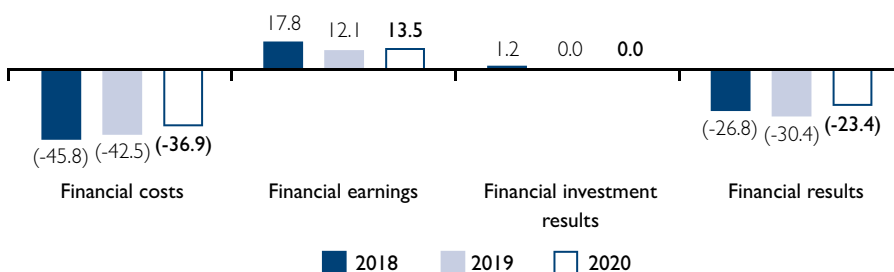
The cost recovery deviation corresponds to the difference between shareholder remuneration for the contractually defined and regulated activities and the net result generated by the respective activities, which in 2020, was a surplus of EUR 55.4 million (only SIMARSUL still did not register surpluses). The evolution of this indicator benefits from the consolidation of operations and the reduction in the rate of the Portuguese State 10-year Treasury Bonds.

Corrections by the regulator to the charges incurred with systems operating under the efficient production scenario stem from the 2019 financial year but were only known after closing the accounts for the year and then reporting that the estimate made for the last year for this item exceeded the final sum by EUR 0.9 million.

This also reflects the estimates for the correction relative to the efficient production scenario established for 2020 proposed by the regulator; even while at a contradictory phase, that generated a negative impact amounting to EUR 1.9 million. The final decisions of the regulator were known after the closure of the accounts of the different companies.

This reflects in the following variation in the financial accounts:

FINANCIAL RESULTS (million EUR)



Year-on-year, 2020 underwent a decrease in financial expenses (capitalised and non-capitalised), which directly relates to the decrease in the volume of debt (reduction by approximately EUR 50 million compared to 2019) as well as in interest rates.

As regards financial earnings, there was growth of EUR 1.5 million, which primarily stems from the drop in penalty interest received (EUR 3.4 million), which arises from how there was interest waived for an amount of EUR 5.2 million in 2019, as recognised under the conclusion of the ARDs (Debt Settlement Agreements).

The net annual result attributable to AdP SGPS shareholders is as follows:

	2018	2019	2020
Adjusted EBITDA	343.0	365.7	374.1
Operating results (with CRD)	165.3	160.9	142.7
Operating results (without CRD)	180.7	199.1	198.0
Financial results	(26.8)	(30.4)	(23.4)
Taxes	(39.0)	(38.8)	(33.9)
NR for the period	99.4	91.8	85.5
NR attributable to minority shareholders	(12.2)	(8.6)	(6.9)
NR attributable to AdP SGPS shareholders	87.3	83.1	78.6

STATEMENT OF FINANCIAL POSITION

ASSETS

Total net AdP Group assets stand at EUR 6 138 million, which represents an increase of approximately EUR 1.6 million on 2019, as a combined result of the changes in current assets (+EUR 95.4 million) and non-current assets (-EUR 93.8 million).

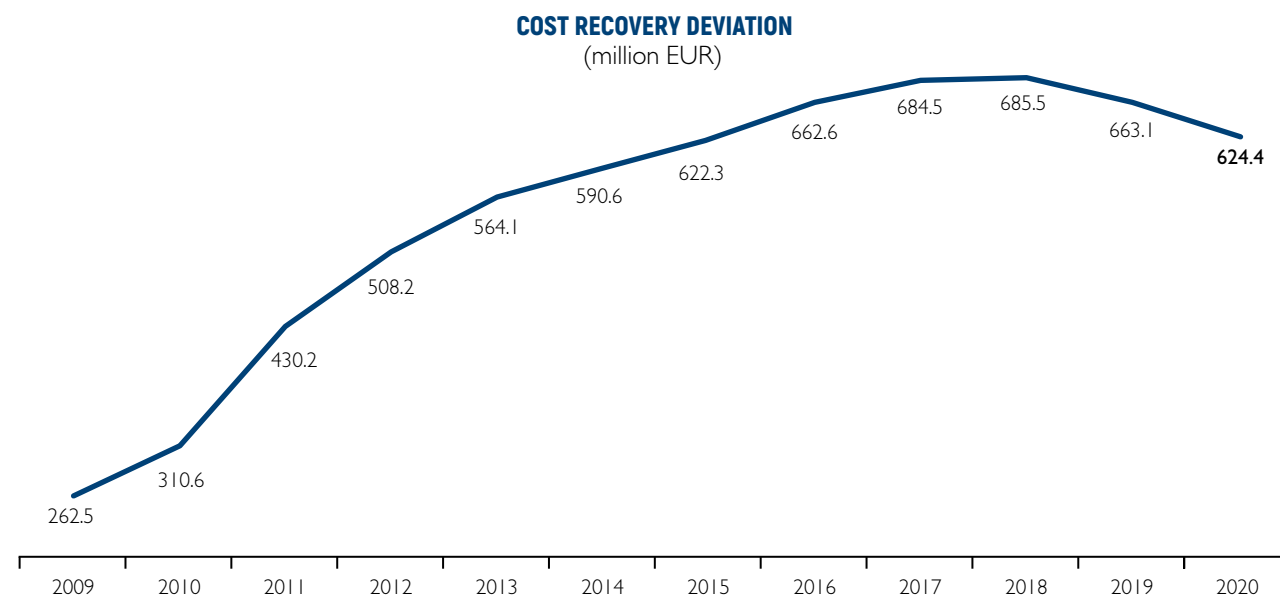
NON-CURRENT OPERATING ASSETS

These assets are made up of i) intangible assets (that essentially correspond to accounting for the right to infrastructure utilisation); ii) tangible fixed assets investment properties; iii) assets under right of use; and iv) the accumulated value of the tariff deficit.

The reduction in tangible assets and intangible assets arises from their continued amortisation during the concession period, which amounted to EUR 234.8 million in the year, which compares with the realised value of the investment, which amounted to EUR 130.7 million). The contractual obligation of the Management Companies of multi-municipal systems to present, at the end of their respective concessions, the fully amortised asset will lead to the AdP Group's net assets showing a decreasing trend despite the rehabilitation and renovation investments made to replenish productive capacity, with movements offset in the evolution of the Investment Grants representing a non-current liability.

COST RECOVERY DEVIATION

Gross CRD in 2020 amounted to a value of EUR 624.4 million, and therefore recording a second consecutive reduction in the historically accumulated total, measured by obtaining an operational surplus in the financial years of 2018 and 2019. This amount is significantly below existing expectations at the date of implementing the tariff consolidation measure in 2015 in accordance with which the estimates for the improvement trajectory of this balance would only be reached in 2026. This progress has been achieved through the crucial consolidation of the managing entities in conjunction with the favourable trends in the national macroeconomic scenario, which has driven a downwards trajectory in the 10-year OT treasury bond yield that serves as the index used to determine the results of both the Multi-Municipal Systems and the State-Municipality Partnerships.

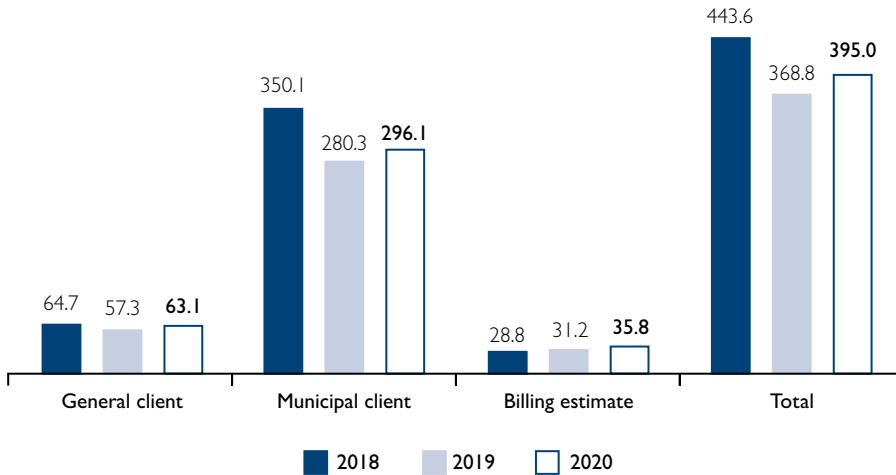


CLIENTS

At the end of the 2020 financial year, gross client debt totalled EUR 395.0 million, of which EUR 286.6 million referred to local government debts for municipalised services and inter-municipalised services and that result from undertaking water distribution and wastewater sanitation activities. This significant reduction, totalling EUR 26.2 million, conveys the effects of the pandemic, particularly in terms of municipal clients, both in meeting the current invoicing and in fulfilling the agreements entered into.

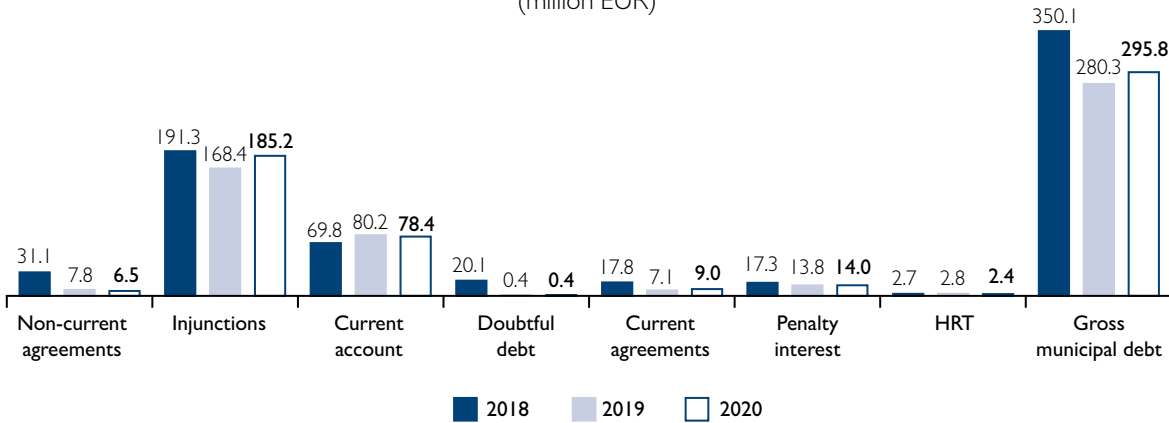
Note that the ARDs signed in 2019 are accounted for as financial assets at fair value through other comprehensive income, with an outstanding amount of EUR 17.6 million and reflecting the receipt of EUR 54.6 million in 2020.

GROSS CLIENT DEBT
(million EUR)



The Municipal Clients debt is broken down as follows:

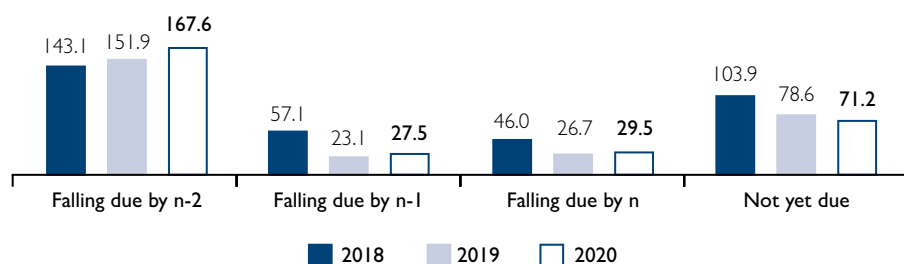
MUNICIPAL CLIENT DEBT*
(million EUR)



* This does not include the amounts relating to an accrual basis/billing estimate

Of greater prominence, the securities (certified) subject to injunction – EUR 185.2 million in 2020, which refer to judicial actions over the coverage stipulated by the Managing Entities and based upon the value of the debts liable for a period of longer than 90 days. Despite this increase, efforts continued to be undertaken during 2020 to normalise relations ongoing between the user and the Management Entities, with the historical processes remaining pendent on judicial resolution.

MUNICIPAL CLIENT DEBT BY AGE (million EUR)



EQUITY

The AdP Group equity, including minority interests, increased by EUR 57.7 million in the year under review to about EUR 1,707.2 million, mainly by the application of the year's results to reserves and retained earnings.

The share capital represented by 86 900 000 shares with a unit value of EUR 5.00, is now totally underwritten and amounting to EUR 434.5 million.

The net results for the period stood at EUR 78.6 million and hence the result per share of EUR 0.90.

LIABILITY

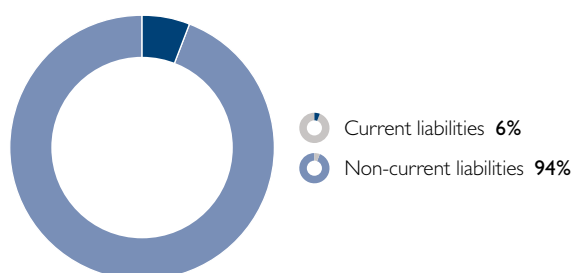
Total Group liabilities decreased by 1.2%, dropping from EUR 4,487.0 million in 2019 to EUR 4,431.5 million in 2020, essentially due to the effect of the drop in remunerated non-current debt.

The non-current liabilities, EUR 4,158.4 million, represent 94% of total liabilities and are composed essentially of: (i) shareholder bonds (with a total value of EUR 551.1 million) and investments loans contracted from the European Investment Bank (amounting to EUR 1,235.0 million); (ii) investment subsidies (with a value of EUR 1,484.0 million); and (iii) increases in contractual investment costs (with a total value of EUR 526.2 million). The year-on-year decrease in the non-current liabilities balance, totalling EUR 60.8 million, stems essentially from amortising medium- and long-term financing worth a total value of EUR 50.3 million.

The current liabilities, with year-to-year growth of 2.0%, stand at EUR 273.1 million and essentially contain: (i) loans obtained corresponding to the 2021 amortisation of medium to long term loans (with a total value of EUR 80.6 million); (ii) suppliers (with a total value of EUR 54.7 million), (iii) leasing debt (EUR 10.2 million), (iv) tax on earnings and debts to the state (EUR 35.5 million) and other current liabilities and accruals and deferrals (amounting to EUR 92.0 million).

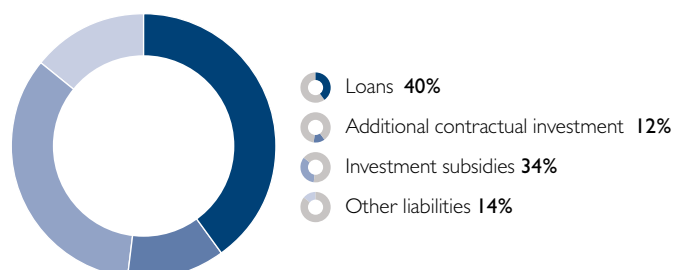
DISTRIBUTION OF THE LIABILITIES

2020



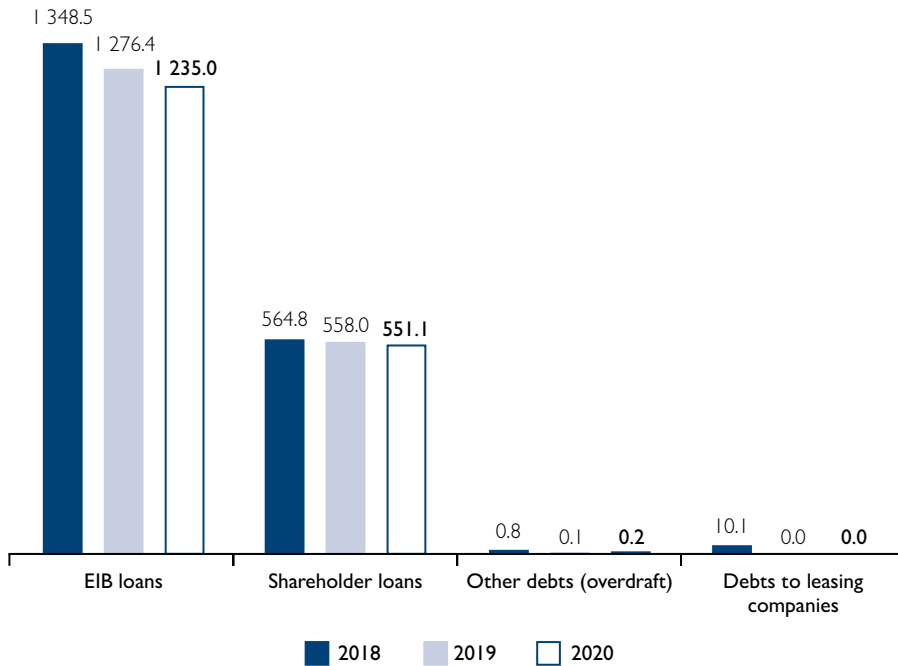
COMPOSITION OF THE LIABILITIES

2020



The Loans total item amounts to EUR 1,786.4 million and has displayed a continuous downwards trend (almost 25% in the period between 2016 and 2020). In effect, from 2015 onwards, the AdP Group has cut its gross indebtedness by EUR 572.0 million through applying the resources returned by operations and the reduction in cashflow availabilities.

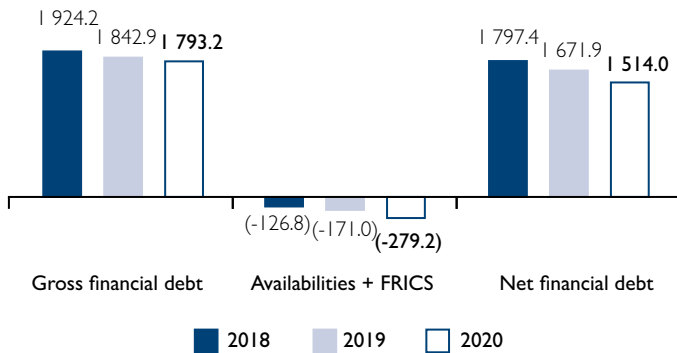
COMPOSITION OF THE LIABILITIES
(million EUR)



The net financial debt indicator also reflects the Group’s continued efforts to reduce it. The items Availabilities and Financial Applications contribute to this indicator which, in 2020, achieved a total value of EUR 279.2 million.

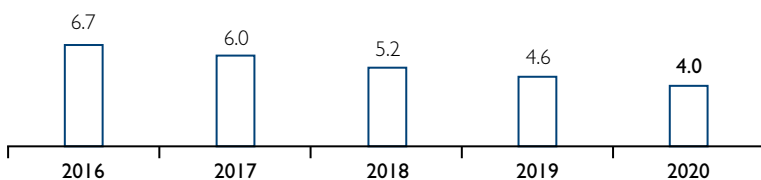
Furthermore, in the context of indebtedness, IFRS 16 was adopted with effect from 1 January 2019, which recognises debts to leasing companies as amounts to be reported under the liability heading “Lease Liabilities”.

FINANCIAL DEBT
(million EUR)



The centralised financial management has focused its activities on Group financial consolidation and has been continuously and sustainably reducing the ratio of net debt to adjusted EBITDA in consolidated terms. The trend in this indicator is indicative of the Group’s growing capacity to generate operating liquidity to meet its existing financial commitments.

NET DEBT/ ADJUSTED EBITDA

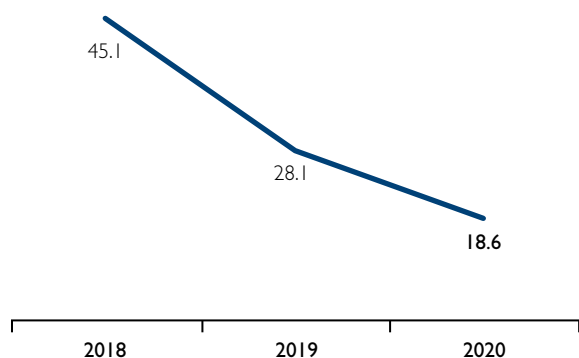


The increased earnings item relative to investment subsidies reports the amounts recognised in the results in an identical proportion to the recognitions of the amortisations of subsidised investments. In 2019, this total stood at EUR 1,484.0 million. As with the asset item, in terms of the concessions, the balance of this item is to be annulled.

During the 2020 financial year, around EUR 18.6 million were received in non-repayable subsidies. The reduction in comparison with previous years reflects the end of AdP Group works that could be eligible for co-financing. The AdP Group will continue to make all necessary efforts so that its investment operations can benefit from non-refundable co-financing.

INVESTMENT GRANTS RECEIVABLE

(million EUR)

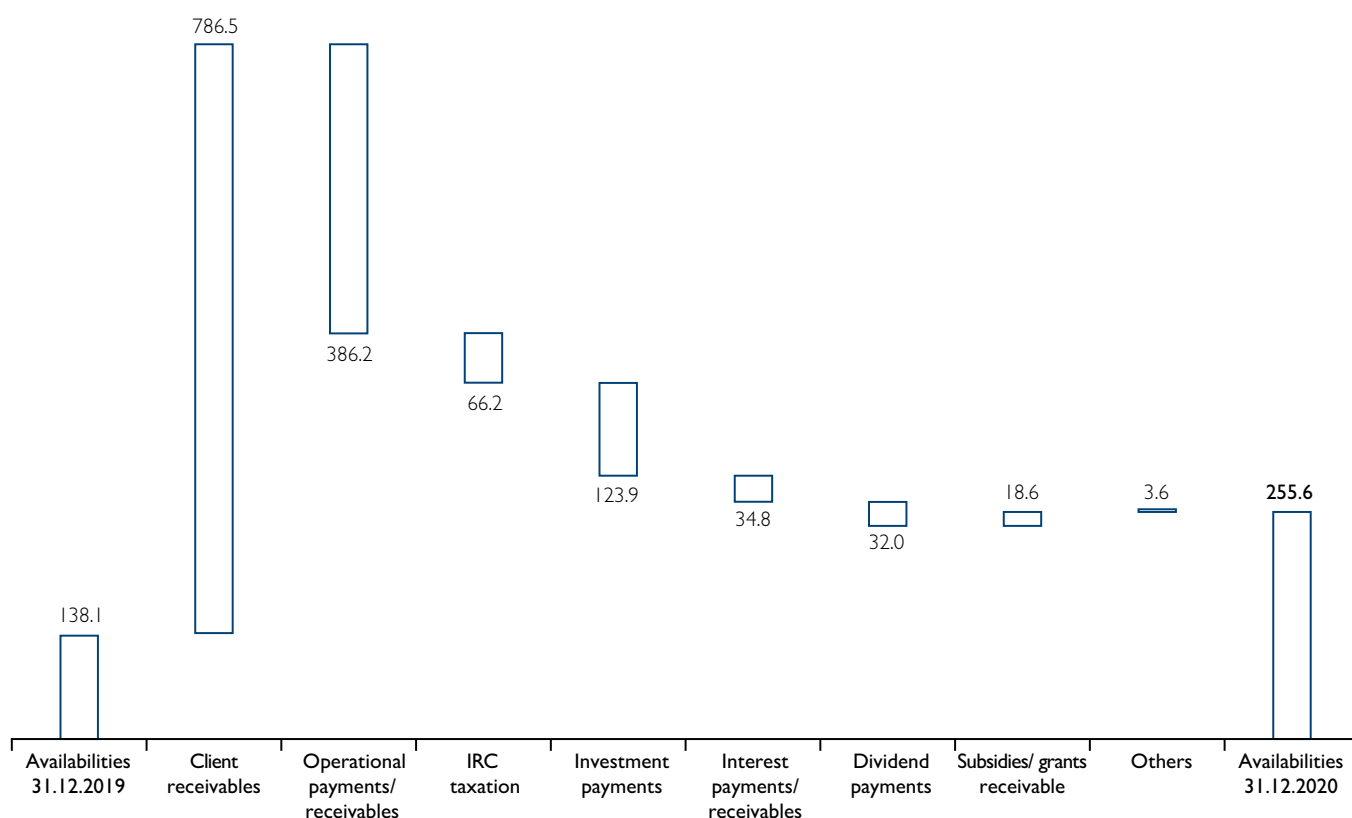


This should also highlight that the increased contractual investment costs item rose by 6.6% year-on-year. The total of EUR 526.1 million, reflects the quota-share of the charges estimated from contractual investment expenditure not yet incurred as well as the investments in expansion and modernisation approved by the concession authority. To the extent that this investment advances, the corresponding amounts are transferred to the accumulated amortisations item.

CASH FLOW STATEMENT

The following tables set out the main sources of cash flow for the year of 2020:

CASH FLOW STATEMENT



FINANCIAL ANALYSIS OF INDIVIDUAL ACCOUNTS

2020

ACTIVITY FRAMEWORK

The performance of the AdP Group is based on the goals of the Strategic Plan for the Water Supply and Wastewater Sanitation Sector (PENSAASAR 2020) published by Order N°. 4385/2015 of 30 April.

The prevailing business model is based on three management models: **(i)** delegated or concession management for state-owned systems; **(ii)** concession for multi-municipal systems, constituted by the State and municipalities; and **(iii)** management of systems constituted in Partnerships between the State and Municipalities.

The Concession and Partnership contracts define the rules for the operation and management of the respective systems, on an exclusive basis for a period of twenty to fifty years and establish the criteria for setting and approving the tariffs to be charged by the companies each year, in order to ensure the adequate financial balance of the Concessions and Partnerships.

With effect from 1 August 2020, a reorganisation between AdP and its subsidiary AdP Valor (previously named AdP Serviços) was carried out with the activities related to information systems, legal, procurement and general support, hitherto undertaken by the subsidiary, were transferred to AdP.

THE RESULTS

AdP SGPS closed 2020 with a Net Profit of EUR 60.6 million, which represents a decrease of 7% compared to the 2019 result, EUR 65.2 million.

Earnings per share decreased from EUR 0.75 in 2019 to EUR 0.70 in 2020.

The reduction of EUR 4.6 million in Net Profit, compared to 2019, is essentially due to a decrease in Financial Results of approximately EUR 6.4 million, particularly the reduction in financial income, due to the lower distribution of dividends from subsidiaries. This reduction results from the evolution of the rate of the 10-year Treasury Bonds which is a determinant of the net results of the managing entities of the Multi-municipal Systems and State-Municipal partnerships. Since 2018, this indexer presents a decreasing evolution, having gone from 1.84% in that year, to 0.75%, in 2019, and 0.41%, in 2020.

Simultaneously, the year 2020 reflects the improvement of the Operational Result in about EUR 2.5 million, based on: **i)** the growth of the management fee charged to the Group companies; and **ii)** the revenue for the activities that were performed by AdP Valor, until August 2020, transferred to AdP SGPS. Regarding the management fee, the increase is mainly explained by the trend in the Business Turnover and by the inclusion of the subsidiary AdAM, which launched its activities in January 2020.

In terms of operating expenses, due to the corporate reorganisation made in August 2020, with the integration in AdP SGPS of three departments previously belonging to the organisational structure of AdP Valor, there was an increase in Personnel Costs (+ EUR 1.1 million), and a decrease in External Supplies and Services (ESS) (-0.8 million EUR).

As a result of the above, the operational efficiency indicator represented by the weighting of Operating Expenses over Business Turnover (GO/MN), reflects a greater operational robustness, decreasing 11.0%, from 73.9% in 2019 to 62.9% in 2020.

Also noteworthy is the improvement in the EBITDA indicator, which registered the total of EUR 5.7 million in 2020, which represents annualised growth of almost 95%. This performance results from the increase in the business turnover as explained above.

MEUR

	2018	2019	2020	VARIATION 2020/2019	
				AMOUNT	%
Operational earnings	11.1	11.4	14.5	3.1	27%
Business Turnover	11.1	11.3	13.9	2.5	22%
Other income and operational gains	0.0	0.1	0.7	0.6	575%
Operational costs	8.8	8.6	9.0	0.4	4%
Supplies and external services	4.6	3.6	2.8	(0.8)	(22%)
HR costs	4.0	4.8	5.9	1.1	24%
Amortisations, depreciations and reversions	0.0	0.2	0.2	0.0	18%
Other costs and operational losses	0.1	0.1	0.1	0.0	(34%)
Operational results	2.3	3.1	5.6	2.5	81%
Financial results	61.2	66.8	60.4	(6.4)	(10%)
Net result	59.5	65.2	60.6	(4.6)	(7%)

More detailed analysis of the 2020 financial year and the main operating items in the AdP SGPS profit structure demonstrates that:

- The 22% increase (EUR 2.5 million) in Business Turnover derives from: i) EUR 835,000 for management fees charged to subsidiaries, with 97% of that increase received from AdAM (EUR 486,000), AdNorte (EUR 168,000) and AdVT (EUR 155,000); and ii) EUR 1,701,000 regarding information system, legal, procurement and general support related activities, historically undertaken by AdP Valor.
- The 22% reduction in ESS (EUR 0.8 million), reflects the continued effort to contain costs particularly targeting items under the auspices of Specialised Work (EUR 0.8 million), especially Technical Advice, which records the costs charged for shared services. This reduction is attributed to the organic structure of AdP Valor.

Additionally, there were significant year-on-year reductions in the expenses incurred with Financial Advisory (58%), Legal Advisory (54%) and Studies and Consultancy (62%).

- For the reason explained in the previous bullet, the Personnel Costs item increased by 24% (EUR 1.1 million), which reflects the integration of the 38 employees assigned to the transferred departments, of whom 34 held active employment contracts at the year end.

On the other hand, there was a reduction of EUR 23,000 in Corporate Bodies related expenses, essentially associated with the departure of 2 directors in 2019 (June and November), and the subsequent appointment of new members only taking place in May 2020.

This also reports the effects of applying IFRS 16 to operation vehicle leasing contracts with an impact of EUR -278,000 on the ESS item. According to this norm, all leasing is now accounted for on the balance sheet in accordance with the single model similar to the model for reporting financial leases. The assets are reported on the balance sheet as right-of-use assets and with the liability item detailing the responsibility for the debt to the lessor. The costs of asset amortisations and of financial charges associated with leasing liabilities are reported in the statement of results.

The inclusion of additional costs should also be noted as caused by the effects of the Covid-19 pandemic, amounting to around EUR 14,000, resulting from measures and costs due to prevention, cleaning and worker protection under the auspices of company contingency plans.

Likewise, more detailed analysis is made regarding the company Financial Results that totalled about EUR 60.4 million, reflecting a reduction of 6.4% compared to 2019.

MEUR

	2018	2019	2020	VARIATION 2020/2019	
				AMOUNT	%
Financial income	20.9	20.4	19.9	(0.4)	(2%)
Financial costs	5.7	5.3	4.5	(0.8)	(15%)
Financial investment Gains / Losses	46	51.8	45.0	(6.8)	(13%)
Financial Results	61.2	66.8	60.4	(6.4)	(10%)

This variation in financial results was essentially due to:

- The EUR 6.8 million reduction in Financial Investment Gains and Losses corresponds to the dividends paid out by subsidiaries. The largest variations occurred at EPAL (EUR +2.7m), in contrast with AdSA (EUR -5.3m), AdA (EUR -3.7m) and AdTA (EUR -0.8m). Also of note is the variation in impairment losses, which recorded EUR 5,000 in 2020, relating to the appropriation and reversal of impairments for investments in subsidiaries and for shareholder loans granted, whereas 2019 had seen the registration of an additional EUR -330,000 in strengthening impairment reinforcements at AdP Internacional.
- The reduction in financial income of EUR 42.6 million mainly stems from the decrease in commissions charged to subsidiaries for the EIB provided guarantees in the context of their contracted financings (EUR 287,000) and the interest charged on supplements and treasury support granted to subsidiary companies (EUR 139,000).
- The downturn in financial expenses of EUR 810,000 stems mainly from: i) the reduction in the outstanding capital on subsidiary company debts to the EIB, thus, the amount that incurs the commission for the guarantee supplied by the Portuguese State; ii) the decrease in the outstanding principal of the Bond Loans; and iii) recognition of negative fair value, resulting from the cancellation of a cash flow hedge derivative (interest rate swap), in January 2020, before the end of its maturity (January 2023).

STATEMENT OF FINANCIAL POSITION

KEY ITEMS

MEUR

	2018	2019	2020	VARIATION 2020/2019	
				AMOUNT	%
Investments in subsidiaries and associates	708.2	711.6	712.7	1.1	0%
Group company loans	771.2	765.2	708.6	(56.6)	(7%)
Clients	2.9	4.2	5.9	1.7	41%
Cash and cash equivalents	5.2	16.5	11.5	(5.0)	(30%)
Total assets	1 488.80	1 498.3	1 440.3	(58.0)	(4%)
Equity	785.2	823.9	857.3	33.4	4%
Loans - medium and long term	558	551.1	544.3	(6.8)	(1%)
Loans - short term	132.4	110.8	28.8	(82.0)	(74%)
Total liabilities	703.6	674.4	583.0	(91.4)	(14%)

ASSET

The company's net total assets dropped by EUR 58.0 million during 2020, mainly due to:

- The reduction of EUR 56.6 million, compared to 2019, resulting from the subsidiary financing operations. As at 31 December 2020, the value of shareholder loans was EUR 51.3 million lower and Treasury Support was EUR 5.5 million higher. This should also note the reversal of impairment on loans granted for the amount of EUR 150,000. The aforementioned reduction is materially justified by 2020 being greatly conditioned by the Covid-19 pandemic that substantially restricted the subsidiaries from executing their investment plans.
- The increase of EUR 1.2 million related to Investments in subsidiaries and associates, stems from the share capital increase in the subsidiaries AdAM (EUR 0.37 million) and AgdA (EUR 0.62 million), having additionally covered the losses at AdP Internacional (EUR 0.22 million).

As at 31 December 2020, the accumulated value of the financial investments was EUR 732.8 million. For the purpose of reconciliation with the table above, we note that there are, both in 2020 and 2019, accumulated impairment losses with the following breakdown: EUR 15.5 million for AdP Internacional (EUR 15.4 million in 2019) and EUR 4.7 million for AdP Energias (EUR 4.6 million in 2019)

- c) The increase of EUR 1.7 million in the Customers item, essentially composed of subsidiary debts (management fees and interests), both for invoiced amounts (EUR 2.6 million) and accrued income (EUR 3.4 million), with the entities most greatly contributing to this variation being AdNorte, AdA, AdTA and AdCL. Furthermore, due to the AdP Group corporate reorganisation process, on August 1st, 2020, the activities previously developed by AdP Valor (formerly named AdP Serviços), were transferred to AdP SGPS, which implied an increase in customer contract revenues (+EUR 1.3 million).
- d) The decrease of EUR 5.0 million in Cash and cash equivalents.

SUPPLEMENTS

MEUR

COMPANY	2018	2019	2020	VARIATION 2020/2019
Águas do Norte	313.5	306.3	298.1	(8.1)
Águas do Vale do Tejo	88.1	100.8	90.9	(9.9)
Águas do Centro Litoral	71.3	71.8	72.9	1.1
AgdA - Águas Públicas do Alentejo	49.5	48.6	28.2	(20.5)
AdRA - Águas da Região de Aveiro	57.6	57.8	57.4	(0.4)
Águas do Douro e Paiva	39.1	29.5	23.0	(6.5)
Águas do Algarve	33	25.0	20.0	(5.0)
SIMDOURO	45.8	50.0	48.0	(2.0)
AdAM - Águas do Alto Minho	0	0.0	0.0	0.0
AdP Valor	0	0.0	0.0	0.0
AdP Internacional	2	1.7	1.7	0.0
AdP Energias	0	0.0	0.0	0.0
Águas do Brasil	0.1	0.1	0.1	0.0
Trevo Oeste	0.1	0.1	0.1	0.0
Total	700.2	691.7	640.4	(51.3)

TREASURY SUPPORT

MEUR

COMPANY	2018	2019	2020	VARIATION 2020/2019
Águas do Norte	14.4	26.3	6.5	(19.8)
Águas do Vale do Tejo	30.0	21.9	30.9	9.0
Águas do Centro Litoral	5.6	7.8	6.9	(0.9)
AgdA - Águas Públicas do Alentejo	4.0	6.5	5.5	(1.0)
AdRA - Águas da Região de Aveiro	2.8	4.2	5.4	1.2
Águas do Douro e Paiva	0.0	0.0	0.0	0.0
Águas do Algarve	9.4	5.0	8.5	3.5
SIMDOURO	4.0	2.0	0.0	(2.0)
AdAM - Águas do Alto Minho	0.0	0.0	2.0	2.0
AdP Valor	0.0	0.0	0.0	0.0
AdP Internacional	0.9	0.0	2.5	2.5
AdP Energias	0.0	0.0	0.0	0.0
Águas do Brasil	0.0	0.0	0.0	0.0
Trevo Oeste	0.0	0.0	0.0	0.0
Total	71.0	73.7	68.2	(5.5)

EQUITY

AdP Equity experienced a year-on-year surge of EUR 33.4 million to come in at EUR 857.3 million. This also highlights the variations deriving from the application of the 2019 results, specifically the establishing of a legal reserve of EUR 3.3 million, the distribution of dividends totalling EUR 27.5 million, with the remaining amount applied to raising the results carried over by EUR 61.9 million.

LIABILITY

Company liabilities fell back by EUR 91.4 million in comparison with 2019, amounting to EUR 583.0 million at the end of 2020. This variation is justified mainly by the amortisation of Loans obtained from Group companies with surpluses, under the centralised cash management (EUR 82.0 million) procedures and as well as the effects of shareholder loan amortisations (EUR 6.8 million).

The total of long-term loans contains shareholder loans with a total value of EUR 544.3 million with bullet maturity in 2022 (EUR 150 million), 2023 (EUR 200 million) and 2027 (EUR 150 million).

The remunerated short-term loans include those obtained from Group companies with treasury surpluses for periods of less than twelve months and amounting to EUR 22 million at the end of December 2020. This also reports the short-term shareholder loans, paid in constant capital instalments of EUR 6.8 million per annum until 2028.

The structure of the AdP SGPS banking debt, per maturity, is thus the following:

MEUR

	2018	2019	2020
Up to 1 year	6.8	6.8	6.8
From 1 to 3 years	13.6	163.6	363.6
Over 3 years	544.3	387.5	180.7
Total	564.8	558.0	551.1

CASH FLOWS

Company operational activities generated EUR 18.1 million in 2020, registering an annualised rise of 1% (EUR 0.25 million). This variation primarily resulted from an increase of EUR 2.3 million in Cash Receipts from Clients (6%). However, this positive reflection is partially offset by the unfavourable increase in Payments to Staff of EUR 0.9 million (+17.0%), in Payments to Suppliers of EUR 0.2 million (+6%), as well as in Income Tax Payments of EUR 0.8 million (+20%).

As regards the investment activities, the positive balance of EUR 100.5 million (up 85% on 2019) derives primarily from the balance between the supplements and treasury support for financing company subsidiaries and their respective reimbursements.

The financing activities with a negative balance of EUR 123.6 million reflect above all on the movements in the loans item with amortisation and concession values greater than the reimbursements obtained in conjunction with the dividends paid to the shareholder amounting to around EUR 27.5 million.

The net debt of AdP SGPS at the end of the financial year was in the region of EUR 561.6 million, down EUR 83.9 million on the position at the end of 2019.

The variation in cash and cash equivalents, negative by EUR 5.0 million, contributed to the financial year ending balance that amounts to EUR 11.5 million.

SUBSEQUENT EVENTS

There are no subsequent events, transactions or changes that affect the content detailed in this Management Report, nor does it affect the Financial Statements reporting and/or their contents as at 31 December 2020.



OUTLOOK

// WE NEVER STOP //

The three-year term of the present mandate corresponds to an extremely demanding cycle in terms of the dimension, complexity and execution schedule for the European funding supported investment program. In addition, there is the imperative need to neutralise the serious repercussions of the pandemic associated with Covid-19, assuming a relevant role in social stabilisation, leveraging economic recovery and inducing evolution in the social paradigm.

The pandemic made the value of water and the relevance of the water supply and wastewater treatment services to public health and the environment even more evident.

The pandemic also highlights how important it is to build a higher level of resilience into this essential service sector, a response susceptible to catalysation by further promoting the circular economy in the water sector.

In comparison with other countries, we may affirm that Portugal is on the right track in terms of water management: supply service coverage rates are high and water quality has reached increasing levels of excellence; much work has been done to improve management in a context of scarcity, in particular by strengthening origins, promoting alternative sources for treated wastewater and raising awareness and promoting water efficiency, among other actions; with regard to sanitation, the quality of bathing waters stands out, as attested to by the increasing number of blue flags in Portugal, which places the country above the European average according to European Environment Agency data.

AdP Group is a major contributor to this evolution and, through the Strategic Commitment Framework, positions itself as an essential pillar in the response required to meet new societal and environmental challenges.

In the framework of our strategy for the decade of sustainability, the challenges of adding social utility, meeting environmental demands, obtaining efficiency gains and exceeding quality standards in the scope of water supply and wastewater treatment services are integrated in three axes responding to the dynamics associated with: climate change, decarbonisation, digital transformation and the circular economy.

With our focus on people and organisation, we will promote a group culture through symbioses with the communities we serve and by intensifying the continuous search for best practices in terms of the governance model, organisation and operation, valuing human capital, encouraging knowledge and proximity to the market.

In the axis of service excellence and with the focus on customers and our service users, we determined the need to safeguard strict criteria in the areas of resilience, efficiency, quality and the prerequisite of the economic sustainability of the systems.

In this axis, and considering a risk management framework for critical scenarios, such as climate change and pandemics, the AdP Group's priority is to strengthen resilience in water supply, either through the interconnection of systems with diverse origins, or through the interoperability and redundancy of critical infrastructures.

The improvement of hydric and energy performance, the reduction of losses and undue inflows, and the feasibility of new solutions to optimise the operation of wastewater treatment plants are some examples of priority areas that we have identified in terms of operating efficiency.

As far as the social utility axis is concerned, the goal is to boost the dynamics of response to the major challenges facing the management of the urban water cycle and the transition from a linear economy to a circular, carbon-neutral economic model.

The circular economy allows us to further enrich our activities which, in essence, already incorporates these principles. Our priority is to ensure the implementation of existing plans to produce water for reuse from treated wastewater, as well as to give a new destination to the main waste generated in its activity, through the valorisation of sludge in the energy and agricultural sectors.

In this axis, particular emphasis is given to the decarbonisation dynamics, materialised in the ZERO of the AdP Group energy neutrality program, which promotes consumption efficiency and self-production using 100% renewable energy, based on the assets and by-products of our operations. This is an integrated programme that reconciles the reduction of energy consumption and the growth in own production of 100% renewable energy, allowing us to achieve energy neutrality in 2030 and thus positioning AdP Group as the first international group to achieve energy neutrality in all its national and international activities worldwide.

The Group's innovation agenda naturally favours technological development oriented towards the sector, focusing on efficiency, circular economy and carbon neutrality.

The critical success factors of the Strategic Commitment Framework include:

- Institutional commitment to enable the execution of the strategy.
- The adequacy, in due time, of the Group's Human Capital, from attraction, hiring and retention, to qualification, mobility and recognition of merit.
- The ability to develop new business models, in line with the valorisation of resources and the circular economy, decarbonisation and adaptation to climate change, fostering new opportunities, in particular in the articulation between the high and low systems.
- Harmonisation and alignment of the Group's processes and digital platforms to ensure transversality, simplification and efficiency within the framework of the necessary organisational multi-polarity.
- The commitment of all stakeholders, supported by an internal and external communication model that promotes the necessary change of mentalities, to ensuring multidisciplinary, knowledge sharing and the convergence of objectives.

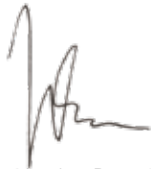
FINAL CONSIDERATIONS

The Board of Directors welcomes the collaboration of all those who contributed to the AdP Group's operational and financial performance during 2020, highlighting:

- the employees, for all of their dedication, competence and professionalism, especially demonstrated by the availability and capacity shown in the response to the challenges brought about by the Covid-19 crisis.
- the managers of Group companies who implemented and continue to daily implement our common mission in the terrain, always with the maximum commitment and striving each year to provide higher quality services, and for the availability and capacity shown in the response to the challenges brought about by the Covid-19 pandemic.
- trade unions and worker representatives for the challenges they propose and for helping us to jointly overcome them.
- the members of the corporate bodies for the cooperation provided and their assistance in the resolution of the various challenges posed by the additional increase in legal obligations.
- the shareholders, for the guidelines, commitment, trust and support granted and their constant availability.
- clients, private partners and financial institutions for their renewed confidence.
- the Technical Support and Monitoring Unit for monitoring and guidance as well as their constant availability for the clarification of doubts and the construction of solutions.
- the Regulatory Entity, for its availability and collaboration, as well as the willingness to build balanced and long-lasting solutions.
- the official national and international environmental sector entities for their encouragement.
- ministers and the other members of the ministries overseeing and contributing to the AdP Group sector.

Lisbon, 9 April 2021

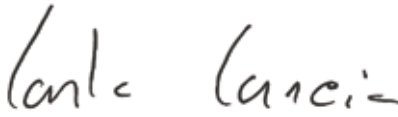
The Board of Directors



José Carlos Atháide dos Remédios Furtado
(Executive Chair)



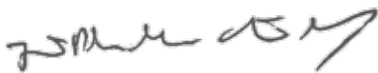
José Manuel Leitão Sardinha
(Vice Executive Chair)



Carla da Conceição Afonso Correia
(Executive Director)



Catarina Isabel Clímaco Monteiro d'Oliveira
(Executive Director)



João Pedro Moura Castro Neves
(Executive Director)



Jaime Serrão Andrez
(Non-executive Director)

PROPOSED APPLICATION OF RESULTS

The net annual result of AdP, SGPS amounted to EUR 60,565,736.00 EUR (sixty million, five hundred and sixty-five thousand, seven hundred and thirty-six euros).

The Board of Directors, in accordance with article 19 of the articles of association and articles 31 to 33 and 66 of the Portuguese Companies Code, proposes that the net profit / loss for the financial year of 2020, calculated in the individual financial statements, receives the following application:

For the legal reserve - EUR 3,028,286.80 (three million, twenty-eight thousand, two hundred and eighty-six euros and eighty cents);

For retained earnings - EUR 30,037,449.20 (thirty million, thirty-seven thousand, four hundred and forty-nine euros and twenty cents);

For distribution as dividends - EUR 27,500,000.00 (twenty-seven million, five hundred thousand euros).

Lisbon, 9 April 2021

REPORT OF THE NON-EXECUTIVE DIRECTOR

REPORT OF THE NON-EXECUTIVE DIRECTOR ON THE PERFORMANCE OF THE EXECUTIVE DIRECTORS

I. INTRODUCTION

In the capacity of Non-Executive Directors, pursuant to Article 7 of Decree-Law 8/2012 of 18 January, the presentation of a report on the performance of the Executive Directors is required.

2. ACTIVITY

Pursuant to the law and the performance of the powers established by the Public Manager Statute and the company's Articles of Association, I monitored, with the limitations resulting from the powers of non-executive director, the management of the company over the 2020 financial year. I am therefore in a position to report on the performance of the company's Executive Directors and on any relevant facts worth mentioning.

The accounts reporting to 31 December 2020 adequately comply, to the best of my knowledge and in general terms, with the specific legal framework for businesses integrating the State-owned corporate sector and they provide a correct picture on the economic and financial situation of the company.

It should be noted in particular that the legal guidelines were complied with by the company in the 2020 financial year. The rules and principles of Good Governance Practices established by Decree-Law 133/2013 of 3 October and the regulations issued on the matter by the General Directorate of Treasury and Finance as well as the strategic guidelines on the role of shareholders have also been complied with.

The non-financial reporting components include the Sustainability Report which, insofar as I could witness, was prepared according to the best practices in force and according to the United Nations guidelines and is, to the best of my knowledge, a clear picture of the activities performed by the company in this particular field.

Furthermore, the report presented about the impacts and expectations regarding the company in the current context of the ongoing COVID-19 pandemic reflects the best information available at this time and the great efforts deployed by the company and its Management Bodies in maintaining the possible regularity of the company's operations, protecting the health of its employees as well as strict compliance with the guidelines of the Government and Health Authorities, specifically those set out by the Contingency Plan in effect.

3. OPINION

As a result of the activities undertaken and the monitoring performed, to the present date nothing has come to my attention that prevents me from expressing an overall positive assessment of the performance of the Executive Directors. I can also herein report their extensive commitment and diligence in conducting the business, always bearing in mind compliance with the law and the strategic guidelines received from the relevant Sector and Financial Authorities as well as the efficiency and specific objectives defined, particularly as regards the containment of expenditure and the financial and economic valuations of the different business areas, and an excellent capacity for relations with the various stakeholders, in particular the PARPÚBLICA shareholder, in the performance of their public service.

Lisbon, 9 April 2021

The Non-executive Director
(one illegible signature)
Jaime Serrão Andrez

RELATÓRIO DO ADMINISTRADOR NÃO EXECUTIVO

RELATÓRIO DO ADMINISTRADOR NÃO EXECUTIVO SOBRE O DESEMPENHO DOS ADMINISTRADORES EXECUTIVOS

I. INTRODUÇÃO

Nos termos do artigo 7º do Decreto-Lei 8/2012, de 18 de janeiro, os Administradores não executivos devem apresentar um relatório sobre o desempenho dos Administradores Executivos.

2. ATIVIDADE

Nos termos da Lei e no exercício das competências que o Estatuto do Gestor Público e os estatutos da sociedade determinam, acompanhei, com as limitações decorrentes da qualidade de administrador não executivo, a gestão da empresa ao longo do exercício de 2020, podendo por isso dar nota do desempenho dos Administradores Executivos, e de eventuais factos relevantes que importe destacar.

Tanto quanto é do meu conhecimento, as Contas reportadas a 31 de dezembro de 2020, cumprem, em termos gerais, o quadro normativo específico vigente para as empresas que integram o Setor Público Empresarial, e constituem um retrato adequado da situação económica e patrimonial da empresa.

Saliento, também que as orientações legais foram cumpridas pela sociedade no exercício de 2020 tendo sido respeitadas as normas e os princípios do bom governo, definidas no Decreto-Lei nº 133/2013, de 3 de outubro, e nos regulamentos emitidos sobre a matéria, pela Direção Geral do Tesouro e Finanças, bem como orientações emanadas no âmbito da função acionista.

Entre os elementos de reporte não financeiro inclui-se o Relatório de Sustentabilidade que, tanto quanto me foi possível acompanhar, foi preparado com as Melhores Práticas existentes, e com os referenciais das Nações Unidas, e constitui, tanto quanto é do meu conhecimento, um retrato fiel da atividades desenvolvida pela empresa neste âmbito.

Também o reporte apresentado sobre os impactos e expetativas possíveis sobre a evolução da empresa no contexto de pandemia COVID-19 reflete a melhor informação disponível à data e um esforço grande da empresa, dos seus órgãos de gestão na manutenção da regularizada possível de funcionamento da empresa, de defesa da saúde dos seus colaboradores e colaboradoras, bem como o cumprimento estrito das orientações do Governo e das Autoridades de Saúde, nomeadamente plasmado no Plano de Contingência desenvolvido.



3. PARECER

No âmbito da atividade desenvolvida e do acompanhamento efetuado, nada chegou até à presente data, ao meu conhecimento que nos impeça de manifestar uma apreciação globalmente positiva sobre o desempenho dos Administradores Executivos, podendo ainda dar testemunho do seu empenho, rigor e diligência na condução dos negócios da sociedade, tendo sempre em vista o cumprimento da Lei, de orientações emanadas pelas respetivas Tutelas – Setorial e Financeira –, bem como da eficiência na gestão e os objetivos específicos definidos para a mesma, designadamente a contenção da despesa e a valorização económico-financeira das diferentes áreas de atividade e uma excelente capacidade de relacionamento com os diferentes stakeholders, nomeadamente o acionista PARPÚBLICA, na concretização do serviço público.

Lisboa, 9 de abril de 2021

O Administrador não Executivo

A handwritten signature in black ink, appearing to read 'Jaime Serrão Andrez', with a large, sweeping flourish extending to the right.

Jaime Serrão Andrez

ANNEX I

COMPLIANCE WITH LEGAL GUIDELINES

For the purposes of demonstrating Compliance with the Legal Orientation of AdP SGPS, this followed the structure and the instructions on the accounts rendering process for 2020 (circular letter SAI_DGTF/2021/174 - DSPE of 12/01/2021).

1. MANAGEMENT OBJECTIVES (ARTICLE 38 OF RJSPE) AND ACTIVITY AND BUDGET PLAN

A) MANAGEMENT OBJECTIVES

The objectives of the AdP Group are determined by government policies for the sector, through guidelines set out in the strategic plans applicable to its areas of activity, by general guidelines issued by ministerial order and by specific guidelines of the shareholders. Under the terms of the legal regime of the business sector of the State and the Public Manager Statute, the State, as an indirect shareholder, defines the strategic guidelines.

The Board of Directors in office on 31 December 2020 was elected, for the mandate 2020-2022, on 4 May 2020, in the midst of a State of Emergency, arising from the current Covid-19 pandemic context. The strategic guidelines, objectives and management indicators and respective quantifiable targets for the 2020-2022 mandate have not yet been set, pending their approval in light of the Programme of the 22nd Constitutional Government and the exceptional measures approved by the Government in the current context of the Covid-19 pandemic.

Notwithstanding the above, the Board of Directors acted in 2020 in accordance with the legal determinations in force and with the guidelines transmitted to it by the holder of the shareholder position and by the Sectoral and Financial Guidance, in particular and without being exhaustive, through the development of contributions and measures to leverage the national economy in the particular and difficult context of the Pandemic, focusing on innovation, resilience, energy and carbon neutrality, the circular economy and solidarity with shareholder partners, also ensuring compliance with its Mission, reinforced by the order of the Sectoral Guidance (Order no. No. 3547-A/2020, of 23 March), through the continuous and uninterrupted provision of an essential public service of excellence and safeguarding the public health of the community.

Moreover, the Board of Directors of AdP SGPS challenged all managers and employees of the Águas de Portugal Group to build a Strategic Commitment Framework that aims to establish a mobilising path that will consolidate our shared and affirmative vision.

As the Águas de Portugal Group is one of the most efficient and sustainable international operators in water management, due to its focus on excellence in customer service, innovation, resilience, energy and carbon neutrality and the circular economy, its general strategic guidelines were defined, in 3 fundamental axes, which encompass 12 strategic challenges, materialised in an action programme for the three-year period 2020-2022.

B) IMPLEMENTATION OF ACTIVITY AND BUDGET PLANS FOR 2020

Under article 39, para. 6, of Decree-Law no. 133/2013, of 3 October, AdP SGPS made, presented and submitted the proposal of Activity Plan and Budget (PAO) for 2020, in December 2019. This proposal was approved by Order no. 78/2020-SET of 09/03/2020 and Order no. 51/SEAMB/2020 of 08/04/2020.

AdP SGPS based its budget exercise and monitored its execution, especially as regards the financial principles contained in the State Budget Law. The execution of the budget included in the 2020 approved PAO for AdP SGPS, reflects the general compliance with the financial principles and operational targets set for 2020.

Considering the reorganisation that occurred in the 2nd semester of 2020, the PAO values were revised in order to include the amounts allocated to the transferred departments, corresponding to the AdP Valor share of the approved PAO 2020.

The main financial execution indicators are displayed in the following table:

	UN.	2020	BUD 2020	IMPLEMENT.	OBSERVATIONS
EBITDA*	EUR	5 742 724	2 844 554	202%	Increase in EBITDA through the positive contributions of business turnover and ESS's.
CMVC + ESS + Personnel costs	EUR	8 715 332	11 596 822	75%	Reduction in ESSs and personnel costs.
GO / VN	%	62.9%	80.4%	78%	Result of the increase in business turnover and reduction in operating costs.
Travel costs / Allowance costs / Vehicle fleet costs	EUR	269 676	332 854	81%	Reduction in the items "Travel and accommodation", as well as "Allowance costs".
Business turnover	EUR	13 852 682	14 424 153	96%	Result of larger billing volumes by holdings than budgeted for.
Net result	EUR	60 565 736	63 827 280	95%	Main contribution from Operating Results, in particular the reduction in supplies and services and Personnel Costs.
Individual indebtedness (includes intragroup)	EUR	573 136 364	557 137 582	103%	In compliance with article 58 of the State Budget and article 159 of the Decree Law on Budget Implementation, growth in debt is capped at 2%.
Individual indebtedness (excludes intragroup)	EUR	551 136 364	551 137 582	100%	The debt level in the individual and consolidated accounts of AdP SGPS is positioned below budget, when intra-group operations are considered.
Consolidated debt	EUR	1 793 165 197	1 842 865 234	97%	
Financial investment	EUR	1 203 768	5 102 998	24%	Acquisition (subscribing) of capital as the holding of company holdings.
HR costs	EUR	5 897 672	6 759 550	87%	The variation stems from absenteeism, departures of workers and other budgetary provisions that went unneeded.
Employees	N.º	106	118	90%	
Vehicle fleet costs	EUR	256 937	276 931	93%	The 2020 expenditure is affected by the transfer of vehicles resulting from the Corporate Reorganisation and the impact of the IFRS 16 application. However, the total expenses determined at the end of 2020 are mainly due to the number of vehicles being lower (-2) than forecast in the 2020 Budget.
Vehicles	N.º	44	46	96%	
APP	days	28	32	88%	Internal control measures continue to be implemented to reduce APP (reduced by 36 days between 2019 and 2020)

* Operational result + (Amortisations - Subs. Invest) + Provisions + Losses due to impairments and reversions - CRD -Earnings/ Construction costs (IFRIC12).

2. FINANCIAL RISK MANAGEMENT

AdP SGPS activities are exposed to a variety of financial risk factors: credit risk, liquidity risk and market risk (interest rate risk, cash flow risk associated with interest rate). The AdP Group developed and implemented a risk management program that, together with the permanent monitoring of the financial markets, seeks to minimize the potential adverse effects on the financial performance of AdP and its subsidiaries. Risk management is conducted by the central treasury department based on policies approved by the Board of Directors. The treasury department identifies, evaluates and performs operations in order to minimize the financial risks in strict cooperation with the AdP Group operating units. The Board of Directors provides principles for risk management as a whole and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity. The Board of Directors is responsible for defining general risk management principles as well as exposure limits. All transactions carried out with derivative instruments require the prior approval of the Board of Directors, which defines the parameters of each operation and approves formal documents describing the objectives of the operations.

INTEREST RATE RISK

The risk of the Company's interest rate comes essentially from loan taking, both long term and short term. In this context, loans obtained with interest calculated at variable rates expose the AdP Group to cash flow risk and loans obtained with fixed interest rates expose the Group to the fair value risk associated with the interest rate. Águas de Portugal, SGPS manages the cash flows risk associated with the interest rate. The table below presents the sensitivity analysis of AdP Group financial charges.

	31.12.2020	AVERAGE RATE IMPACT +1%	AVERAGE RATE IMPACT -1%
Interest (costs) at a variable rate	(1 080 130)	(4 167 006)	-
Interest (earnings) at a variable rate	12 966 118	2 239 562	-
Net impact	11 885 988	(1 927 445)	-

EXCHANGE RATE RISK

Exposure to currency risk in AdP is residual. This risk is embodied in future business transactions, recognised under assets and liabilities, as well as net investments in foreign operations that were not incurred or expressed in the functional currency of AdP. The AdP Group's Central Treasury is responsible for the management of the AdP Group's net exposure in each currency, contracting swaps centrally, in order to minimise the commercial risks and recognised assets and liabilities, when so justified.

LIQUIDITY AND CAPITAL RISKS

Liquidity risk management requires maintaining available funds at a reasonable level, consolidating floating debt through an adequate amount of credit facilities and the ability to settle market positions. Due to the dynamics of the underlying business, AdP's treasury strives to secure the flexibility of floating debt, while maintaining available credit lines. AdP manages liquidity risk by contracting and maintaining credit financing facilities with underwriting commitments with national and international financial institutions with a high credit rating allowing immediate access to funds.

The table below shows the liabilities of AdP by contractual residual maturity intervals. The amounts presented in the table are the contractual cash flows, not discounted, receivable and payable in the future.

2020	< 1 YEAR	1 TO 5 YEARS	> 5 YEARS
Asset			
Group company loans	80 178 113	635 231 108	17 485 264
Cash and cash equivalents	11 522 666	-	-
	91 700 779	635 231 108	17 485 264
Liability			
Shareholder loans	7 376 665	379 244 461	167 433 523
Group company loans	22 003 423	-	-
	29 380 088	379 244 461	167 433 523
Net liquidity	62 320 691	255 986 647	(149 948 259)

For the purposes of determining future variable interest rates, it was considered (i) the coupon of the interest known on 31 December 2020 and to be settled in 2021; and (ii) the following coupons considered the Euribor indexing on 31 December 2020 plus the contractually formalised spread.

In September 2017, AdP signed a 25-year financing contract of EUR 220 million (tranche A) with the European Investment Bank, under a credit line of EUR 420 million approved in July 2017 by the Board of Directors of this financial institution. Additionally, on 31 July 2019 AdP Group formalised the remaining EUR 200 million (tranche B) that can be used against the assignment without recourse of debt settlement agreements entered into between AdP Group and municipal customers as provided for in Decree-Law no. 5/2019, of 14 January. On 31 December 2020, AdP Group had drawn down EUR 30 million from tranche A and EUR 41.8 million from tranche B.

Considering the above, as well as the recurrent operating free cash flow, AdP does not foresee any difficulties in meeting its financial responsibilities. Particularly regarding the Short-Term Bank Loans, AdP has the immediate liquidity to satisfy all foreseen debt servicing for the next 12 months.

Contracted short term credit lines:

LIQUIDITY RISK (MILLION EUR)	LINE OF CREDIT AVAILABLE	LINE OF CREDIT USED	LINE OF CREDIT UNUSED
Bank overdrafts (Attributable only to AdP SGPS)	72.5	-	72.5
Loans from Group companies	180.0	22.0	158.0
Loans to Group companies	(102.9)	(56.4)	(46.5)
Lines of credit available attributable to AdP SGPS	(149.7)	(34.4)	184.0
Bank overdrafts (AdP Group)	140.0	-	139.8

The objective of the AdP Group in relation to capital management, which is a broader concept than the capital disclosed on the balance sheet, is to maintain an optimal capital structure through the prudent use of debt allowing a reduction in the cost of capital. The purpose of capital risk management is to safeguard the continuity of the Group's operations, with adequate compensation to shareholders and generating benefits for all relevant third parties.

The Group's policy is to contract loans with financial entities under the aegis of the parent company, AdP, SGPS, SA (with the exception of investment-related loans), which in turn grants loans to its subsidiaries. This policy aims at optimising the capital structure with a view to greater efficiency and reductions in the average cost of capital.

	2020	2019
Non-current loans (Shareholder loans)	544 318 182	551 136 363
Current loans (Shareholder loans and Group company loans)	28 818 182	110 818 182
Availabilities	(11 522 666)	(16 477 809)
Net debt	561 613 698	645 476 736
Total of equity	857 279 891	823 863 724
Capital	1 418 893 589	1 469 340 460
Net debt/ total capital	0.40	0.44

The financing model of AdP SGPS is fundamentally based on two broad categories that allow the balance of capital structure, shareholder financing and short-term equity.

CREDIT RISK

The credit risk related to operations essentially stems from the risk of a counterparty failing to meet their obligations resulting in a financial loss to AdP. The AdP Group is subject to credit risk through its operating, investment and treasury activities.

OPERATING COUNTERPARTY

The operations related credit risk essentially encapsulates the credits for services provided to subsidiaries and the treasury supplements/ support granted to subsidiaries.

The credit risk of subsidiaries is low when considering their respective financial positions and the prevailing legal and regulatory frameworks. In effect, in the state-owned systems, there are high levels of financial autonomy and in the multi-municipal systems and partnership regime, the concession or partnership contracts provide for mechanisms for restoring economic-financial balance through means of ensuring compliance with all third-party liabilities, especially as regards liabilities resulting from debt servicing.

Furthermore, in the case of the multi-municipal systems and partnerships, there was consolidation of the regulatory and legislative provision underpinning the recovery of the debts of municipalities from these systems within the scope of calculating the cost recovery deviation which, in turn, has its debt recovery durations stipulated by Decree Law.

DEPOSIT COUNTERPARTY

The following table represents AdP's maximum exposure to credit risk (not including the balance of customers and other debtors) as of December 31, 2020, without regard to any collateral held or other credit enhancements. For assets in the Statement of Financial Position, the defined exposure is based on its carrying amount as reported in the Financial Position Statement.

FINANCIAL BANK ASSETS	2020
Current account deposits (Note 13)	7 521 666
Term deposits (Note 13)	4 000 000
	11 521 666

RATING	2020
A2	2 839
A3	5 355
Ba1	4 252
Baa1	27 934
Baa3	11 481 286
	11 521 666

Note: Moody's rating obtained from financial institution websites in February 2020.

The table below shows the evolution of the average rate of financing of AdP SGPS, including interest effectively paid annually with interest-bearing liabilities and other associated charges in the last five years.

Individual accounts

YEARS	2020	2019	2018	2017	2016
Financial charges (EUR)	1 897 602	2 835 322	3 034 860	4 381 031	4 728 255
Average financing rate (%)	0.33%	0.43%	0.44%	0.69%	0.88%

Consolidated accounts

YEARS	2020	2019	2018	2017	2016
Financial charges (EUR)	34 160 885	40 816 262	43 702 846	52 439 669	57 967 870
Average financing rate (%)	1.91%	2.21%	2.27%	2.30%	2.45%

3. CAPS ON THE GROWTH IN DEBT ACCORDING TO THE TERMS DEFINED IN NO. 1 OF ART. 60 PF LAW NO. 2/2020, OF 31 MARCH (STATE BUDGET LAW FOR 2020), RECTIFIED BY LAW 27-A/2020, OF 24 JULY, ASCERTAINED ACCORDING TO THE FORMULA HANDED DOWN BY ARTICLE 159, PARA. 4, OF DECREE LAW NO. 84/2019, OF 28 JUNE (DLEO 2019)

Individual accounts

REMUNERATED LIABILITIES	2020	2019
Remunerated financing (current and non-current)	573 136 364	662 287 282
Social Capital / Statutory capital	434 500 000	434 500 000
New Investments in 2020 (with material expression)	-	-
VARIATION IN DEBT		(8.1%)

	2020	2019	VARIATION 20/19	
			AMOUNT	%
Gross debt (1)	573 136 364	662 287 283	(89 150 918)	(13.5%)
Intragroup loans (2)	22 000 000	104 000 000	(82 000 000)	(78.8%)
Gross debt without intragroup (1)-(2)	551 136 364	558 287 283	(7 150 918)	(1.3%)

Consolidated accounts

REMUNERATED LIABILITIES	2020	2019
Remunerated financing (current and non-current)	1 793 165 197	1 842 865 234
Capital Social / Statutory capital	0	0
New Investments in 2020 (with material expression)	0	0
VARIATION IN DEBT		(2.7%)

	2020	2019	VARIATION 20/19	
			AMOUNT	%
Gross debt	1 793 165 197	1 842 865 234	(49 700 037)	(2.7%)
Availabilities	255 790 943	138 163 519	117 627 424	85.1%
Reconstitution fund	23 360 682	32 810 072	(9 449 390)	(28.8%)
Net debt	1 514 013 572	1 671 891 643	(157 878 071)	(9.4%)

4. EVOLUTION IN AVERAGE PAYMENT TIMES

In accordance with Council of Ministers Resolution no. 34/2008, of 22 February, as amended by Order no. 9870/2009, of 13 April, disclosure covers both the payment delays ("arrears") themselves, according to Decree-Law no. 65-A/2011, of 17 May, as well as the strategy adopted to reduce them.

According to Order no. 9870/2009, the PMP of AdP SGPS at 31 December 2020 is 28 days, 56.3% less than in 2019 (64 days).

	2020	2019	VARIATION 20/19	
			AMOUNT	%
Term (days)	28	64	(36)	(56.3%)

Map of the position on 31/12/2020 of Overdue debts, in accordance with DL 65-A/2011, of 17/May:

OVERDUE DEBTS	AMOUNT (EUR)		VALUE OF DEBTS DUE ACCORDING TO ART. 1 OF DL 65-A/2011 (EUR)		
	0-90 DAYS	90-120 DAYS	120-240 DAYS	240-360 DAYS	> 360 DAYS
Acquisition of goods and services	133 610	0	0	0	4 104
Acquisition of capital					
Total	133 610	0	0	0	4 104

AdP SGPS disclosed during the 2020 financial year, pursuant to article 26(2) of Decree-Law no. 84/2019, of 28 June (DLEO 2019), on its website the average payment term, as well as a list of its certain, net and demandable debts, for more than 30 days, updated quarterly.

5. DUE DILIGENCE UNDERTAKEN AND THE RESULTS OBTAINED WITHIN THE SCOPE OF COMPLIANCE WITH THE SHAREHOLDER'S RECOMMENDATIONS MADE AT THE TIME OF THE FINAL APPROVAL OF THE ACCOUNTING DOCUMENTS

No recommendations were made by the shareholder for the year 2020 when the accounts for the financial year 2019 were approved. Full compliance was given to the instructions received in the context of the monitoring made to the management and activity of the company.

6. REMUNERATIONS

Appendix I to this Report shows the remuneration of the Governing Bodies and External Auditor.

7. APPLICATION OF THE PROVISIONS OF ARTICLES 32 AND 33 OF THE PUBLIC MANAGER STATUTE

As regards:

a) **The non-use of credit cards and other payment instruments by public managers to make expense payments in the service of the company;**

The provisions of Article 32 of the Statute of the Public Manager, as republished by Decree-Law no. 8/2012, of January 18, have been complied with in full, in particular regarding the use of credit cards and other payment instruments used by public managers, with the purpose of incurring expenses in the service of the company.

b) **The non-reimbursement of public managers for any expenses that fall under the concept of personal representation expenses;**

The provisions of article 32 of the Statute of the Public Manager, as republished by Decree-Law no. 8/2012, of January 18, have been fully complied with, specifically, the non-reimbursement to public managers of any expenses that fall within the concept of personal representation expenses.

c) **Expenditure incurred with communications, that includes mobile phones, household phones and the Internet;**

MANDATE 2016-2018 (END ON 3 MAY 2020)

BOARD MEMBER (NAME)	COMMUNICATIONS COSTS (EUR)		
	DEFINED MONTHLY PLATFORM	ANNUAL AMOUNT	OBSERVATIONS
Carla da Conceição Afonso Correia	80.00	183.36	-
José Manuel Leitão Sardinha	0.00	0.00	Remuneration incurred by EPAL.
Cláudio Miguel André de Sousa Jesus	80.00	627.02	Implementation deviation due to reasons of professional utilisation (performance of functions as Holding Group Director and President of AdP Internacional).
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	-	-
		810.38	

MANDATE 2020-2022 (BEGINNING ON 4 MAY 2020)

BOARD MEMBER (NAME)	COMMUNICATIONS COSTS (EUR)		
	DEFINED MONTHLY PLATFORM	ANNUAL AMOUNT	OBSERVATIONS
José Carlos Athaide dos Remédios Furtado	80.00	100.8	-
José Manuel Leitão Sardinha	0.00	0.00	Remuneration incurred by EPAL.
Catarina Isabel Clímaco Monteiro d'Oliveira	80.00	76.00	-
Carla da Conceição Afonso Correia	80.00	204.23	-
João Pedro Moura Castro Neves	80.00	87.22	-
Miguel Jorge Campos Cruz, in rep. Parpública (*)	n.a	n.a	-
Jaime Serrão Andrez, in rep. Parpública (**)	n.a	n.a	-
		468.25	

(*) resigned on 15 June 2020.

(**) took office on 4 August 2020, replacing Miguel Cruz.

d) Amount of fuel and tolls monthly allocated to service vehicles;

MANDATE 2016-2018 (END ON 3 MAY 2020)

BOARD MEMBER (NAME)	MONTHLY FUEL AND TOLL PLATFORM	FUEL	ANNUAL VEHICLE COSTS (EUR)		OBSERVATIONS
			TOLLS	TOTAL	
Carla da Conceição Afonso Correia	515.05	300.81	59.01	359.82	-
José Manuel Leitão Sardinha	0	0	0	0	Remuneration incurred by EPAL
Cláudio Miguel André de Sousa Jesus	457.82	364.99	384.21	749.2	-
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	-	-	-	-
				1 109.02	

MANDATE 2020-2022 (BEGINNING ON 4 MAY 2020)

BOARD MEMBER (NAME)	MONTHLY FUEL AND TOLL PLATFORM	FUEL	ANNUAL VEHICLE COSTS (EUR)		OBSERVATIONS
			TOLLS	TOTAL	
José Carlos Athaide dos Remédios Furtado	572.27	1 314.85	456.89	1 771.74	-
José Manuel Leitão Sardinha	0	0	0	0	Remuneration incurred by EPAL
Catarina Isabel Clímaco Monteiro d'Oliveira	457.82	128.16	18.42	146.58	-
Carla da Conceição Afonso Correia	457.82	377.18	74.35	451.53	-
João Pedro Moura Castro Neves	457.82	668.66	405.51	1 074.17	-
Miguel Jorge Campos Cruz, in rep. Parpública (*)	n.a	-	-	-	-
Jaime Serrão Andrez, in rep. Parpública (**)	n.a	-	-	-	-
				3 444.02	

(*) Resigned on 15 June 2020.

(**) Took office on 4 August 2020, replacing Miguel Cruz.

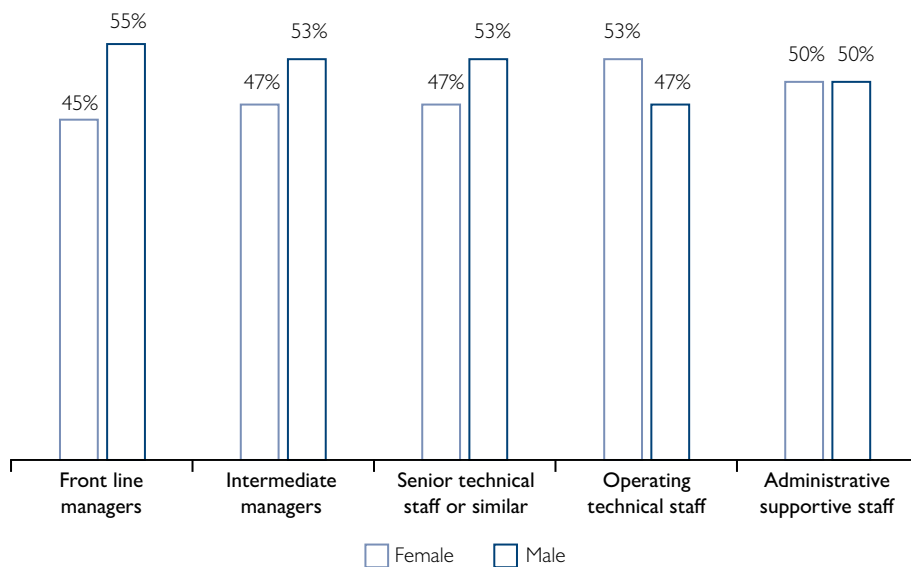
8. APPLICATION OF THE PROVISIONS OF ARTICLE 6, PARA. 2, OF DECREE-LAW NO. 133/2013, OF 3 OCTOBER AND ARTICLE 11 ON THE PUBLIC MANAGER STATUTE, WHICH PROHIBITS NON-DOCUMENTED OR CONFIDENTIAL EXPENSES

AdP SGPS fully complies with the provisions of no. 2 of article 16 of Decree-Law no. 133/2013, of October 3, as well as with the provisions of article 11 of the EGP and/or no undocumented or confidential expenses were made or reported.

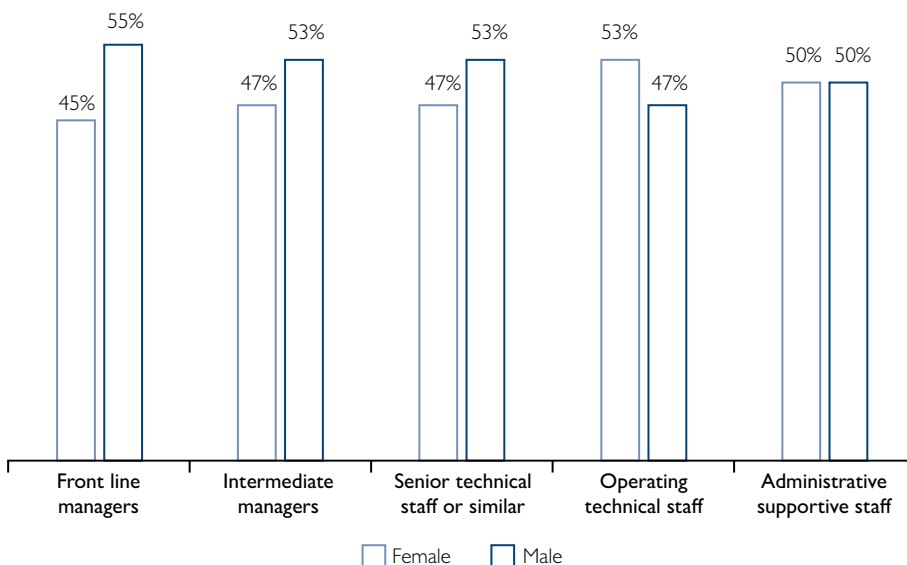
9. DRAFTING AND DISSEMINATION OF A REPORT ON THE REMUNERATION PAID TO WOMEN AND MEN AS PROVIDED FOR IN PARAGRAPH 2 OF THE RESOLUTION OF THE COUNCIL OF MINISTERS NO. 18/2014, OF MARCH 7

In compliance with paragraph 2 of the Resolution of the Council of Ministers no. 18/2014, of March 7, and following the procedures implemented in the AdP Group, the [company] promotes, disseminates internally and makes available on its website information on the remuneration paid to women and men through its annual sustainability report in harmony with the employees and in accordance with the principle “We value our staff relationships”, and the commitment “We commit to guarantee equality of opportunities and fostering the personal and professional balance.

AVERAGE BASE MONTHLY EARNINGS, BY GENDER
(%)



AVERAGE BASE MONTHLY EARNINGS, BY GENDER
(%)



10. PREPARATION AND DISSEMINATION OF AN ANNUAL REPORT ON THE PREVENTION OF CORRUPTION PURSUANT TO ARTICLE 46, PARA. 1 OF THE RJSPE, OF 1 JULY 2009

Since 14 December 2012, the company has adopted a Risk Management Plan on Corruption and Related Infringements, also available on the intranet and internet (https://www.adp.pt/downloads/file6_pt.pdf).

Its objectives are to identify the areas that could potentially be more subject to the occurrence of acts of corruption, as well as the risks arising therefrom and the controls instituted by the company aimed at mitigating them.

The Plan also aims to strengthen the culture of the company and its employees with regard to ethical behaviour and good practices in commercial relations with customers, suppliers and other entities. Covering the whole company, this Plan complies with the recommendation of the Council for the Prevention of Corruption (CPC), of 1st July 2009.

In order to ensure compliance with that defined in article 46, para. 1 of Decree-Law (DL) no. 133 / 2013, of October, and following the procedures implemented in AdP Group, AdP SGPS proceeds with the annual evaluation of the PGRIC in force in the company, preparing a report which includes conclusions about the identified occurrences or, risk of occurrences and other facts mentioned in paragraph a) of article 1 of article 2 of Law no. 54/2008 of September 4th, in particular:

“a) ... information relating to the prevention of facts of active or passive corruption, economic and financial crime, money laundering, influence peddling, unlawful appropriation of public property, harmful administration, embezzlement, economic participation in business, abuse of power or breach of the duty of secrecy, as well as acquisitions of real estate or securities as a result of the unlawful obtaining or use of privileged information in the performance of duties in the public administration or in the public business sector.

In order to ensure compliance with paragraph 2 of paragraph 46 of Decree-Law (DL) No. 133/2013, of 3 October, the annual report is published on the website of the [COMPANY] and sent to the Technical Unit (UTAM).

It should also be noted that in 2019, the company, underwrote the Portuguese Anti-Corruption Campaign that comes in response to the Call to Action on Anti-Corruption, launched by the United Nations, Global Compact, which encourages the business sector to promote the taking of transparency, integrity and good governance measures by governments, thus promoting the adoption of its Principle 10, according to which “organisations should combat corruption in all its forms, including, extortion and bribery”.

AdP SGPS and AdP Group thus reinforce their commitment to fight corruption and to develop and adopt strategies that promote integrity and sustainable development and the creation of a fairer and more balanced society.

11. PUBLIC PROCUREMENT

AdP Group ensured, through AdP Serviços, until July 31st 2020 and through AdP SGPS from August 1st 2020 onwards, the centralisation, optimisation and rationalisation of the acquisition of goods and services, in order to contribute to capture synergies in the procurement processes of Group companies as well as to disseminate best practices.

The potential to capture value arising from synergies and economies of scale achieved through the centralisation of purchases of certain categories such as energy, communications, insurance, reagents, vehicles, etc., leads to the creation and capture of value, resulting in financial gains and cost reductions.

The evolution of the AdP Group purchasing function towards a more integrated model, with the definition of new centralised categories has led to a greater transversal planning capacity and to the implementation of new transversal processes associated to the planning and management of the purchasing function by categories, based on a deeper knowledge of Group company needs.

Following the corporative centre reorganisation, according to the terms explicitly authorised by Ministerial Dispatch, dated August 1st, 2020, the AdP Serviços Purchasing, Legal and Information Systems Departments became part of the AdP SGPS organisational structure.

Therefore, this established a relational model between AdP SGPS and AdP Group companies, in a similar way to that hitherto existing with AdP Services, under the terms of which AdP SGPS assures the availability of contracting for a differentiated set of goods and services, whose contracting for companies is maintained through the Purchasing Department.

The existence of this internal Group structure, as at December 31, 2020, directly provided by AdP SGPS, allows for the taking advantage of both the scale and synergies generated by the Group's universe and thus to obtain more attractive contractual conditions

for this group of companies, while releasing them from the need to engage in autonomous contracting procedures, with their inherent associated administrative and financial burdens, and thus adding value to their activities.

In addition, a fair share of the goods and services required by the invested companies to carry out their activities are of considerable technical complexity, taking into account their specificity, in particular insurance, energy, chemical reagents and laboratory materials used by the water/wastewater segments and a high level of specialisation of the actors in the processes implicit to their respective procurement.

Extensive work has been developed to standardise procedures at the level of companies and ensure compliance with legal requirements and internal guidelines regarding public procurement procedures under the General Regime, given the changes introduced to the PCC by Decree-Law no. 111 - B / 2017, of August 31, to prepare a guidebook, called the contracting manual, that guides its users in the interpretation and application of the most important innovations brought about by this legislative revision and incorporating all the "learning" of the Group over the last ten years in the field of public procurement.

In conjunction with the guide indicated in the previous paragraph, a procurement manual was developed, which aims to systematise the role of each of the stakeholders involved in the procurement process, promoting an integrated and comprehensive vision, sharing the same concepts, standardising the tools used, designations, internal procedures and cooperation for the sustained development of procurement processes.

In 2020, there were no acts or agreements with contractual amounts superior to EUR 5 million and having consequently been subject to the prior inspection by the Court of Audit in any process.

Procurement and public contracting processes are included in the planning of internal audit work.

12. MEASURES TAKEN UNDER THE AUSPICES OF THE COMPANY'S MEMBERSHIP OF THE SNCP - THE NATIONAL PUBLIC PROCUREMENT SYSTEM

The companies that make up the AdP Group joined the SNCP – the National Public Procurement System on March 3, 2014 as voluntary purchasing entities.

Since then, public procurement procedures have been conducted using the SNCP covering different framework agreements, in particular:

- Paper and office materials;
- Surveillance and Security;
- Road fuels;
- Motor vehicles and motorcycles;
- Licensing of software and related services;
- Hygiene and cleaning.

This format was applied whenever there was an alignment between the AdP Group's procurement needs, aggregated by AdP Serviços, and the respective specifications in effect, with a focus on capturing value not only by leveraging the demand resulting from scale but also for the simplification and speed that characterise this modality, thus enabling AdP Services to more efficiently manage its resources.

13. MEASURES TAKEN TO REDUCE THE OPERATING COSTS IDENTIFIED UNDER ARTICLE 158 OF DLEO 2019, JUSTIFYING IN DETAIL ANY NON-COMPLIANCE WITH THE DEFINED ORIENTATIONS AND OBJECTIVES

AdP SGPS has adopted several cost reduction measures that have led to compliance with defined guidelines and objectives.

The table below summarises the measures and results of the plan for the reduction of operating expenses, in accordance with the provisions of article 158 Decree-Law on Budget Execution no. 84/2019 and with the model provided by DGTF.

The 2020 activity was affected by the reorganisation of the corporate centre, also reflected in the budget, so the comparison with 2019 is not direct. The comparable basis effects are disclosed in the RET of the 3rd and 4th quarters reported in SIRIEF.

PRC (EUR)	2020	2020	2019	2018	2020/2019	
	IMPL.	BUD.	IMPL.	IMPL.	Δ ABS.	VAR. %
(0) EBITDA	5 742 725	2 844 554	2 954 468	2 453 616	2 788 257	94%
(1) CMVMC	0	0	0	0	0	0%
(2) ESS	2 817 660	4 837 273	3 612 184	4 567 853	(794 524)	(22%)
(3) Costs with staff	5 897 672	6 759 550	4 750 935	4 004 516	1 146 737	24%
(3.i) Compensation paid for contractual termination	370 862	611 495	0	0	370 862	0%
(3.ii) Rises in remuneration	39 586	128 893	9 763	6 546	29 823	305%
(3.iii) Impact of the application of IRCT	35 154	0	0	0	35 154	0%
(4) Personnel costs for the purpose of calculating operating efficiency ((3)-(3.i)-(3.ii)-(3.iii))	5 452 070	6 019 162	4 741 172	3 997 970	710 898	15%
(5) Impact of Covid-19 pandemic on operating expenses (CMVCM, ESSs and Personnel Costs) ^(a)	39 927	0	0	0	0	0%
(6) Operating Expenses for the purpose of calculating operating efficiency = ((1)+(2)+(4)-(5))	8 229 803	10 856 435	8 353 356	8 565 823	(83 626)	(1%)
(7) Business turnover (VN) ^(b)	13 852 682	14 424 153	11 317 017	11 065 816	2 535 665	22%
(7.i) Loss of revenue from the Covid-19 pandemic (+)	0	0	0	0	0	0%
(8) Business turnover for the purpose of calculating operating efficiency ((7)-(7.i))	13 852 682	14 424 153	11 317 017	11 065 816	2 535 665	22%
(9)) Weighting of Costs/VN = (6)/(8)	59.7%	75.3%	73.8%	77.4%	(14.1)p.p.	(19%)
(i) Travel and accommodation expenses (ESS)	11 709	46 748	25 019	32 175	(13 310)	(53%)
(ii) Expenses with daily allowances (Personnel costs)	1 030	9 176	5 586	6 192	(4 556)	(82%)
(iii) Vehicle fleet costs	256 937	276 931	222 176	210 951	34 761	16%
(10) Total = (i) + (ii) + (iii)	269 676	332 854	252 781	249 317	16 895	7%
(11) Charges with contracting studies, opinions, projects and consultancy	315 335	543 355	584 327	681 177	(268 993)	(46%)
Total number of HR staff (GB + BD + Employees) ^(c)	106	118	89	81	17	19%
Nº. Governing Bodies (GB)	14	14	12	14	2	17%
Nº. Board of Directors positions (BD)	19	25	17	13	2	12%
Nº. employees (without GB and BD)	73	79	42	54	31	74%
Nº. Employees / No. CD	4	4	2	4	-	-
Nº. of vehicles	44	45	31	27	13	42%

a) Under the terms of article 158 of Decree-Law no. 84/2019, of 28 June, the value of GO/VN is 72.6%, as in accordance with that law, this indicator is not adjusted by the items of rises in remuneration valuations or expenses arising from IRCT).

b) Costs with vehicles should include: leasing/ amortisations, inspections, insurance, tolls, fuel, maintenance, repairs, pneumatics, taxes and other fees.

c) In 2019, the Total HR reported in this item included 18 employees with suspended contracts..

14. CONTRACTING STUDIES, OPINIONS, PROJECTS AND CONSULTANCY – JUSTIFYING THE MEANS OF COMPLIANCE WITH THAT STIPULATED IN ARTICLE 49, PARA.7, OF DLEO 2019

The AdP SGPS Executive Commission approved the procedural model detailed below in order to ensure compliance with the formalities that take place prior to any decision to contract external services involving studies, opinions, projects and consultancy on behalf of AdP Group companies:

1. Contracting studies, opinions, projects and consultancy – justifying the means of compliance with that stipulated in no. 7 of article 49 of DLEO 2019;
2. Having verified condition (I), a request is submitted to the AdP Serviços Department of Procurement and Logistics, which then undertakes the internal survey of all Group companies so as to ascertain whether such needs may be met by another

Company, establishing a deadline for responses and making available all the information necessary for informed decision-making by all participants;

3. On the deadline established in (2) lapsing and in the absence of any positive response on behalf of AdP Group companies:
 - a. Should the subject of the contract not fall under the auspices of the services stipulated by no. 2 of article 49 of Decree Law no. 84/2019 of 28 June, the AdP Serviços Department of Procurement and Logistics submits a request to PARPÚBLICA for this entity to evaluate the eligibility for satisfying the procurement needs through means of its own resources or those of other Companies that maintain relationships with the Group, establishing a deadline for response.
 - b. Should the subject of the contract fall under the auspices of the services stipulated by no. 2 of article 49 of Decree Law no. 84/2019 of 28 June, the AdP Serviços Department of Procurement and Logistics informs the Company as regards the impossibility of meeting the procurement need through the resources held by AdP Group companies so that they may respectively advance with submitting a request to PARPÚBLICA on the Internet website set up for such purpose.

Whenever there is no expression of availability, the conditions are then met for engaging in a public tender process after having demonstrated the inability to meet the procurement needs in question whether through their own resources or those of the Companies maintaining group relationships.

15. THE STATE TREASURY UNIT PRINCIPLE (ARTICLE 28 OF DECREE LAW NO. 133/2013, OF 3 OCTOBER, ARTICLE 141 OF LOE 2019 AND ARTICLE 115 OF DLEO 2019)

AdP SGPS, as defined in its corporate purpose, has become a flexible and efficient instrument that ensures the centralised and specialised management of the social investments included in its portfolio. Accordingly, in addition to the strategic guidelines issued to the managers representing it and the provision of technical management and administration services, it represents a crucial component in the financial function of subsidiaries held in controlling relationships (total holdings held).

The scope of the Group's companies covers a number of participations in the environmental sector in different phases of maturity, and AdP SGPS has taken on the responsibility of coordinating and obtaining the necessary financing to meet the respective needs of these companies and to balance the financing structure from a consolidated perspective.

In this regard, AdP SGPS:

- accompanied companies in their relationship with the Cohesion Fund in order to facilitate access to this Community support;
- entered into negotiations with the EIB in 1997 to finance the projects associated with the first phase, with a line of financing totalling EUR 167 million;
- in 2000, initiated a new negotiation process with the EIB for investments associated with the second phase which culminated in the granting of three financing lines (implemented between 2005 and 2009) for a total amount of EUR 1,472 million;
- in 2017, signed a line of financing with the EIB for EUR 220 million over 25 years to cover investments to be made in existing companies, ongoing until 2021, without the support of any guarantee, either from the state or the banking system;
- given that these EIB and Cohesion Fund lines of support did not prove sufficient to finance the entire project portfolio, AdP SGPS initiated a process of accessing external markets in 2003, with a 10-year private placement of debt in Japan in 2005 and issuing three privately-traded bonds in 2007, for 15 and 20 years and, in 2016, for a 12-year bond issue, totalling EUR 675 million.

All these funds arising from long-term operations are intended to finance the multi-municipal systems and partnerships in the components relating to investment and working capital for the early years of their operation.

The emphasis placed on water supply and wastewater treatment systems underlies the size and scale of these investments and the respectively associated time requirements.

The centralisation of a significant proportion of funding in AdP SGPS has allowed the Group to manage its financial needs cohesively and coherently, and avoiding liquidity and insolvency problems despite the serious financial problems that the country has recently experienced. Complementing this medium- and long-term framework, AdP SGPS also centralised negotiations with the banking system over obtaining short-term financing, thereby reducing the scope for individual banks to penalise some of the invested companies, whether in terms of costs or in terms of credits.

The fact that AdP SGPS centrally manages the negotiation of lines of financing and periodically checks for the existence of any temporary surpluses has allowed the Group to maintain satisfactory levels of financial health and with reduced impacts on its operating activities.

Following instructions from the Government, the Group applied its cash surpluses, net of the group's needs, to the IGCP, as well as transferring operational activities from the banking system to the IGCP.

Term deposits were constituted in IGCP (Treasury and Public Debt Management Agency - IGCP, E.P.E.) in December 2020, for the amount of 4 million EUR, maturing on 4 January 2021.

Complementarily and according to the following tables, this presents the details of the AdP SGPS Availabilities account.

IGCP	1 ST QUARTER EUR	2 ND QUARTER EUR	3 RD QUARTER EUR	4 TH QUARTER EUR
Availabilities	3 347 020.02	8 178 636.33	3 522 867.32	7 479 938.34
Financial Applications				
Total	3 347 020.02	8 178 636.33	3 522 867.32	7 479 938.34

Commercial bank	1 ST QUARTER EUR	2 ND QUARTER EUR	3 RD QUARTER EUR	4 TH QUARTER EUR
NOVO BANCO	5.20	5.20	5.20	0.00
BANCO BPI	1 16 809.98	19 854.21	54 830.27	18 815.21
BANCO SANTANDER TOTTA	3 331.93	2 839.13	2 981.43	2 839.13
BANCO BILBAO VIZCAYA ARGENTARIA	5 336.58	4 844.58	6 154.35	5 354.85
BANCO COMERCIAL PORTUGUÊS	1 622.81	1 569.61	1 403.56	1 348.21
CAIXA GERAL DE DEPÓSITOS	6 091.11	5 768.51	4 870.51	4 251.98
BANCO BANKINTER	9 348.54	9 280.89	9 199.71	9 118.53
Total	142 546.15	44 162.13	79 445.03	41 727.91
Interest received	-	-	-	-

16. PUBLICATION OF RECOMMENDATIONS MADE TO THE COMPANY RESULTING FROM AUDITS UNDERTAKEN BY THE COURT OF AUDITORS IN THE LAST THREE YEARS

No recommendations have been made by the Court of Auditors to the company in the last three years.

17. INFORMATION PUBLISHED AS OF 31 DECEMBER 2019 ON THE SEE INTERNET WEBSITE (DGTF PORTAL)

INFORMATION FOR DETAILING ON THE SEE WEBSITE	PUBLICATION		COMMENTS
	Y/N/N.A.	UPDATED ON	
Statutes	N.A.	--	See Note
Company characteristics	N.A.	--	See Note
Governance and shareholder structure	N.A.	--	See Note
Model of governance / Members of the Governing Bodies	N.A.	--	See Note
- Identification of the management bodies	N.A.	--	See Note
- Fixed remunerations statute	N.A.	--	See Note
- Publication of remunerations paid to the management bodies	N.A.	--	See Note
- Identification of the functions and responsibilities of Board of Director members	N.A.	--	See Note
- Presentation of brief CVs of management body members	N.A.	--	See Note
Public financial investment	N.A.	--	See Note
Summary file	N.A.	--	See Note
Historical and current financial information	N.A.	--	See Note
Principles of Good Governance	N.A.	--	See Note
- Internal and external regulations complied with by the Company	N.A.	--	See Note
- Relevant transactions with related entities	N.A.	--	See Note
- Other transactions	N.A.	--	See Note
- Analysing Company sustainability in terms of:	N.A.	--	See Note
Economic	N.A.	--	See Note
Social	N.A.	--	See Note
Environmental	N.A.	--	See Note
- Evaluation of compliance with the Principles of Good Governance	N.A.	--	See Note
- Code of Ethics	N.A.	--	See Note

Note: According to DGTF guidelines, AdP does not disclose information on the SEE website because it is not directly state owned.

APPENDIX 1

1 - GENERAL ASSEMBLY

Presented below are the members of the Board of the General Meeting for 2020, as well as their remuneration:

MANDATE 2016-2018 (END ON 03 MAY 2020)

MANDATE (BEGIN. - END)	POSITION	NAME	AMOUNT OF FIXED ALLOWANCE (EUR)	GROSS AMOUNT PAID (EUR)
2018-2020	Chair	João Manuel Plácido Pires	650.00	0.00
2018-2020	Vice-Chair	Maria Helena Dias Duarte	520.00	520.00
2018-2020	Secretary	Unoccupied	0.00	0.00
				520.00

MANDATE 2020-2022 (BEGINNING ON 4 MAY 2020)

MANDATE (BEGIN. - END)	POSITION	NAME	AMOUNT OF FIXED ALLOWANCE (EUR)	GROSS AMOUNT PAID (EUR)
2020-2022 (*)	Chair	Isabel Sofia Sousa Santos Albuquerque	650.00	0.00
2020-2022 (*)	Vice-Chair	Maria Helena Dias Duarte	525.00	0.00
2020-2022 (*)	Secretary	José Espírito Santo Menezes e Teles	400.00	0.00
				0.00

(*)Beginning on 4 May 2020

2 - BOARD OF DIRECTORS

MANDATE 2016-2018 (END ON 03 MAY 2020)

MANDATE (BEGIN. - END)	POSITION	NAME	APPOINTMENT			OPRLO (2)			N.º OF MANDATES
			FORM (1)	DATE	YES/ NO	ENTITY OF ORIGIN	DATE AND FORM OF AUTHORISATION	PAYING ENTITY TO (O/D)	
2016-2018	Vice-Chair	Carla da Conceição Afonso Correia	DUE	30/05/2016	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2016-2018	Director	José Manuel Leitão Sardinha	DUE	30/05/2016	Yes	EPAL - Empresa Portuguesa das Águas Livres, S.A.	n.a	O	2
2016-2018	Director	Cláudio Miguel André de Sousa Jesus	DUE	30/05/2016	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	2
2016-2018	Non-Executive Director	Miguel Jorge Campos Cruz	DUE	18/04/2017	No	-	n.a	-	1

(1) Indicate resolution (R)/AG/DUE/Dispatch (D).

(2) Remunerations option for Entity of Origin - as provided for under no. 8 of article 28 of EGP; indicate paying entity (O-Origin/D-Destiny)

BD MEMBER (NAME)	ACCUMULATION OF POSITIONS			
	ENTITY	POSITION	REGIME	DATE AND FORM OF AUTHORISATION
Carla da Conceição Afonso Correia	AdP Serviços	Non-Executive Director	Public	n.a
	AdP Serviços	Non-Executive Director	Public	n.a
José Manuel Leitão Sardinha	EPAL	Chair	Public	n.a
	Águas do Vale do Tejo	Chair	Public	n.a
	FCT	Guest Professor	Public	Order
Cláudio Miguel André de Sousa Jesus	AdP Serviços	Non-Executive Director	Public	n.a
	AdP Internacional	Non-Executive Director	Public	n.a
Miguel Jorge Campos Cruz, in rep. Parpública (*)	Parpública	Chair	Public	n.a

BD MEMBER (NAME)	EGP			
	FIXED [Y/N]	CLASSIFICATION [A/B/C]	GROSS MONTHLY EARNINGS (EUR)	
			MONTHLY INCOME	REPRESENTATION ALLOWANCE
Carla da Conceição Afonso Correia	Y	A	5 150.48	2 060.19
José Manuel Leitão Sardinha (*)	Y	A	0.00	0.00
Cláudio Miguel André de Sousa Jesus	Y	A	4 578.20	1 831.28
Miguel Jorge Campos Cruz, in rep. of Parpública (**)	Y	A	1 144.55	-

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

BD MEMBER (NAME)	ANNUAL REMUNERATION (EUR)				
	FIXED (1)	VARIABLE (2)	GROSS AMOUNT (3)=(1)+(2)	REDUCTIONS IN REMUNERATION (4)	FINAL GROSS AMOUNT (5) = (3)-(4)
Carla da Conceição Afonso Correia	30 377.51	0.00	30 377.51	1 518.90	28 858.61
José Manuel Leitão Sardinha (*)	0.00	0.00	0.00	0.00	0.00
Cláudio Miguel André de Sousa Jesus	28 752.49	0.00	28 752.49	1 359.50	27 392.99
Miguel Jorge Campos Cruz, in rep. Parpública (**)	0.00	0.00	0.00	0.00	
			59 130.00	2 878.40	56 251.60

(1) The fixed amount of remuneration corresponds to earnings + representation allowances (without any reductions).

(4) Reduction stipulated by article 12 of Law no. 12-A/2010, of 30 June.

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

BD MEMBER (NAME)	SOCIAL BENEFITS (EUR)							
	MEAL ALLOWANCE		SOCIAL PROTECTION REGIME		ANNUAL HEALTH INSURANCE CHARGE	ANNUAL LIFE INSURANCE CHARGE	OTHERS	
	AMOUNT / DAY	AMOUNT PAID ANNUALLY	IDENTIFI.	ANNUAL CHARGE			IDENTIF.	AMOUNT
Carla da Conceição Afonso Correia	7.14	597.50	Social Security	7 092.84	436.28	615.24	-	-
José Manuel Leitão Sardinha	-	-	-	-	-	-	-	-
Cláudio Miguel André de Sousa Jesus	7.14	585.48	Social Security	6 772.19	436.28	546.88	-	-
Miguel Jorge Campos Cruz, in rep. Parpública	-	-	-	-	-	-	-	-
	14.28	1 182.98	-	13 865.03	872.57	1 162.12	-	-

BD MEMBER (NAME)	VEHICLE FLEET COSTS								
	VEHICLE ATTRIBUTED	CONTRACT SIGNED	VEHICLE REFERENCE VALUE	MODE (1)	YEAR BEGIN.	YEAR ENDING	MONTHLY LEASING VALUE	ANNUAL LEASING COST	REMAINING CONTRACTUAL PAYMENTS (NO.)
Carla da Conceição Afonso Correia	Y	Y	32 992.62	AOV	2018	2022	322.16	1 313.35	18
José Manuel Leitão Sardinha	N	-	-	-	-	-	-	-	-
Cláudio Miguel André de Sousa Jesus	Y	Y	36 498.26	AOV	2018	2022	365.09	1 488.37	16
Miguel Jorge Campos Cruz, in rep. Parpública	N	-	-	-	-	-	-	-	-

(1) acquisition; ALD; Leasing or other

BD MEMBER (NAME)	ANNUAL EXPENDITURE ON BUSINESS TRAVEL (EUR)					TOTAL COST OF TRAVEL (Σ)
	BUSINESS TRAVEL	ACCOMMODATION COSTS	ALLOWANCE COSTS	OTHERS		
				IDENTIF.	AMOUNT	
Carla da Conceição Afonso Correia	-	-	-	-	-	-
José Manuel Leitão Sardinha	-	-	-	-	-	-
Cláudio Miguel André de Sousa Jesus	-	-	-	-	-	-
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	n.a	n.a	n.a	n.a	n.a

MANDATE 2020-2022 (BEGINNING ON 04 MAY 2020)

MANDATE (BEGIN. - END)	POSITION	NAME	APPOINTMENT		OPRLO (2)				Nº. OF MANDATES
			FORM (1)	DATE	YES/NO	ENTITY OF ORIGIN	DATE AND FORM OF AUTHORISATION	PAYING ENTITY TO (O/D)	
2020-2022	Chair	José Carlos dos Remédios Athaide Furtado	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2020-2022	Vice-Chair	José Manuel Leitão Sardinha	DUE	04/05/2020	Yes	EPAL - Empresa Portuguesa das Águas Livres, S.A.	n.a	O	3
2020-2022	Director	Catarina Isabel Clímaco Monteiro d'Oliveira	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2020-2022	Director	Carla da Conceição Afonso Correia	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	2
2020-2022	Director	João Pedro Moura Castro Neves	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2020-2022	Non-Executive Director	Miguel Jorge Campos Cruz, in rep. Parpública (*)	DUE	04/05/2020	No	---	n.a	--	2
2020-2022	Non-Executive Director	Jaime Serrão Andrez, in rep. Parpública (**)	DUE/ CA	04/08/2020	No	---	n.a	--	1

(1) Indicate Resolution (R)/AG/DUE/Order (D)

(2) Option for Remuneration of the Place of Origin - provided for in article 28, para. 8 of the EGP; indicate paying entity (O-Origin/Destination)

(*) Resigned on 15 June 2020

(**) Took office on 04 August 2020, replacing Miguel Jorge Campos Cruz

BD MEMBER (NAME)	ACCUMULATION OF POSITIONS			
	ENTITY	POSITION	REGIME	DATE AND FORM OF AUTHORISATION
José Carlos Athaíde dos Remédios Furtado	n.a	n.a	n.a	n.a
José Manuel Leitão Sardinha	EPAL Águas do Vale do Tejo FCT	Chair Chair Guest Professor	Public Public Public	n.a n.a Order
Catarina Isabel Clímaco Monteiro d'Oliveira	n.a	n.a	n.a	n.a
Carla da Conceição Afonso Correia	n.a	n.a	n.a	n.a
João Pedro Moura Castro Neves	n.a	n.a	n.a	n.a
Miguel Jorge Campos Cruz, in rep. Parpública (*)	S Parpública	Chair	Public	n.a
Jaime Serrão Andrez, in rep. Parpública (**)	S Parpública	Chair	Public	n.a

(*) Resigned on 15 June 2020

(**) Took office on 04 August 2020, replacing Miguel Jorge Campos Cruz.

BD MEMBER (NAME)	EGP			
	FIXED [Y/N]	CLASSIF. [A/B/C]	GROSS MONTHLY EARNINGS (EUR)	
			MONTHLY INCOME	REPRESENTATION ALLOWANCES
José Carlos Athaíde dos Remédios Furtado	Y	A	5 722.75	2 289.10
José Manuel Leitão Sardinha	Y	A	-	-
Catarina Isabel Clímaco Monteiro d'Oliveira	Y	A	4 578.20	1 831.38
Carla da Conceição Afonso Correia	Y	A	4 578.20	1 831.38
João Pedro Moura Castro Neves	Y	A	4 578.20	1 831.38
Miguel Jorge Campos Cruz, in rep. of Parpública (*)	Y	A	1 144.55	-
Jaime Serrão Andrez, in rep. of Parpública (**)	Y		1 144.55	-

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

BD MEMBER (NAME)	ANNUAL REMUNERATION (EUR)				
	FIXED (1)	VARIABLE (2)	GROSS AMOUNT (3)=(1)+(2)	REDUCTIONS IN REMUNERATION (4)	FINAL GROSS AMOUNT (5) = (3)-(4)
José Carlos Athaíde dos Remédios Furtado	71 694.79	-	71 694.79	3 584.80	68 109.99
José Manuel Leitão Sardinha	-	-	-	-	-
Catarina Isabel Clímaco Monteiro d'Oliveira	57 355.83	-	57 355.83	2 868.00	54 487.83
Carla da Conceição Afonso Correia	59 285.13	-	59 285.13	2 964.30	56 320.83
João Pedro Moura Castro Neves	57 355.83	-	57 355.83	2 868.00	54 487.83
Miguel Jorge Campos Cruz, in rep. Parpública (*)	-	-	-	-	-
Jaime Serrão Andrez, in rep. Parpública (**)	-	-	-	-	-
			245 691.58	12 285.10	233 406.48

(1) The fixed amount of remuneration corresponds to earnings + representation allowances (without any reductions).

(4) Reduction stipulated by article 12 of Law no. 12-A/2010, of 30 June.

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

3 – AUDIT

On 29 April 2018, the Supervisory Board was elected for the 2018-2020 mandate with the following composition and remuneration status:

Mandate (Begin - End)	Position	Name	Appointment		Monthly Fixed Remuneration Status (EUR)	N.º of Mandates
			Form (1)	Date		
2018-2020	Chair	Carla Maria Lamego Ribeiro (*)	AG	29/04/2018	1 370.03	3
2018-2020	Director	Rui Mendes Cabeças	AG	29/04/2018	1 027.52	1
2018-2020	Director	Mário José Alveirinho Carrega	AG	29/04/2018	1 027.52	3

(1) Indicate AG/DUE/Order.

NAME	Annual Remuneration (EUR)		
	Gross (1)	Reductions in Remunerations (2)	Final Amount (3) = (1)-(2)
Carla Maria Lamego Ribeiro (*)	-	-	-
Rui Mendes Cabeças	16 824.92	841.40	15 983.52
Mário José Alveirinho Carrega	16 824.92	841.40	15 983.52
			31 967.04

(*) No remuneration due.

ROC/STATUTORY AUDITOR

MANDATE (BEGIN. - END)	POSITION	IDENTIFICATION OF STATUTORY AUDITOR FIRM / STATUTORY AUDITOR			APPOINTMENT			Nº. OF YEARS IN FUNCTION IN THE GROUP	Nº. OF YEARS IN FUNCTION IN THE COMPANY
		NAME	SAO REGISTRATION Nº.	CMVM REGISTRATION Nº.	FORM (1)	DATE	DATE OF CONTRACT		
2018-2020	SAF, Full time	Grant Thornton, SROC, Lda., represented by Dr. Pedro Lisboa Nunes (*)	67	20161403	DUE	27/12/2018	01/01/2019	2	27/12/2018
2018-2020	ROC Alternate	Carlos António Lisboa Nunes	427	20160131	DUE	27/12/2018	01/01/2019		27/12/2018

(1) Indicate AG/DUE/Order (D).

(*) N.º of registration with the Statutory Auditor Order 1202 and CMVM 20160813.

STATUTORY AUDITOR FIRM/ STATUTORY AUDITOR NAME	ANNUAL AMOUNT OF SERVICE PROVISION CONTRACT 2020 (EUR)			ANNUAL AMOUNT OF ADDITIONAL SERVICES - 2020(EUR)			
	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1)-(2)	IDENTIFICATION OF SERVICE	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1)-(2)
Grant Thornton, SROC, Lda, represented by Dr. Pedro Lisboa Nunes (*)	35 722.91	-	35 722.91	n.a.	-	-	-
Carlos António Lisboa Nunes	-	-	-	n.a.	-	-	-

(*) No. of registration with the Statutory Auditor Order 1202 and CMVM 20160813.

4 – EXTERNAL AUDITOR

Identification of External Auditor			Date of Contracting	Duration of Contract	N.º of years in function in the Group	N.º of years in function in the company
External Auditor Name	SAO N.º	CMVM N.º				
Pricewaterhousecoopers, SROC, Lda rep. by João Rui Fernandes Ramos, Statutory Auditor (SA 1333, CMVM n.º. 20160943)			30/09/2019	3	2	2

EXTERNAL AUDITOR NAME	ANNUAL AMOUNT OF SERVICE PROVISION CONTRACT 2020 (EUR)			ANNUAL AMOUNT OF ADDITIONAL SERVICES - 2020 (EUR)			
	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1)-(2)	IDENTIFICATION OF SERVICE	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1)-(2)
Pricewaterhousecoopers, SROC, Lda rep. by João Rui Fernandes Ramos, Statutory Auditor (SA 1333, CMVM no. 20160943)	24 500.00	n.a.	24 500.00	n.a.	-	-	-

APPENDIX 2

COMPLIANCE WITH LEGAL ORIENTATIONS - 2020	COMPLIANCE Y/N/N.A.	QUANTIFICATION/ IDENTIFICATION	JUSTIFICATION / REPORT REFERENCE
Management objectives (a)			See Point 1.a)
Targets set in the ABP 2020			
Financial investment	Y	24%	See Point 1.b)
Debt	Y	103%	See Point 1.b)
Degree of execution of the budget uploaded to SIGO/SOE	N.A.	-	The AdP Group is not covered by this obligation
Financial risk management	Y	0.33%	See Point 2
Debt growth limits	Y	(8%)	See Point 3
Evolution of the PMP to suppliers	Y	(36)	See Point 4
Disclosure of delayed payments ("Arrears")	Y	4 104	See Point 4
Shareholder recommendations on the last approval of accounts	N.A.	-	See Point 5
Remuneration/fees			
Non attribution of management bonuses	Y		See Appendix I
BD- salary reductions in force in 2020 (if applicable)	Y	15 315 EUR	See Appendix I
Auditors (CF/Statutory Auditor/FU) - remuneration reductions in effect in 2019 (when applicable)	Y	1 682.80	See Appendix I
External Auditor - remuneration reductions in effect in 2020 (when applicable)	N.A.	-	
EGP – article 32 and 33 of EGP	Y		See Point 7
Non-utilisation of credit cards	Y		See Point 7
Non-reimbursement of personal representation costs	Y		See Point 7
Maximum amount for communications associated costs	Y		See Point 7
Maximum amount for fuel and tolls allocated monthly to service vehicles	Y		See Point 7
Undocumented or confidential expenditure - article 16, para. 2, of RJSPE and article 11 of EGP	Y		See Point 8

COMPLIANCE WITH LEGAL ORIENTATIONS - 2020	COMPLIANCE	QUANTIFICATION/ IDENTIFICATION	JUSTIFICATION / REPORT REFERENCE
	Y/N/N.A.		
Ban on making undocumented or confidential expenditure	Y		See Point 8
Promoting salary equality between females and males - no. 2 of RCM no. 18/2014	Y		See Point 9
Producing and publishing a report on the remunerations paid to female and male workers	Y	www.adp.pt	See Point 9
Producing and publishing an annual report on preventing corruption	Y	www.adp.pt	See Point 10
Public tendering	Y		See Point 11
Application of norms for company public tendering	Y		See Point 11
Application of norms for holding company public tendering	Y		See Point 11
Contracts submitted for prior validation by the Court of Audit	N.A.		
Joining the National Public Purchasing System	Y		See Point 13
Operating costs of state-owned enterprises	Y	(19%)	See Point 13
Contracting of Studies, Opinions, Projects and Consultancy (Article 49 of DLEO 2019)	Y		See Point 13
Principle of Treasury Unity (Article 28 of DL 133/2013)	Y		See Point 14
Availabilities and applications centralised at IGCP	Y	99,4%	See Point 14
Availabilities and applications in Commercial Banking (c)	Y	41 727,91	See Point 14
Interest earned on UTE default and delivered as State Revenue	Y	-	See Point 14
Auditing by the Court of Audits (b)	Y		See Point 16
Drafting of the Equality Plan, as required by Article 7 of Law 62/2017, of 1 August	Y		
Presentation of the non-financial statement	N.A.		This compliance is measured against AdP SGPS (individual)

(a) Indicate each Company management objective.

(b) This should also indicate any recommendations resulting from transversal audits of the sector of activity and/or SEE.

(c) Not considered for the purposes of calculating available cash flow.

EDITED BY

AdP - Águas de Portugal, SGPS, S.A.
Rua Visconde de Seabra, 3 | 1700-421 Lisboa - Portugal
Telf.: +351 212 469 400 | Fax: +351 212 469 401
E.mail: info@adp.pt | www.adp.pt

