



Annual Report

2021



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The Business

95%

Bulk coverage rate

WATER SUPPLY

97%

Retail coverage rate

WATER SUPPLY

620

Mm³

WATER INVOICED

94%

Bulk coverage rate

WASTEWATER
SANITATION

73%

Retail coverage rate

WASTEWATER
SANITATION

56

Mm³

WATER INVOICED,
INTRA-GROUP
OPERATIONS

22 250

ton/year

SLUDGES PROCESSED
(WATER SUPPLY)

360 388

ton/year

SLUDGES PROCESSED
(WASTEWATER SANITATION)

Key Infrastructures

1356	WATER INTAKES
110	WATER TREATMENT PLANTS
1029	WASTEWATER TREATMENT PLANTS
21 637	KM WATER MAINS AND DISTRIBUTION NETWORK
11 622	KM SEWERS
826	PUMPING STATIONS – WATER SUPPLY
2 408	PUMPING STATIONS – WASTEWATER SANITATION
1971	RESERVOIRS
627 738	WATER SUPPLY AND WASTEWATER SANITATION BRANCHES

508

Mm³

WASTEWATER INVOICED

764.7

GWh/year

ENERGY CONSUMED (INCLUDES
26.3 GWH OF SELF-CONSUMPTION)

39

Mm³

WASTEWATER INVOICED,
INTRA-GROUP
OPERATIONS

36.6

GWh/year

ENERGY PRODUCED
(SOLAR, MINI-HYDRO, BIOGAS)



Strategic lines

Mission

AdP - Águas de Portugal, SGPS, S.A. is the holding Company of the main Portuguese business group dedicated to the management of the urban water cycle, which aims to promote universality, continuity and quality of service as well as the sustainability of the sector and environmental protection.

For this purpose, as a holding company, the Company manages a portfolio of holdings in companies operating in Portugal with the mission to design, build, operate and manage water supply and wastewater sanitation systems within a framework of economic, financial, technical, social and environmental sustainability.

The preservation of water as a strategic resource essential to life and equity of access to the associated basic services, along with the promotion of well-being by improving people's quality of life and environmental balance, represent the fundamental values assumed by the companies that make up the Águas de Portugal Group.

The activities pursued by the AdP Group as a State corporate instrument for the implementation of public policies and national objectives in the environmental field, respects the framework established by Article 24 of Decree no. 133/2013, of 3 October, which establishes the Legal Framework of the Public Business Sector, and the guidelines issued through ministerial orders and shareholder resolutions, which must be translated into the strategic plans of the respective companies.

Thus, it is the responsibility of the Ministry of Finance, through the Directorate General of Treasury and Finance, to define the guidelines for the preparation of the respective activity plans and annual budgets as well as exercising control over the evolution of debt levels and conditions in accordance with the terms defined in Article 29 of Decree no. 133/2013, of 3 October.

As also results from the aforementioned regime, the Ministry of Environment and Climate Action, as the sectoral authority, holds responsibility for the following:

- a) Define and communicate the sector policy to be pursued and according to which AdP Group companies carry out their activities;
- b) To issue sector-specific guidelines applicable to each company;
- c) Define the goals to be achieved by AdP Group companies in their respective operational activities;
- d) Define the level of public service to be provided by AdP Group companies and promote the necessary diligences for the respective contracting.

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 Decree-Law no. 133/2013, of 3 October and 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.

Within the course of their duties, the members of the Board of Directors must also promote initiatives and draw up proposals for actions that prove to be appropriate for the development of the sector, and specifically with impacts for the AdP Group.

The public managers that are part of the Board of Directors of AdP - Águas de Portugal, SGPS, S.A. are also subject to the provisions of the Public Manager Statute 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.

General strategic guidelines

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

- a) Fulfil their mission and exercise their activities in articulation with strategic sector policies defined by the Government, within a framework of business rationality and the permanent optimisation of efficiency, quality and safety of the services provided.
- b) 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.
- c) Develop environmental awareness actions, promoting the efficient use and protection of water resources.
- d) 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.
- e) Adopt methodologies that enable the continuous improvement of the quality of the service provided and the satisfaction of clients.
- f) 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.
- g) Implement action plans aimed at promoting equal treatment and gender opportunities, eliminating discrimination and reconciling personal, family and professional life.
- h) 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).
- i) 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.

Specific strategic guidelines

The Board of Directors must ensure an appropriate governance and organisational model for AdP - Águas de Portugal, SGPS, S.A. and its subsidiaries to implement an agenda of measures that includes those listed below.

1. Strengthening the capacity to respond to major environmental challenges, in particular:

- 1.1. Increased efficiency in the use of primary resources, resilience and security of systems;
- 1.2. Moving towards a circular and carbon-neutral economy, in particular regarding wastewater reuse, sludge recovery and energy neutrality;
- 1.3. Deepening the relationship with communities and the territory in the diversification of sources, in the flexibility of services and in compliance with the limit values for the discharge of effluents in networks.

2. Contributing to the sector's consolidation and sustainability in line with the sector's strategic plan, in particular:

- 2.1. Contributing to territorial cohesion and equity in the access to services with deepened concerns over the economic and environmental sustainability of activities;
- 2.2. Providing alternative models for articulated action with municipal systems;
- 2.3. Facilitating the integration of rainwater drainage systems;
- 2.4. Maximising the integration potential of hydraulic projects.

3. Raising awareness of all the costs incurred in providing the service, including environmental costs, with a view to:

- 3.1. Greater recognition by stakeholders in the sector of all the costs effectively incurred in order to ensure the valuation not only of water as a resource but above all of the essential services water provides to a set of entities;

- 3.2. The adoption of responsible behaviour and more rational consumption by municipal users, economic actors and individual consumers;
 - 3.3. In the case of some non-domestic users, the reduction of the pollutant load draining into urban wastewater treatment facilities, requiring additional investments to ensure the minimum quality of the discharged wastewaters so as not to unduly impact on the receiving environment.
- 4. Promoting regional development, making it compatible with increased efficiency and its entrepreneurial nature, specifically:**
- 4.1. In the organisation of the corporate areas, based on a participative model through the operation of functional committees and the incorporation of experiences lived in the territorial realities;
 - 4.2. In running dynamic, networks of competence in a decentralised and collaborative environment;
 - 4.3. In goods and services procurement policies that, without harm to economic rationality, promote the development of regional economic activities.
- 5. Raising the levels of efficiency and consistency, enhancing entrepreneurial and technical capacities, in particular:**
- 5.1. Regarding the attraction, retention, development and succession of staff, aligning them with the sector's challenges and regulation standards;
 - 5.2. Strengthening the focus on digital, including cyber security, pursuing goals of resilience, efficiency and connection to communities.
- 6. Ensuring good asset management practices, with reference to the ISO 55001 standard, reconciling optimisation efforts with the challenges of preserving and responding to major environmental challenges, by:**
- 6.1. Defining the infrastructure management policy;
 - 6.2. Consolidating information and evaluation systems;
 - 6.3. Integrating risk management and climate change response practices;
 - 6.4. Consistently and coherently integrating economic and financial planning exercises.
- 7. Capitalising on the skills and capacities available for the internationalisation of the AdP Group through projects in the national interest, favouring long-term value-added operations with limited financial risk, in addition to cooperation with international, benchmark reference entities.**

Macroeconomic context¹

The COVID-19 pandemic continued to profoundly impact on economic activity in 2021, both in Portugal and around the world. The contention measures for this public health crisis and the precautionary attitudes of economic actors have hampered GDP growth. The current forecasts assume these restrictions shall remain in effect. The actions of monetary policies, budgeted and prudent, were decisive in mitigating this crisis and shall continue to play a fundamental role in the recovery dynamics.

Global

The world economy followed a trajectory of recovery even while persistent supply chain restrictions, the rise in raw material prices and the appearance of the Omicron variant of the coronavirus (COVID 19) continue to weigh on the perspectives for growth in the short term. In 2021, the recovery of economic activities and trade at the global level was less regular than previously expected.

Global growth for the year of 2021 is estimated at 5.9% and with 4.4% growth forecast for 2022 (3.8% in 2023) following a global contraction of 3.5% in 2020). These forecasts already take into account the effects of mobility restrictions, the closure of borders and other public health consequences resulting from the spread of the Omicron variant.

Meanwhile, there are other adverse factors conditioning trade and business while putting upwards pressures on prices. Tensions in global supply chains intensified over the course of 2021, having primarily impacted on large scale, advanced economies and manufacturing industries (especially the automobile sector). Turbulence in the housing market in China and more restrictive monetary

¹ Fontes: FMI *World Economic Outlook*; European Commission *Economic Outlook*; Boletim Económico do Banco Portugal; Projeções Macroeconómicas do Banco Central Europeu; Eurostat e INE.

policy in some emerging economies have also served to hinder the speed of recovery. Finally, the rise in raw material prices led to the accumulation of inflationary pressures around the world.

It is hoped that these supply side blockages begin to ease as from the second quarter of 2022 and to disappear totally by 2023. The future trajectory of the pandemic continues to remain the key risk identified by the leading forecasts of the world economy.

The Eurozone

The Eurozone continued on the path to recovery. There were only moderate levels of growth but with the expectation of a strong bounce back over the course of this year. It is forecast for economic recovery to be driven by robust internal demand. The employment market continues to improve, with more persons in work and fewer remaining under job protection regimes. This backs the prospects for a rise in household incomes and consumption. The savings accumulated during the pandemic are also likely to support this rise in consumption. Economic activity cooled off in the final quarter of 2021 and it is probable that this slower growth shall extend into early 2022. It is now expected that the first quarter of 2022 shall see output outpace the level registered before the pandemic.

Even while the COVID-19 crisis continued to weigh significantly on public finances in 2021, the macroeconomic forecasts prevailing in December 2021 produced by the Eurosystem specialists point to a budgetary balance on an improving trajectory. Having hit a peak of 7.2% of GDP in 2020, it is estimated the deficit ratio will come in at 5.9% in 2021 before continuing to fall to 3.2% in 2022 and subsequently stabilising at just below 2% at the end of the forecast timeframe in 2024.

This correspondingly expects a strong recovery in growth over the course of 2022. The aforementioned December forecasts report real annual GDP growth reaching 5.1% in 2021, 4.2% in 2022, 2.9% in 2023 and 1.6% in 2024.

Inflation registered another rise and reached 4.9% in November 2021 with the rate remaining above 2% throughout most of 2022. It is expected for inflation to run high in the short term but begin to tail off over the course of 2022. The December 2021 macroeconomic forecasts from Eurosystem specialists point to annual inflation of 2.6% in 2021, 3.2% in 2022, 1.8% in 2023 and 1.8% in 2024.

The ECB board considers that the risks to the economic prospects are balanced in overall terms. Market interest rates remain globally stable ever since the October meeting of the ECB. The creation of currency in the Eurozone rose in October 2021 and reflecting the greater uncertainty surrounding the COVID 19 pandemic and support measures in terms of policies.

Portugal

According to forecasts from the INE – the Portuguese Institute of Statistics and the Bank of Portugal, the key economic indicators for 2021 are the following:

	Estimate 2021	Year 2020
Gross Domestic Product growth rate	4.8%	-8.4%
Private Consumption growth rate	5.0%	-7.1%
Harmonised Consumer Price Index	0.9%	-0.1%
Unemployment rate	6.6%	7.0%
10-year Treasury Bond interest rate	0.30%	0.41%

Within this framework, GDP growth stands at 4.8% in 2021 followed by growth of 5.8% in 2022 before entering into a more moderate rate of expansion in 2023 and 2024, 3.1% and 2.0%, respectively. The recovery in activity reflects in rising employment and a reduction in the unemployment rate to levels below those prevailing in pre-pandemic times. Inflation is set to rise in 2021 and 2022, to 0.9% and 1.8%, respectively, before settling at 1.1% and 1.3% in the two following years with its profile greatly influenced by the prices for the different types of energy. Inflation excluding energy increases gradually over this forecast timeframe and attaining 1.5% in 2024.

The growth in activity is restricted in the short term by the outbreak of any new wave of the pandemic in Europe and problems with global supply chains. The reintroduction of restrictive measures to contain the pandemic, including international mobility alongside the rise in uncertainty are to impact on the rate of recovery, especially in tourism related services. In addition, this also assumes that the interruptions to global supply chains, which have reflected in both the scarcity and the rise in costs of raw materials and components, dissipate over the second half of 2022.

The forecast economic growth trajectory is supported by the maintenance of favourable financing conditions and greater receipt of funding from the European Union. Gross Domestic Product (GDP) reaches the pre-pandemic level in the first half of 2022 but still remains below the trends projected prior to the pandemic breaking out. The average GDP growth in Portugal for the 2022-24 period stands at 3.6%, which compares to the Eurosystem forecast of 2.9% for the Eurozone.

The monetary and financial conditions in the Eurozone should remain favourable. The ECB balance as a percentage of the Eurozone GDP stood at around 70% in the third quarter of 2021, 30 pp above the pre-pandemic level, which is broadly associated with the temporary asset acquisition program (PEPP – the pandemic emergency purchase program). Short term interest rates are expected to rise slightly as from 2023 but to remain at very low rates. The implied interest rate for Portuguese state debt remains at around 2% over the horizon of forecasts.

The sector at the world level²

Water is at the core of sustainable development and constitutes a resource for everybody. This same assumption underpins Objective 6 of the 2030 Development Agenda, which defends universal and equal access to drinking water and sanitation by 2030.

Not only within the scope of dealing with climate changes, serving as a link between society and the surrounding environment, water is essential to socioeconomic development, the production of energy and foodstuffs and for the construction of healthy ecosystems. In sum, water is crucial to the survival of our species.

However, the scarcity of this asset displays a tendency to worsen through to 2050. This fact not only stems from the increase in the global population but also in the ever increasing demand from both the industrial and domestic sectors, especially in emerging economies.

This therefore means that it is urgent to foster a balance between the supply and availability of this resource and the demand and needs of communities around the world.

In parallel, water as a resource cannot be approached in isolation from sanitation to the extent that they are together vital for improving the health of populations, above all through the reduction of the overall disease load, education, productivity and the economic growth of regions.

Having said the above, we need to keep in mind that three in ten people do not have access to drinking water; over two billion people live in countries with high levels of hydric stress and that around four billion people experience a serious shortage of drinking water throughout at least one month per year. These are undeniable facts and there are others as well.

Despite recent decades having witnessed an improvement in some indicators, for example halving the number of people worldwide without access to an improved source of water supply even while we would note that only around a quarter of the population of countries perceived as poor have access to appropriate sanitation services.

Even in developed regions, despite the prevailing access, the services are characterised by poor management, inadequate financing and low levels of investment. In effect, few actors in the sector charge sufficient to cover their operating costs and there are still fewer able to service their debts.

In parallel, there is an urgent need to establish resilience in these systems so that they can withstand climate events that are becoming increasingly common and extreme without ever ignoring the fragility prevailing in regions with high levels of water scarcity.

All of these challenges, in addition to the sheer difficulties, are accompanied by, and very often severely worsened by, uncertainties around the economic policies adopted in various geographies around the world.

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

As already mentioned, this remains the diagnosis with which the World Bank Water Global Practise, through the new Strategic Plan launched in 2019 within the scope of achieving SDG 6, based on the sustainability of water resources and the resilience of systems, advocates measures that involve: **i)** the transformation of political agreements into binding rules; **ii)** guaranteeing the equitable distribution of water and sanitation services; **iii)** exercising international labour norms drafted by governments, employers and workers; and **iv)** establishing of soft-law instruments (resolutions, general comments, principles, directives and codes of conduct) that may influence the development of international law and encourage non-governmental organisations (NGOs) to foster the active participation of the public in these issues – given they are becoming increasingly influential in the formulation of policies.

Beyond that already referenced, there is global agreement that the solution/resolution does not only involve technology but also requires people and processes. As this is a data abundant sector, but with many information shortcomings, the efforts within this scope focus on gaining the commitment of the interested parties in the sense of discovering the type of information sought-after and consequently the data necessary to producing this.

In technological terms, one key area is the instrumentation, that must be installed and implemented appropriately to enable the correct operation and maintenance of systems and correspondingly obtaining quality information.

The COVID-19 pandemic

The COVID-19 pandemic raised questions for the water supply and sanitation sector in global terms. The speed and extent of the propagation of the pandemic rendered the responses to these questions particularly urgent. While operators supply their services within national contexts, the scientific concerns and insights and their operational consequences hold cross-border relevance.

The International Water Association (IWA) convened a Task Force of its members right at the beginning of 2020 to provide the sector with an official point of reference in relation to the most relevant scientific and operational questions.

Backed up by information and contributions made by its concessionaires, the IWA COVID-19 Task Force prepared orientations around the lessons learned during the COVID-19 pandemic. The objective of such orientations was to capture the best practices so that the lessons learned might be implemented during the next phases of the pandemic. This also made it clear that the experience acquired shall enable the operating entities to strengthen and deepen their response capacity for other challenging future circumstances.

In addition to those referred to, there are various examples at the global level.

- EurEau – the European Federation of National Water Service Associations, which represents 70,000 management entities and half a million water sector professionals, reacted through setting up a specific platform for the exchange of information among countries enabling, at an initial phase, the speeding up of decisions essential to the sector, which enabled an efficient reaction.
- The EurEau General Assembly periodically met in order to make comparisons and share data on the state of each country in terms of water supply and wastewater treatment as well as the financial impacts on the operations of Management Entities; and
- The definition of networking with the Specialist EurEau Committees (EU1 – Water for Human Consumption, EU2 – Wastewaters, and EU3 – Economics and Legislation), which count on the contributions of a technical nature from various countries among the members of the Specialist APDA Commission in order to build bridges and channels of communication among the diverse organisations.

The conclusion from the data obtained is that the water sector at the European level responded in an effective fashion and without any significant anomalies to services with Portugal serving as a good example.

In the AdP Group universe, a particular reference should be made to the partnership reached between AdP Internacional and the World Bank for the “COVID Just-in-Time” project, an initiative seeking to support water supply and sanitation management entities within the scope of responding to the emergency triggered by the COVID-19 pandemic context, including within its scope a reference framework for drafting the Emergency Plans of Water Service Operators and support for operators in different countries but especially in Africa and Latin America.

Water supply and wastewater sanitation in Portugal³

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, municipal associations, 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	• 8.7 million inhabitants served with drainage
• 96% of households served	• 86% of households served
• 186 litres: average daily consumption of water	• 8.7 million inhabitants with sanitation services
• Average weighted tariff: 0.5519EUR/m ³	• 86% of households receive sanitation services
• Indicator of safe water standards on Mainland Portugal (bulk): 99.53%	• 1.9 million m ³ of wastewaters treated daily
	• 11. Average weighted tariff: 0.5393EUR/m ³

Date RASARP 2021 - ERSAR

The year of 2021 was marked by the ending of the timeframe for the Strategic Plan for Water Supply and Wastewater Sanitation for mainland Portugal, implemented for the period 2014 - 2020: PENSAAR 2020 - A New Strategy for the Water Supply and Wastewater Sanitation Sector.

This strategic plan promoted access to a public water and sanitation service of quality to the population, 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.

With the Plan ending, a working group was set up to prepare a new strategic plan for the period 2021-2030, which will include in its scope, besides water supply and wastewater management, the management of rainwater – the Strategic Plan for Water Supply and Wastewater Sanitation and Rainwater 2030 (PENSAARP 2030).

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;

³ Source: <http://www.ersar.pt/pt>; <https://www.apambiente.pt>; Official Gazette, 1st series

- 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;
- 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 the Permanent Commission for the Prevention, Monitoring and Accompanying of the Effects of Drought (Permanent Drought Commission), which has undertaken its respective work within the scope of pre-empting the effects of water scarcity and constructing the components necessary for resilient solutions to deal with this situation.
- Order No. 5316 /2020 of 7 May: Establishes the working group for the strategic plan for the water supply and wastewater and rainwater management sector for the period 2021-2030 (GT PENSAARP 2030).

In the pandemic context, in line with the European Union, Portugal has adopted a set of measures to mitigate the impacts on the national economy. Among these measures are those to support company cash-flow, which are expected to have positive consequences in terms of maintaining employment and income as a means of attempting to sustain domestic demand and keep 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.

In order to ensure the protection of public health, prevent the spread of disease and protect workers involved in water supply and wastewater sanitation service operations, as well as defining the procedures associated with the control of drinking water quality in the pandemic scenario caused by SARS-CoV-2 (COVID-19), guidelines were issued by ERSAR, which the management entities correspondingly set about implementing.

The 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.

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.

The year 2021 continued to be marked by the Pandemic. Ever since 2020, the Group had 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 General Directorate 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.

In 2021, the AdP Group's operational fleet renewed its energy certification under the ADENE Move+ program. In this context, the Group's operational fleet, which includes vehicles running on conventional fuel and 100% electric, reached energy efficiency class B, on a scale from F (least efficient) to A (most efficient). The Group's decarbonisation strategy calls for energy class A to be achieved by 2030.

Also within the framework of the ZERO Program, on 22 December AdP signed a cooperation and collaboration agreement designed to deploy environmentally recovered former mining areas for the production of electricity from renewable sources.

AdP Group AdP 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.

In 2021, the AdP Group signed the manifesto "Towards COP26", now signed by more than 80 member companies of BCSD Portugal, as part of the 26th United Nations Conference on Climate Change (COP26) held from 31 October to 12 November 2021 in Glasgow.

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.

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.

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 2021, the AdP Group 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 2021, 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 2021.

During 2021, work was carried out leading to the tariff review for the second tariff period of the MMS whose contracts so determined, with the perspective that they will be concluded by 31 December 2022, as established in Decree-Law no. 124/2021, of 30 December.

Multi-Municipal Systems (AdNorte, AdDP, SIMDOURO, AdCL, AdVT, AdTA, SIMARSUL and AdA)

The management companies belonging to the AdP Group, Águas do Norte, S. A., (AdNorte), Águas do Douro e Paiva, S. A., (AdDP), SIMDOURO, S. A., (SIMDOURO), Águas do Centro Litoral, S. A., (AdCL), Águas do Vale do Tejo, S. A., (AdVT), Águas do Tejo Atlântico, S. A., (AdTA), SIMARSUL, S. A., (SIMARSUL) and Águas do Algarve, S. A., (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.

For the MMSs, tariffs and tariff revenues, when applicable, are established for the first tariff period in the decrees and respective concession agreements established. 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 2021, 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. In accordance with the legislation, the Grantor approved the tariffs to be applied by the MMS during 2021.

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 2021, the average daily interest rate for ten-year Treasury bills stood at 0.30%.

The constitutive diplomas of MMS mergers and spin offs consecrated the methodology for the registration and recovery of CRDs. The publication of Decree-Law no. 16/2021 of 24 February established that CRD can be generated through to the end of the third five-year period of the concession, and that these balances (assets or liabilities) must be settled by the end of the concession term.

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.

As at 31 December 2021, approximately EUR 520.8 million of outstanding CRDs and approximately EUR 91.8 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 e 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, S. A., (AdRA) and AgdA - Águas Públicas do Alentejo, S. A., (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 9 April and 194/2009 of 20 August, 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 6 March, 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 systems 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.

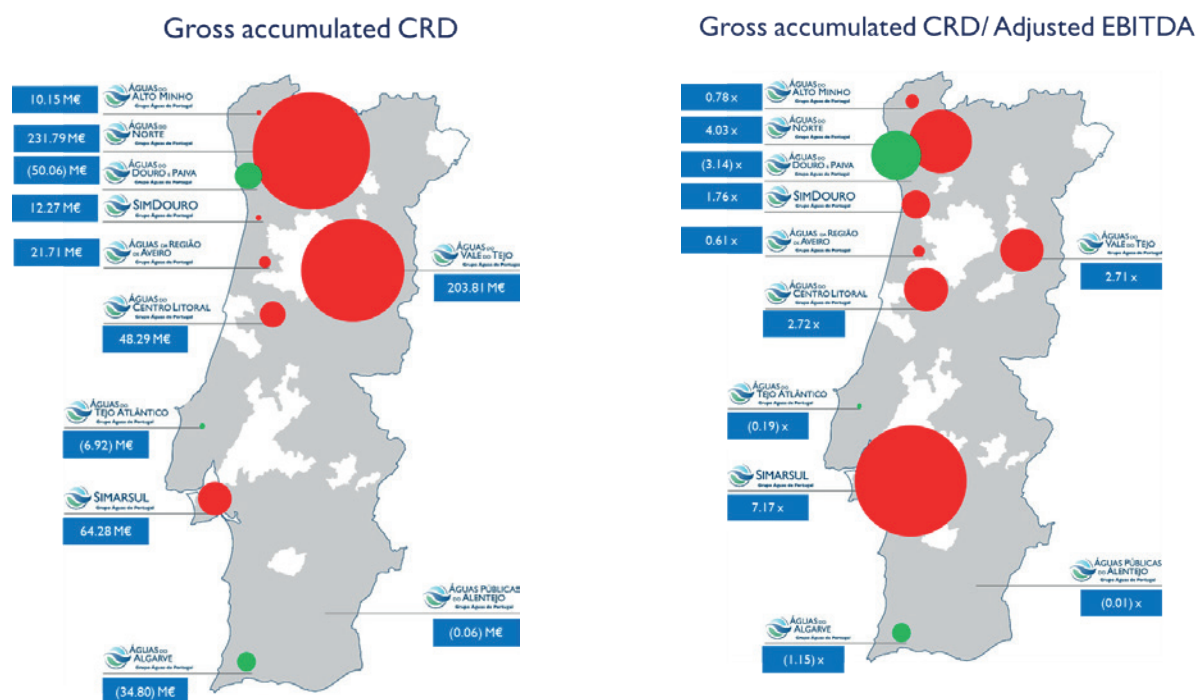
These Management Companies are regulated according to accepted efficient costs, which include the operating and maintenance operating costs of their systems, investment amortisations net of subsidies, financial expenses net of financial income, taxes on income and adequate own capital remuneration.

Throughout 2021, 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 own capital for the year.

As at 31 December 2021, 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 own capital 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 21 June, as amended by Decree-Law no. 94/2015 of 29 May and Decree-Law no. 34/2017, of 24 March.

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 29 May, 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 22 September, no. 60/2012, of 14 March, and no. 130/2012 of 22 June, 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 29 May, as amended by Decree-Law no. 34/2017, of 24 March, 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 29 May, 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 and approval by the Grantor 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 1, 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 2021.

In 2021, 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.

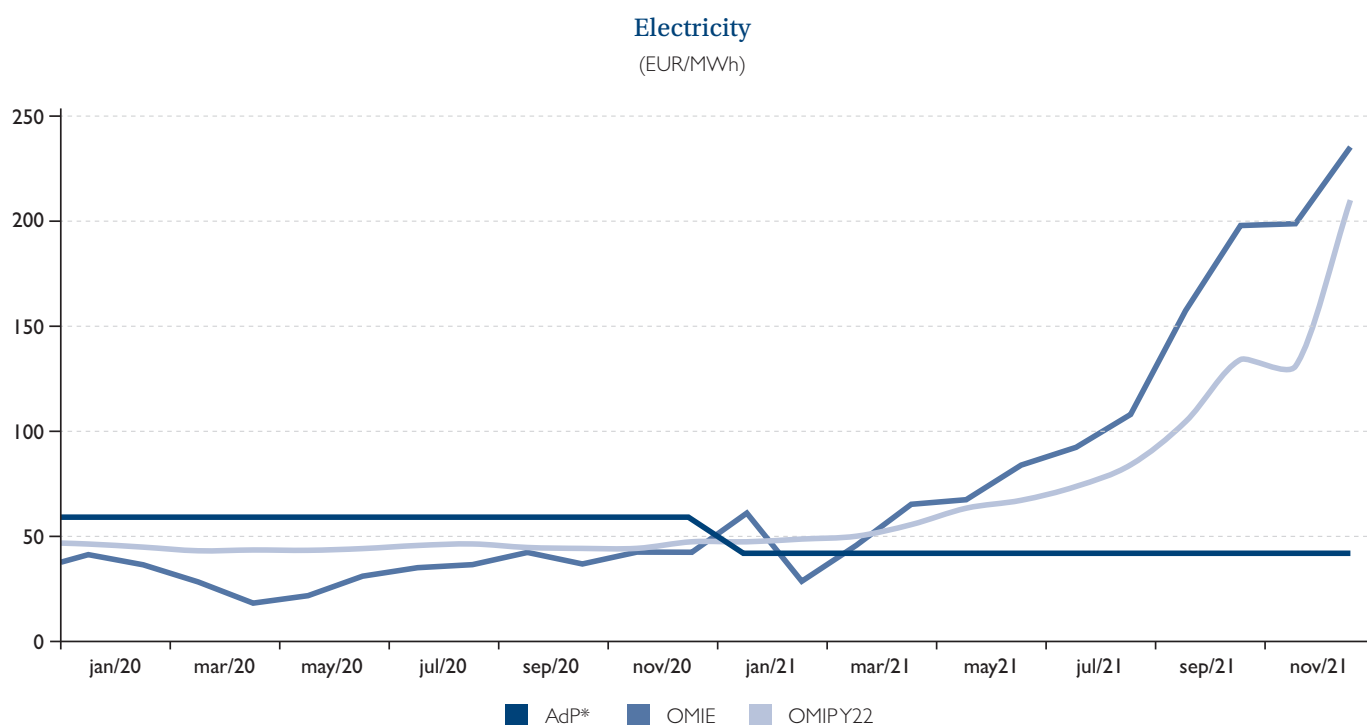
Requests for information and the complaints submitted by water service users are analysed by the Regulator. To this end, the managing entities provide a physical book of complaints. This also extends to their respective Internet sites that provide an e-book of complaints.

Energy in the AdP Group

The price of electricity in Portugal

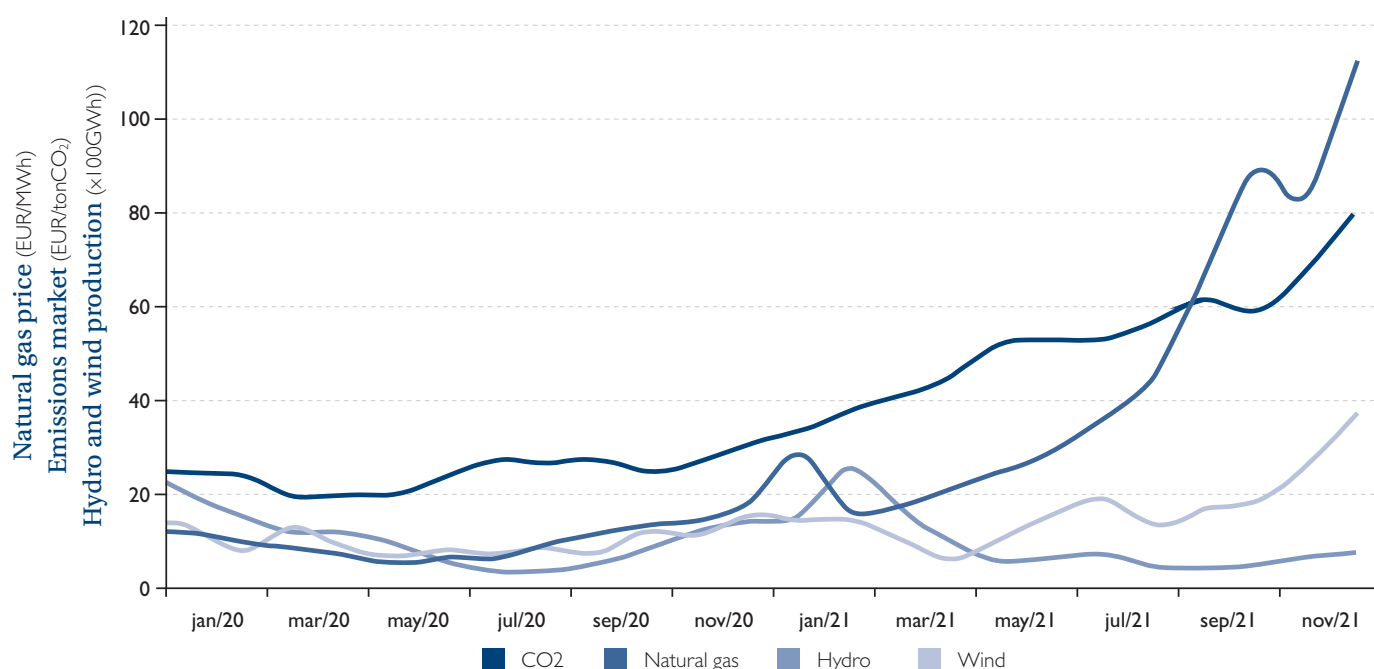
In 2021, the average price of electricity in Portugal, within the scope of the Iberian wholesale electricity market (OMIE), stood at 111.99 €/MWh (33.99 €/MWh in 2020) with OMIE wholesale prices having reached all-time highs, particularly during the second half of the year.

The figure above reflects the trend in the price of energy in the Iberian markets for the years of 2020 and 2021.



*Contractual average value, discounted from network losses.

Analysing the components that influence the energy price highlights the almost exponential rise in the price of natural gas (+364.7%) and the increase in the average price of CO₂ (+116.0%), which reached historic highs of 138.48 EUR/MWh and 89.00 EUR/ton for natural gas and CO₂ prices, respectively.



This increase 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)	Average price in 2021 (EUR/MWh)	Average price in 2020 (EUR/MWh)	2021/ 2020
Portugal	111.99	33.99	229.5%
Germany	96.85	30.47	217.8%
France	109.17	32.20	239.0%

The variation in electricity prices in the futures market (OMIP), for supply in 2022 display similar trends, with the following table showing the variations occurring in Portugal, Germany and France.

Variation of the average electricity price (daily market)	Average price in 2021 (EUR/MWh)	Average price in 2020 (EUR/MWh)	2021/ 2020
Portugal	90.04	44.51	102.3%
Germany	90.15	43.67	106.9%
France	96.68	46.09	109.8%

In 2021, national consumption stood at 49 512 GWh, 1.4% higher than in 2020. It should be noted that 2020 was the year with the lowest consumption for a decade in keeping with the containment policy decreed due to the COVID-19 pandemic.

59.7% of consumption was met by production from renewable sources, slightly higher than the 59.0% verified in 2020. Compared to the previous year, hydroelectric production was -4.8% - and the hydroelectric productivity index stood at 0.93 (-4.1% compared to 2020) – while wind energy production was +7.1%.

Thermal production, between 2020 and 2021 reported an 11.6% decrease in natural gas and an 18.2% decrease in cogeneration with coal-based production slumping by 67.5% to account for only 1.4% of consumption in 2021. We would recall that all existing coal-fired power stations in Portugal will cease electricity production in 2022.

The international energy balance saw the import of energy meet 9.6% of consumption, a level higher than 2020 when it stood at 3.0%. In meteorological terms, the average temperature in 2021 was 15.67°C, 0.55°C lower than in 2020, which will have increased consumption needs for heating.

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.

According to ERSE, in 2021 the TAR rose only in low voltage supplies (+6.2%). In 2022, TAR will especially a very significant reduction: -94.0% in HV and MV, -65.6% in SLV and -52.2% in NLV. This decrease in TAR, across every voltage level, results from the CIEG (Cost of General Economic Interest) providing a benefit for the system in 2022.

In 2020, the Group signed an electricity supply contract in HV, MV and SLV - for 2021 and 2022 - with an average reduction of -30.7% compared to the contract in effect in 2020, taking advantage of the sharp drop in electricity market prices that occurred in March 2020.

The year of 2021 saw an unprecedented rise in energy prices, which blocked the success of the Group's strategy for contracting early but with a demanding base price, which resulted in two tender processes before forcing the launch of a third tender, without a base price but only for one year, which resulted in the current contracted price (+163.7% compared to the contract ending in 2021).

As a result of the strong changes in the cost of market energy between 2020 and 2022, due to a sharp reduction in HV, MV, and SLV supply in 2021 and 2022 (obtained through a centralised procurement tender which had the innovation of presenting a base price) and an increase in NLV supply for 2022, accompanied by a sharp reduction in the TAR in 2022, the Group's electricity bill is expected to fall by EUR 33.58 million between 2020 and 2022 (-44.9%).

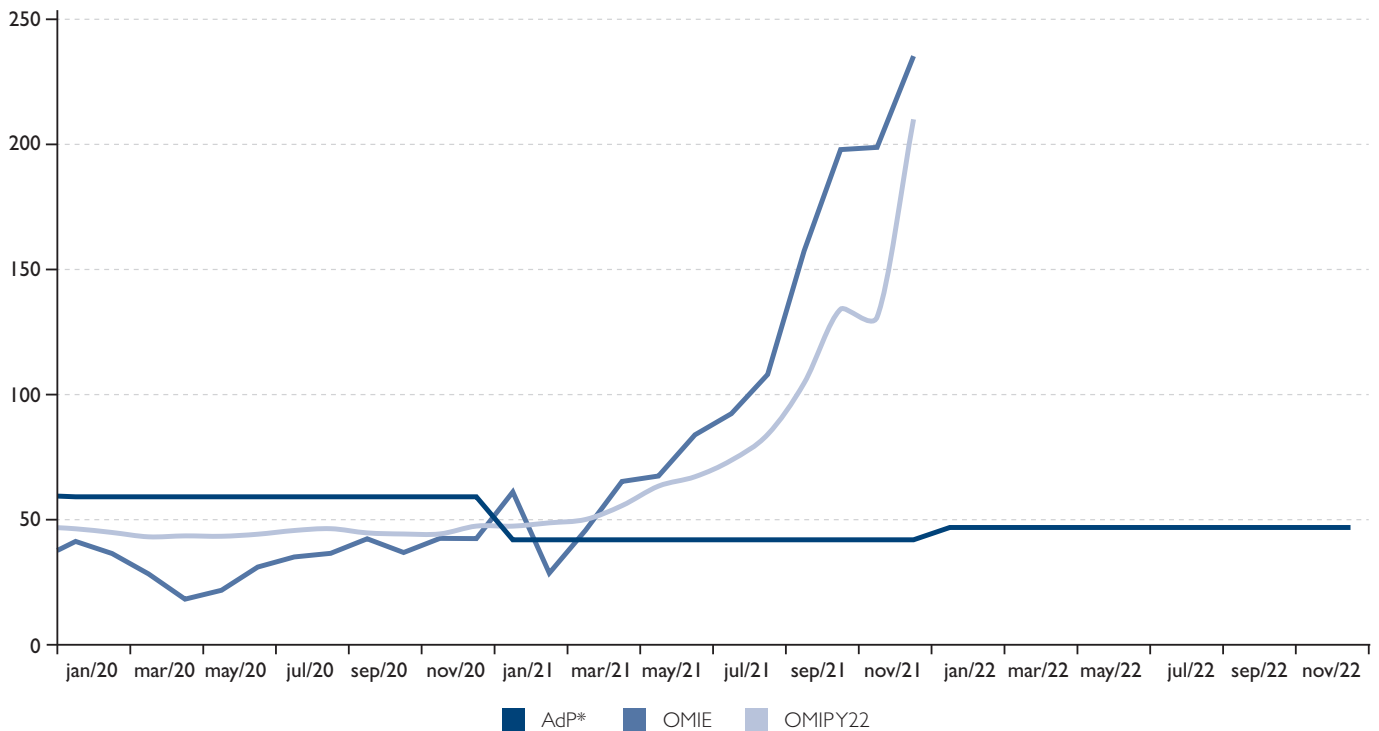
Electricity consumption in the AdP Group

As electricity consumption is inseparable from the activities of Águas de Portugal Group companies, this constitutes a substantial proportion of the costs of water supply and/or wastewater sanitation management entities, with a very significant weighting in the FSE and with a direct impact on the tariffs charged for water and sanitation services.

2021 was characterised by inflationary pressure, associated with the increase in consumption driven by accumulated savings, the upwards trend in raw material and energy prices, with constraints in the supply chains following the reopening of economies. From mid-2021 onwards these trends deepened and especially in the case of the natural gas price, which in December 2021 registered an average value 999.0% higher than the average value registered in 2020. This increase mainly stems from restrictions on the importing of gas from Russia, accompanied by low natural gas reserves in Europe. In the whole of 2021, the price of natural gas registered an increase of 364.7%, compared to the average value registered in the previous year. Prices on the emissions market also rose significantly in the second half of the year. As a result, in 2021, the average price of electricity in Portugal from the Iberian wholesale market (OMIE) was 111.99 €/MWh (having been 33.99 €/MWh in 2020).

The following figure portrays the evolution of energy prices in the Iberian OMIE markets, the price of energy futures for 2022 (OMIP Y22) and the curve of the energy supply contracts signed by AdP Group over the years of 2020, 2021 and 2022.

Electricity (EUR/MWh)



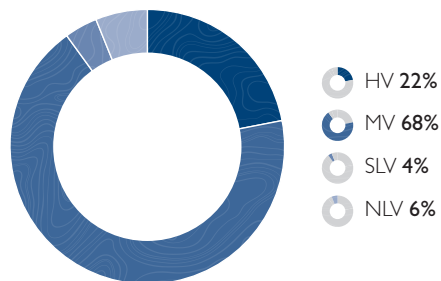
* Contractual average value, discounted from network losses.

It should be noted that, based on the invoicing data (almost final), AdP Group electricity consumption fell between 2021 and 2020 to reach 736,37 GWh in the latter year (-1.3% on 2020).

Of these, 710.07 GWh were consumed from the electricity grid (RESP), which corresponds to a 1.6% year-on-year fall and with 26.30 GWh from self-consumption generated from endogenous and renewable sources (+7.8% on 2020). This 710.07 GWh total reflects general suppliers providing 708.12 GWh and REN supplying 1.95 GWh under the Regulation Reserve pilot project.

The following figure displays the AdP Group RESP consumption in 2021 by voltage level: 22.0% is high voltage (HV), with 68.0% of medium voltage (MV), 3.8% of special low voltage (SLV) and 6.2% of normal low voltage (NLV).

AdP Group RESP consumption in 2021 by voltage level



It is worth highlighting the in-house production of energy in 2021, whether for injection into the grid or for self-consumption. The 2021 data point to production of 36.60 GWh/year (+2.5% compared to 2020). In terms of energy self-sufficiency, the AdP Group reached about 5.0% of its total energy consumption (this stood at 4.8% in 2020).

Energy was also produced for sale to RESP, which totalled 10.30 GWh in 2021 (-8.8% on 2020).

Overall, the AdP Group's RESP balance in 2021 was 699.77 GWh, which reflects a variation of -1.5% on 2020, when the balance totalled 710.30 GWh.

In terms of CO₂ emissions, internal energy production enabled a reduction of 8,858 tons in 2021, which stems from a year-on-year decrease of 282 tons (-3.1%).

In national terms and regarding 2021, the AdP Group stands out as one of the largest energy consumers in the country (representing 1.5% of total RESP electricity consumption), and the largest in terms of national grid points of connection.

As at 31 December 2021, the AdP Group had 6,513 connection points to the RESP (9 high voltage, 999 medium voltage, 384 special low voltage and 5,121 standard low voltage), which represents growth of +0.9% compared to 2020 (+60 new connection points). We would note that of these grid connection points, 6,239 registered consumption during 2021, representing a 95.8% active rate.

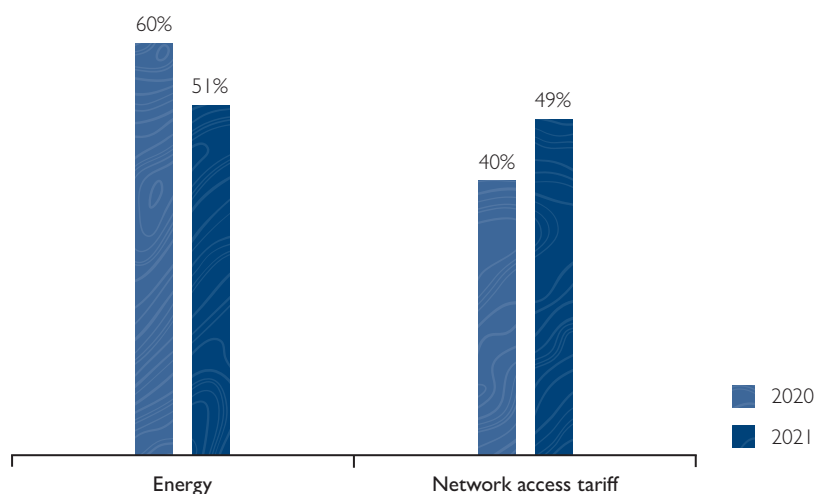
In terms of the State sector, AdP Group is the largest national public consumer, in terms of both connection points and electricity consumption.

The electricity bill, with all the charges included, reached EUR 61.67 million in 2021 (-18.0% on 2020), which corresponds to about - EUR 13.53 million in comparison with the expenses registered in the previous year, the combined result of a fall in the average purchase price of energy (-17.3%) and the decrease in RESP consumption (-1.6%).

In terms of the unit cost of energy for AdP Group companies (energy + TAR + taxes + others), the overall average value in 2021 amounted to around 86.60 €/MWh (104.70 €/MWh in 2020), corresponding to an average reduction of -17.3% in comparison to 2020, with the cost of acquiring energy accounting for 51.1% (versus 60.1% in 2020).

The average values for the acquisition of energy in the markets were 44.41 and 62.32 €/MWh, for 2021 and 2020, respectively (-28.7%).

Invoice
(million EUR)



For 2022 (the AdP Group has its energy supply contracted for all voltage levels until 31 December 2022), the average value should come in at 57.38 €/MWh (versus 86.60 €/MWh in 2021 and 104.7 €/MWh in 2020), representing a reduction of -33.7% on 2021, mostly generated by the decrease in network access tariffs combined with a fall in the market energy prices over this period represents a reduction in the AdP Group's average energy price of -45.2% between 2022 and 2020.

The values estimated for 2022 are based on the current consumption structure of AdP Group companies so any changes in these profiles will return effects on the average energy price per company and per the Group.

There is a direct correlation between consumption and activity; it should be noted that the data collected so far point to a volume of supplied water flows for human consumption and treated wastewater flows, which generate electricity consumption costs, of 1,235.3

million m³ (+1.2% on 2020), while differentiating between activities as there was a +1.3% increase in water flows (680.5 versus 671.5 million m³) and a +0.9% increase in sanitation flows (554.8 versus 549.6 million m³).

Thus, the preliminary global data for specific consumption point to a variation of -9.5% compared to 2020 (0.5961 kWh/m³ in 2021 versus 0.6590 kWh/m³ in 2020), estimated to be 0.6654 kWh/m³ and 0.5111 kWh/m³ for water supply and wastewater sanitation, respectively.

A further note on the energy consumption of electric mobility. In 2021, the 128 100% electric vehicles in the AdP Group's service fleet travelled more than 2.1 million km, having avoided the consumption of more than 176,000 litres of fossil fuels and representing a reduction of 593 barrels of oil equivalent. In terms of primary energy, the reduction was -57.4% (-86.47 p.p.) and with electricity consumption of 299 MWh.

In terms of CO₂ emissions, the reduction achieved compared to combustion powered vehicles was -395 tons (-84.5%).

Although any increase in energy consumption due to recourse to electric vehicles depends on raising their number, which is expected to happen gradually over the next few years, their effect will always be more relevant in reducing greenhouse gas emissions and reducing fossil fuel consumption than in increasing electricity consumption.

In 2021 the AdP Group's vehicle fleet (1,436 vehicles) consumed about 2.8 million litres of fuel (diesel and petrol), which represents an upwards variation of 11.1% compared to 2020 - the first year of the pandemic, when 2.50 million litres were consumed - and a variation of -2.9% compared to 2019 (with 2.9 million litres of fuel consumed), which on average represents global consumption of 579l/day (with average daily consumption of 6,803 l/day in 2020, and 7,806 l/day in 2019).

Fuel consumption in 2021 corresponded to total expenditure of around EUR 3.0 million (excluding VAT) which represents a variation of +25.1% compared to 2020 (EUR 2.381 million, excluding VAT) and up 4.4% compared to 2019 (EUR 2.856 million, excluding VAT). This increase in the fuel bill is due to two factors: the surge in the number of kilometres travelled and the increase in the average price of fuel.

It should be noted that, according to ENSE – the National Entity for the Energy Sector - the entity responsible for the constitution, management and maintenance of the national strategic reserves of oil and oil products - and comparing the December 2021 figures with the position in December 2020, there was an average increase in the retail price of 29.2 cents/l (+22.7%) for diesel and 28.0 cents/l (+19.4%) for petrol.

In the AdP Group, the average purchase price of fuel rose compared with the previous year: diesel rose 9.1% and petrol 7.9%.

In terms of distances, the AdP Group's vehicle fleet travelled about 34.1 million km in 2021 (which is about 850 times the circumference of the earth).

The AdP Group strategy

As publicly acknowledged, the AdP Group - Águas de Portugal is the main Portuguese business group operating in the water supply and wastewater sanitation sectors. It is simultaneously the largest public consumer of electricity.

Therefore, one can perceive the significant dimensions - economic, social and environmental - that electricity assumes in the development of its normal activities, without overlooking the significant impacts that risks associated with volatility and trends in the European and world energy markets induce or may induce to its balance sheets.

Due to the factors and adjustments to which the market is subject and which condition it - the effects of the market prices both of other energies and CO₂, as well as national and community legislative changes - and given the impossibility of estimating their effects on the market price of electricity, added to the experience acquired by the AdP Group in the continuous monitoring of the markets, the most sustainable strategy must necessarily involve the implementation of measures and actions that lead to:

- Reductions in consumption, resulting from the implementation of operational, structural and other management measures, promoting energy efficiency in infrastructures;

- Reduction of costs, by further improving the purchase process, optimising voltage levels, reducing contracted power, eliminating reactive energy, adjusting the network's energy consumption profile according to tariff periods and operating cycles, through efficient energy management;
- Increase own energy production for self-consumption, by taking advantage of the endogenous potential (in particular boosting the production of biogas and the corresponding cogeneration and taking advantage of existing piezometric falls for the installation of micro-hydroelectric plants) and renewable sources (solar photovoltaic and wind power), leading to reductions in grid supplied levels of consumption and, consequently, reducing dependence on markets.

Any strategy must take into account the international commitments that Portugal has assumed, in particular that of achieving carbon neutrality by 2050, as a contribution to the global and European targets signed up to in the Paris Agreement.

These commitments have led the country to define demanding national objectives within the scope of different public policies, which are embodied in the following documents:

- The Path towards Carbon Neutrality 2050 (RNC 2050), and
- The National Energy and Climate Plan 2030 (PNEC 2030).

Correspondingly, the AdP Group - as a public group in the environmental area - is required to develop policies that contribute decisively to fulfilling the obligations that Portugal has committed to internationally, particularly in terms of energy and carbon neutrality.

Furthermore, as the largest public consumer of electricity, this conveys the dimension and impacts that a well-designed and feasible strategy will have for national goals and objectives.

Despite the efforts to reduce electricity consumption through the implementation of energy efficiency measures/actions and the increase in internal energy production in recent years, the AdP Group would not be able to surpass the energy self-sufficiency levels registered in 2020 (5%) without a program of strong and decisive investment in energy efficiency and renewable energy production.

The AdP Group has therefore developed the ZERO Program, which is based on reducing energy consumption in water supply, wastewater sanitation and other non-operational facilities and sharply increasing the in-house production of 100% renewable energy, primarily for self-consumption. Through this program the Group aims to achieve energy neutrality by 2030 and the first group in the water sector worldwide to implement a project aimed at energy neutrality and self-sustainability.

The Program envisages an integrated production mix, considering systems based on solar photovoltaic, wind, hydro (water and wastewater pipelines, intakes from reservoirs, dams) and cogeneration using biogas, with electric and thermal usages, and promoting the maximisation of self-consumption.

The fact there is unanimous agreement that, in order to comply with the strategies defined in the aforementioned public policies, the greatest efforts to reduce GHG emissions should take place in the 2021 to 2030 decade led the AdP Group to consider this period critical to its development and, consequently, to align its business model with Portugal's path towards carbon neutrality.

The ZERO Program will be implemented over two investment periods (2021 to 2025 and 2026 to 2030), differentiated as follows:

- Period 1 - Energy efficiency and energy production installations in infrastructures with higher self-consumption, and
- Period 2 - Other energy production installations, taking advantage of the endogenous resource potentials present in the territory.

The planned AdP Group investment in the ZERO Program amounts to EUR 363 million, spanning not only the implementation of energy efficiency and renewable energy production measures but also involving investments in digitalisation designed to bring about integrated consumption management.

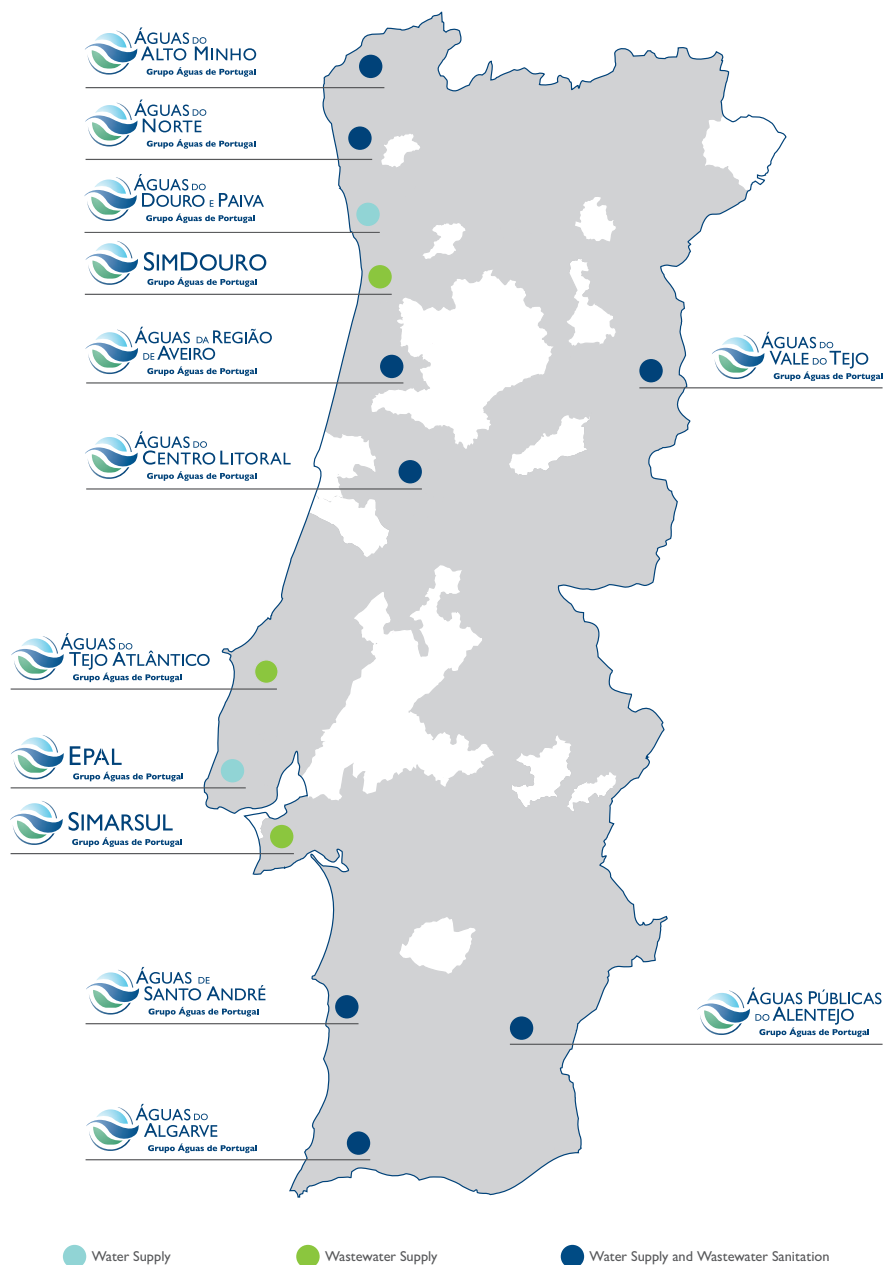
In parallel with developing the ZERO Program, the Águas de Portugal Group has the NEUTRO Program underway, aimed at quantifying and reducing the Águas de Portugal Group's GHG emissions. One of the goals of this program is to develop a tool to guide and support the periodic preparation of an inventory that will be the physical basis for the annual Greenhouse Gas (GHG) inventories of the AdP Group and its companies.

Once this tool has been developed, a set of measures will be implemented to reduce the Group's emissions.

Water supply and wastewater sanitation activities

Management entities

At the end of 2021, the geographical distribution of the AdP Group's management bodies was as follows:



Indicators

Population and municipalities

At the end of 2021, 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 by the AdP Group cover a population of over 8 million inhabitants.

Volumes

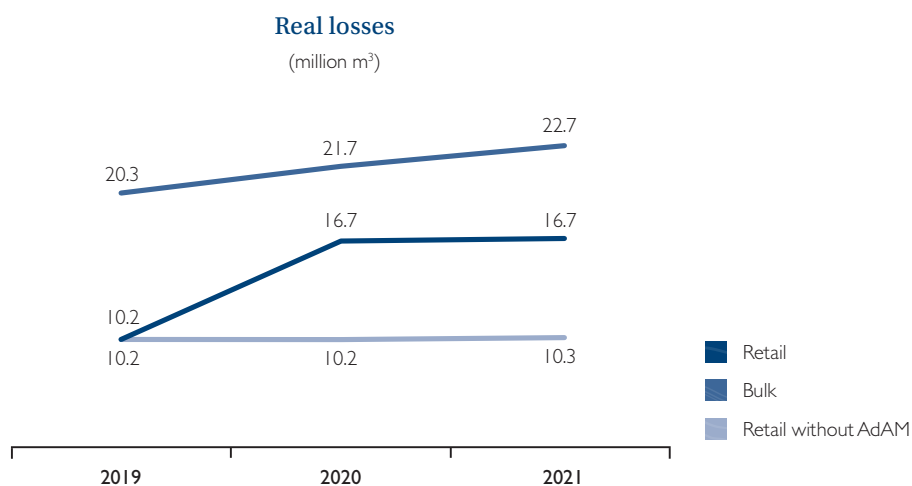
Water supply

The amount of water billed for human consumption (consolidated) rose by 0.3%, to reach 620 million m³, registering a positive variation of -1,3% in the amount of water produced (by its own facilities) and acquired (bulk and treated), which represent the volumes entering the system.

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



The rise in the intra-group value between 2020 and 2021 derives from the first full year of operation of Águas do Alto Minho (AdAM) acquiring treated water from Águas do Norte (AdNorte).

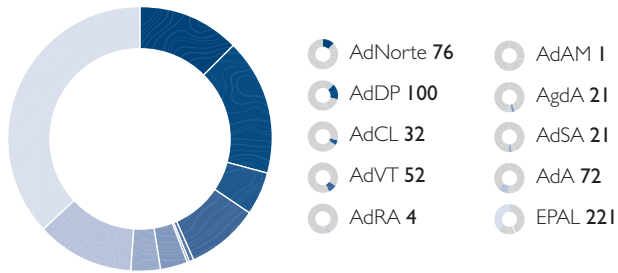


The graphic above sets out the trajectory for water losses excluding AdAM given that 2020 represented this company's first year in operation and to enable comparable analysis with previous years.

As regards the supply of water for human consumption, the figures include the retail distribution sector (low), and correspond to an estimated average supply in the municipalities already served of about 199 litres per day per inhabitant, which is lower than the 202 litres per day per inhabitant recorded in 2020.

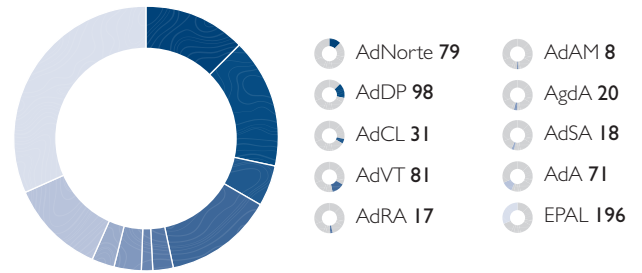
Water produced in 2021

(million m³)



Water billed in 2021

(million m³)

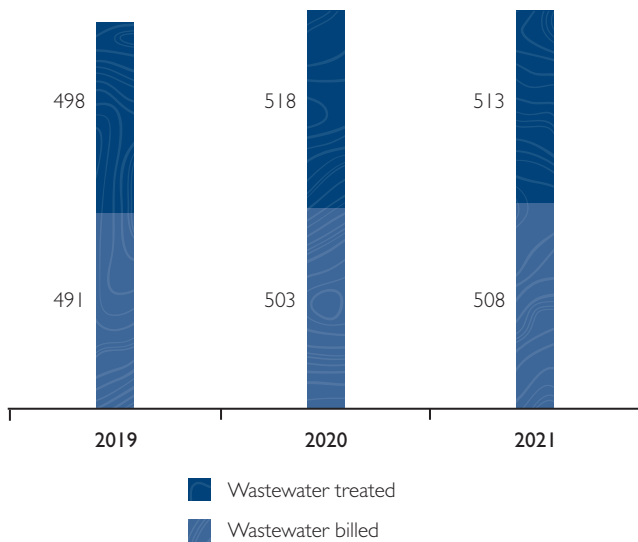


In the case of sanitation, the 513 million m³ volume of effluent treated reflects a 1.1% year-on-year reduction. The volume invoiced increased by 0.9%. It should be noted that billing in this segment is conditioned by the minimum yields in practice at some Group companies.

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

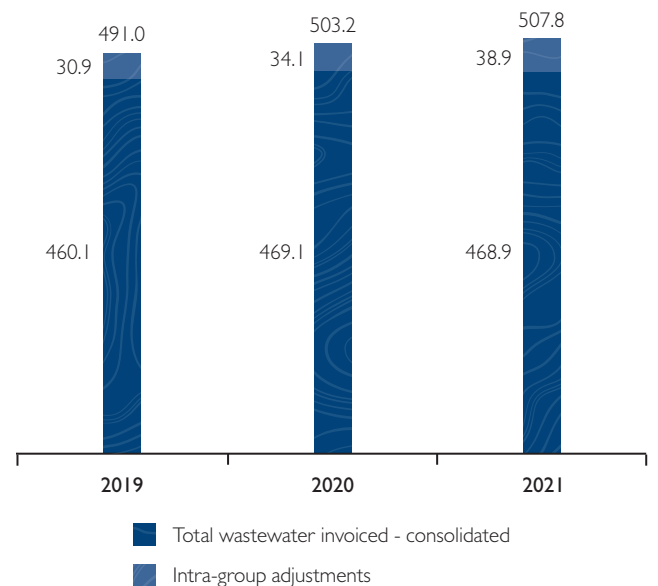
Wastewater total

(million m³)



Total wastewater billed

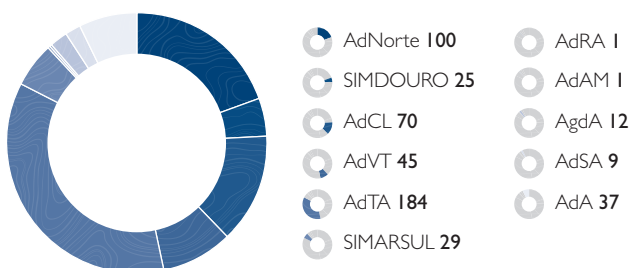
(million m³)



Average wastewater flow rates in the already served municipalities stand at around 221 litres per day per inhabitant, which represents an annualised decrease of 2.6% resulting from the drop in the annualised volume of treated wastewater.

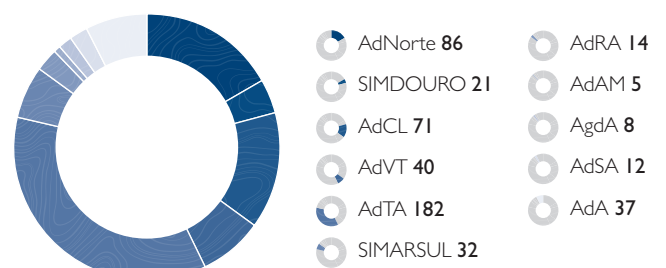
Wastewater treated in 2021

(million m³)



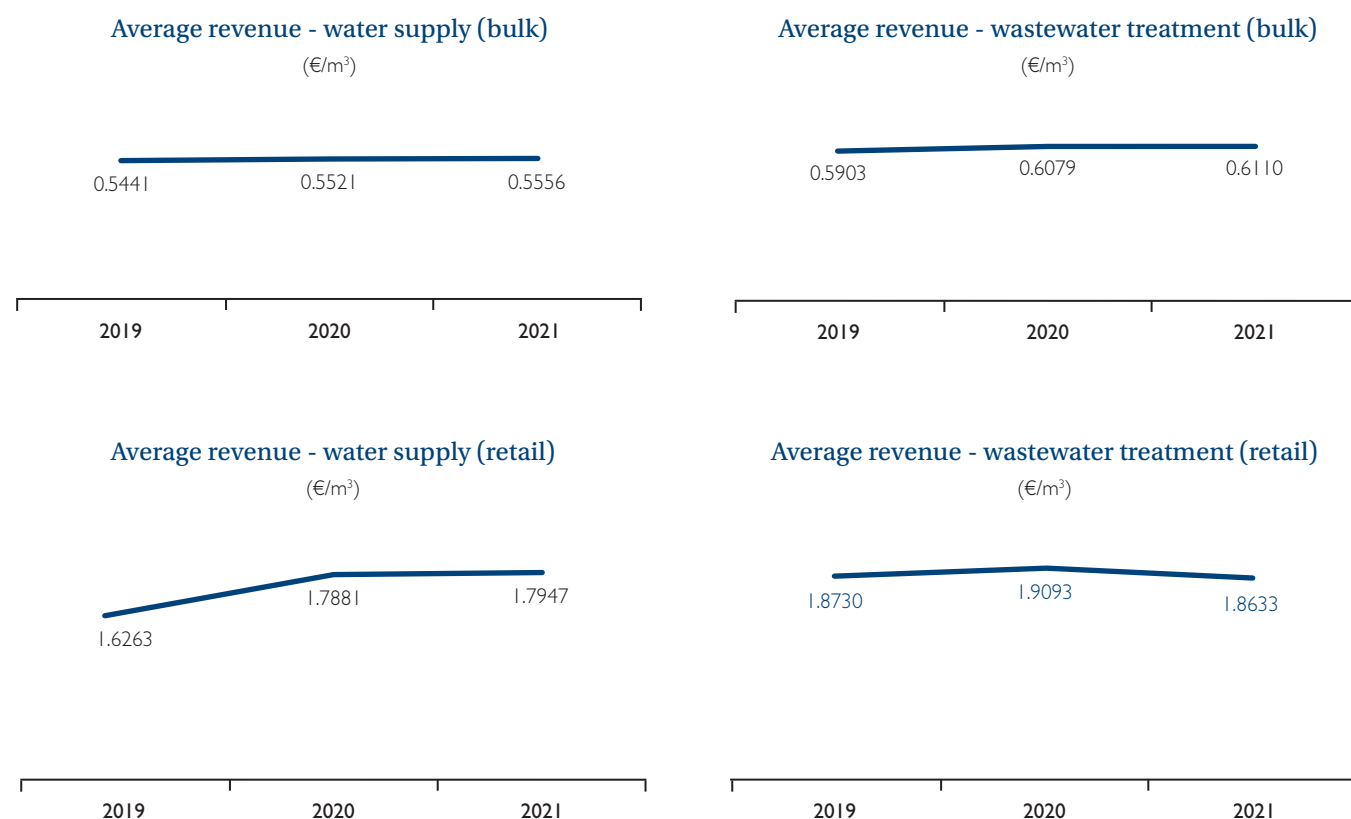
Wastewater billed in 2021

(million m³)



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:



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

Investment

The AdP Group advanced with investment totalling EUR 155.8 million in 2021, with EUR 139.5 million of this amount for investments in constructing or restructuring water supply and sanitation infrastructures.

	2015	2016	2017	2018	2019	2020	2021
Annual Investment	194.6	69.7	94.7	133.8	161.2	130.7	155.8

MEUR

Note: 2019 investment includes the accountancy reclassification of the Odelouca Dam for the amount of EUR 14.7 million

The 2017-2021 five-year period, which now ends, witnessed a significant increase in the pace of the AdP Group's annual investment in the construction or refurbishment of infrastructures. Taking 2016 as a reference, the starting point for the five-year period, the investment verified in 2021, the last year of the five-year period, reflected an increase of around 105%.

Thus, investment more than doubled in this period, which implied a remarkable effort by the companies and worthy of highlighting. However, circumstances did not allow the growth curve to display a very homogeneous profile and the increase to more than double the 2016 level occurred in a short space of three years, through to 2019, the year in which the largest amount of investment in the five-year period was reached, even if only by a small margin.

The outbreak of the COVID-19 pandemic in early 2020 substantially changed the global context and, although the construction sector in Portugal was not one of the most severely affected by the pandemic crisis, as is public knowledge, the effects were far from negligible for the investments under development by AdP Group companies. Delayed authorisations from third parties, construction tenders with no bidders, construction works that had to be suspended for long periods, projects that never stopped but experienced very significant delays, there were several constraints that led to an overall reduction in activity, reflected in a 15% year-on-year drop in investment in 2020.

Although the pandemic lasted throughout 2021, it was possible to better adapt all the actors involved to the constraints verified, which was reflected in a relevant recovery of the pace of investment, making possible an approximate return to the 2019 levels.

However we would note that the unfavourable conditions for investments advancing were not limited to the public health crisis. There was another considerable factor that coexisted with the pandemic over time and went onto survive it and subsequently worsen to cause particular public alarm after 2021 following the outbreak of war in Europe. In fact, the rise in prices on the public works market and in construction in general, well above overall inflation, constitutes a trend that has now been ongoing for some time and has gradually become more embedded. The volatility and unpredictability of the profile of this cost growth has created significant instability for all participants, making cost estimates unreliable, in particular for the budgeting of engineering projects that provide the basis for the launched works tenders. In accordance with public procurement rules, when launching each tender, the developer must publish the maximum value it is willing to accept for the respective work, which, in terms of good practice and good management, should be realistic but acceptable. The search for a fair balance, in this unstable context, constitutes a particularly difficult exercise and has in the last two years resulted in an alarming number of construction tenders not receiving any valid bids, forcing their re-launch of the tenders with correspondingly lengthy delays.

It is unquestionable that the last two years of the five-year period in question presented very particular and impacting challenges in the field of investment in the face of which we may consider that the AdP Group companies displayed great resilience and capacity of response with a particular emphasis on 2021.

The table below shows the breakdown of investment in new versus replacement investment:

	MEUR						
Types of investment	2015	2016	2017	2018	2019	2020	2021
New	109.8	34.8	54.4	81.2	84.2	65.9	71.0
Rehabilitation / replacement	43.0	33.4	37.6	47.3	58.4	55.4	68.5
Total	152.8	68.2	92.0	128.5	142.6	121.3	139.5

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. 2021 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 hitherto characterise the Group's track record.

Among the more significant investment contracts for new construction works in 2021, we may highlight the New Barlavento Reserve, the responsibility of Águas do Algarve, the Comporta Water Treatment Plant, the Alvalade Supply and Ermidas do Sado and Fornalhas Velhas Supply Systems at Águas Públicas do Alentejo, the Connection of EDIA's System to the Monte Novo Water Treatment Plant by Águas do Vale do Tejo, as well as the 2nd Phase in the Tâmega Interceptor or the Terras de Bouro Water Treatment Plant, by Águas do Norte. Regarding the rehabilitation investment contracts, we can emphasise the 1st Phase of upgrading the Chelas Water Factory by Águas do Tejo Atlântico, the Replacement and Strengthening of the Pipeline System to the Insalde Water Treatment Plant, by Águas do Norte, as well as the 2nd Phase in the Restructuring of the Caia Water Treatment Plant or the Replacement of the Penamacor Pipeline by Águas do Vale do Tejo.

Naturally, the distribution of investment between the areas of water supply and sanitation is also relevant, the distribution of which features in the table below:

Activity area	MEUR						
	2015	2016	2017	2018	2019	2020	2021
Water supply	50.2	32.4	44.4	55.4	68.0	62.0	70.2
Wastewater sanitation	102.6	35.9	47.6	73.1	74.6	59.3	69.3
Total	152.8	68.2	92.0	128.5	142.6	121.3	139.5

It may be noted that the list of the most significant works presented above mostly contains water supply works, as was the case in 2020, but this is not of particular significance and the overall figures in the table are of key relevance to this overall framework.

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 and Águas do Algarve but a greater weighting of supply in Águas do Vale do Tejo and Águas Públicas do Alentejo and the opposite situation in Águas da Região de Aveiro and Águas do Centro Litoral.

Community funds

By the end of 2021, approval had been received for 134 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 305 operations already completed accounting for global investment in the region of EUR 273.9 million, with a forecast level of community funding amounting to EUR 186.3 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.

Applications to PO SEUR 2014-2020 (Urban Water Cycle), approved prior to 31/12/2021

MEUR

Community funding	No. Applications		Total investment (1)	Foreseen subsidy (2)	Implicit co-financing (3)=(2)/(1)	Subsidy already received	Subsidy received during 2021
	Approved	Completed					
AdNorte (*)	59	5	42.3	26.9	64%	19.4	2.7
AdAM	19		35.4	19.0	54%	10.7	7.8
AdDP	1		2.0	1.0	49%		
AdCL	3	1	14.9	5.8	39%	0.7	
AdRA	21	18	28.7	16.8	59%	15.8	1.5
EPAL	1	1	13.8	6.4	46%	5.4	
AdVT	4	2	5.1	3.4	67%	2.8	0.2
AdTA	3	1	2.0	1.6	79%	1.0	0.3
SIMARSUL	1	1	1.2	0.8	64%	0.7	
AdSA	1		1.9	1.6	85%	0.8	
AgdA	14	1	85.4	70.9	83%	63.1	8.8
AdAlgarve	7		41.2	32.3	78%	29.2	1.6
	134	30	273.9	186.3	68%	149.5	22.9

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

During 2021, the investments implemented by Águas de Portugal Group companies under the auspices of these 134 applications totalled around EUR 28.9 million and requests for payment of EUR 34.9 million of expenditure were submitted. In the same period, the community funding received amounted to EUR 22.9 million, thus the amount absorbed under POSEUR 2014-20/ PORTUGAL 2020 rose to EUR 149.5 million (around 80% of the total of grants planned for under the applications approved).

In addition, the AdP Group submitted four applications to other Community instruments, such as REACT-EU/COMPETE, for total investment of EUR 29.9 million and associated co-financing of EUR 23 million.

Multi-municipal systems (separate accounts)

Águas do Norte, S.A. (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.

	MEUR			
	2018	2019	2020	2021
Business turnover ⁽¹⁾	99.9	109.9	116.9	119.0
Cost Recovery Deviation (CRD)	4.5	(5.2)	(15.6)	(22.3)
Operating result ⁽²⁾ (OR)	22.0	17.4	13.7	11.4
EBITDA ⁽³⁾	45.9	53.9	62.0	63.0
Financial results	(10.7)	(9.9)	(7.7)	(6.9)
Net annual result	6.7	4.7	3.9	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	2021
Operating assets (net) ⁽¹⁾	1 090.5	1 060.5	1 034.8	1 007.7
Investment (increases)	10.6	20.3	15.5	20.2
Client debts ⁽²⁾	96.2	71.7	85.0	86.1
Total assets	1 488.2	1 465.9	1 412.9	1 361.2
Financial debt ⁽³⁾ – Medium and long term	525.5	512.1	490.0	467.7
Financial debt ⁽³⁾ – Short term	24.8	27.0	6.4	8.8
Financial debt ⁽³⁾ Total	550.3	539.2	496.5	476.5
Financial debt – Net ⁽⁴⁾	549.5	538.4	495.1	474.9
Net financial debt/EBITDA ⁽⁴⁾	12.0	10.0	8.0	7.5
Investment subsidies	504.5	485.8	467.3	447.2
Own capital	245.1	249.9	253.8	257.5
Accumulated CRD (Asset)	235.3	230.1	214.5	192.1

(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, S.A. (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 region of Portugal 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		
	2019	2020	2021
Business turnover ⁽¹⁾	37.3	36.6	34.7
Cost Recovery Deviation (CRD)	(10.1)	(9.7)	(9.1)
Operating result ⁽²⁾ (OR)	1.4	1.3	1.7
EBITDA ⁽³⁾	19.2	18.7	18.2
Financial results	(0.5)	(0.2)	(0.1)
Net annual result	0.7	0.8	0.8

(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		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	161.9	153.0	146.5
Investment (increases)	4.0	3.6	4.0
Client debts ⁽²⁾	3.5	9.8	5.6
Total assets	204.5	201.8	194.5
Financial debt ⁽³⁾ – Medium and long term	49.1	41.5	29.3
Financial debt ⁽³⁾ – Short term	1.8	1.1	1.2
Financial debt ⁽³⁾ Total	50.9	42.6	30.5
Financial debt – Net ⁽⁴⁾	36.9	28.1	14.5
Net financial debt/EBITDA ⁽⁴⁾	1.9	1.5	0.8
Investment subsidies	52.9	49.7	46.5
Own capital	30.5	30.5	30.6
Accumulated CRD (Liability)	(31.1)	(40.8)	(49.9)

(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

SIMDOURO – Saneamento do Grande Porto, S.A. (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 region of Portugal 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.

	2017	2018	2019	2020	2021
Business turnover ⁽¹⁾	12.6	13.8	14.6	14.8	15.2
Cost Recovery Deviation (CRD)	1.2	(0.0)	(1.3)	(2.4)	(2.4)
Operating result ⁽²⁾ (OR)	3.1	2.8	2.1	2.0	1.6
EBITDA ⁽³⁾	5.1	6.2	7.0	7.9	7.6
Financial results	(1.4)	(1.3)	(1.0)	(1.0)	(0.8)
Net annual result	1.4	1.1	0.8	0.7	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)

	2017	2018	2019	2020	2021
Operating assets (net) ⁽¹⁾	133.8	134.7	133.0	133.0	132.2
Investment (increases)	0.8	2.7	2.7	2.7	1.0
Client debts ⁽²⁾	1.2	1.9	3.1	2.7	3.9
Total assets	159.3	161.1	160.9	157.1	155.6
Financial debt ⁽³⁾ – Medium and long term	49.1	6.1	55.3	52.4	50.5
Financial debt ⁽³⁾ – Short term	4.5	50.7	2.9	0.9	0.9
Financial debt ⁽³⁾ Total	53.6	56.8	58.1	53.3	51.4
Financial debt – Net ⁽⁴⁾	52.0	55.2	55.0	50.7	48.7
Net financial debt/EBITDA ⁽⁴⁾	10.2	8.9	7.9	6.4	6.4
Investment subsidies	55.6	54.6	53.8	52.7	51.7
Own capital	29.3	30.4	31.2	32.0	32.7
Accumulated CRD (Asset)	18.6	18.6	17.2	14.8	12.4

(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

Águas do Centro Litoral, S.A. (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.

	MEUR		
	2019	2020	2021
Business turnover ⁽¹⁾	51.2	52.4	53.1
Cost Recovery Deviation (CRD)	(5.0)	(3.4)	(4.0)
Operating result ⁽²⁾ (OR)	7.4	7.3	5.6
EBITDA ⁽³⁾	29.1	29.0	28.7
Financial results	(4.6)	(4.5)	(4.0)
Net annual result	1.8	1.6	1.5

(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)

	MEUR		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	418.4	409.7	399.3
Investment (increases)	10.3	8.8	10.3
Client debts ^{(2)*}	26.2	36.4	13.5
Total assets	542.4	544.3	507.2
Financial debt ⁽³⁾ – Medium and long term	196.5	195.3	172.5
Financial debt ⁽³⁾ – Short term	15.7	14.2	8.9
Financial debt ⁽³⁾ Total	212.1	209.5	181.5
Financial debt – Net ⁽⁴⁾	205.0	203.8	172.7
Net financial debt/EBITDA ⁽⁴⁾	7.0	7.0	6.0
Investment subsidies	157.4	155.0	145.7
Own capital	99.1	100.7	102.3
Accumulated CRD (Asset)	55.7	52.3	48.3

(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

(*) The variation compared to 2020 is primarily justified by the conclusion and ratification of the agreement between the parties and Águas de Coimbra.

Águas do Vale do Tejo, S.A. (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		
	2019	2020	2021
Business turnover ⁽¹⁾	91.9	99.9	101.5
Cost Recovery Deviation (CRD)	(1.2)	(8.0)	(12.0)
Operating result ⁽²⁾ (OR)	15.3	10.1	8.1
EBITDA ⁽³⁾	42.4	46.0	47.6
Financial results	(9.0)	(5.2)	(3.7)
Net annual result	4.2	3.3	3.1

(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		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	614.4	596.4	579.5
Investment (increases)	13.6	11.8	16.2
Client debts ⁽²⁾	95.8	104.3	109.5
Total assets	1 046.8	1 024.1	1 010.0
Financial debt ⁽³⁾ – Medium and long term	380.5	359.9	348.9
Financial debt ⁽³⁾ – Short term	36.1	46.2	48.5
Financial debt ⁽³⁾ Total	416.6	406.1	397.5
Financial debt – Net ⁽⁴⁾	412.8	379.1	365.5
Net financial debt/ EBITDA ⁽⁴⁾	9.7	8.3	7.7
Investment subsidies	250.2	235.9	223.7
Own capital	204.7	208.0	211.1
Accumulated CRD (Asset)	223.8	215.8	203.8

(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, S.A. (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		
	2019	2020	2021
Business turnover ⁽¹⁾	83.2	83.5	82.7
Cost Recovery Deviation (CRD)	(13.1)	(10.6)	(9.8)
Operating result ⁽²⁾ (OR)	12.8	11.3	9.4
EBITDA ⁽³⁾	41.5	38.2	34.4
Financial results	(7.0)	(6.0)	(5.8)
Net annual result	4.3	3.7	3.8

(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		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	448.5	442.8	443.9
Investment (increases)	16.2	17.4	21.7
Client debts ⁽²⁾	13.2	11.9	10.9
Total assets	629.1	610.5	596.0
Financial debt ⁽³⁾ – Medium and long term	212.1	200.5	187.7
Financial debt ⁽³⁾ – Short term	10.1	11.6	13.4
Financial debt ⁽³⁾ Total	222.2	212.2	201.0
Financial debt – Net ⁽⁴⁾	126.6	116.0	120.6
Net financial debt/ EBITDA ⁽⁴⁾	3.1	3.0	3.5
Investment subsidies	130.4	125.7	121.4
Own capital	115.9	115.6	115.8
Accumulated CRD	13.8	2.9	(6.9)

(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

SIMARSUL – Saneamento da Península de Setúbal, S.A. (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		
	2019	2020	2021
Business turnover ⁽¹⁾	15.1	17.3	18.4
Cost Recovery Deviation (CRD)	1.5	0.2	(0.2)
Operating result ⁽²⁾ (OR)	4.2	3.6	3.9
EBITDA ⁽³⁾	6.5	7.6	8.5
Financial results	(2.6)	(2.4)	(2.5)
Net annual result	1.2	1.0	0.9

(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)

	MEUR		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	152.8	148.8	145.8
Investment (increases)	0.5	0.9	2.1
Client debts ⁽²⁾	5.5	6.6	7.0
Total assets	240.1	236.6	233.0
Financial debt ⁽³⁾ – Medium and long term	75.9	71.5	66.6
Financial debt ⁽³⁾ – Short term	3.8	4.4	5.0
Financial debt ⁽³⁾ Total	79.6	75.9	71.7
Financial debt – Net ⁽⁴⁾	68.1	65.7	62.8
Net financial debt/ EBITDA ⁽⁴⁾	10.5	8.7	7.4
Investment subsidies	58.0	57.2	55.3
Own capital	65.9	66.9	67.8
Accumulated CRD (Asset)	64.2	64.4	64.3

(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 – SGPS Treasury Support

Águas do Algarve, S.A. (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 2019-2048 period.

	MEUR		
	2019	2020	2021
Business turnover ⁽¹⁾	60.5	59.0	59.8
Cost Recovery Deviation (CRD)	(5.4)	6.5	9.9
Operating result ⁽²⁾ (OR)	7.5	7.6	3.9
EBITDA ⁽³⁾	27.5	26.9	29.3
Financial results	(5.9)	(6.6)	(4.6)
Net annual result	1.2	0.7	0.4

(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		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	418.1	407.1	398.8
Investment (increases)	10.6	7.5	7.3
Client debts ⁽²⁾	36.4	34.7	19.2
Total assets	500.3	490.7	483.8
Financial debt ⁽³⁾ – Medium and long term	166.8	151.8	136.0
Financial debt ⁽³⁾ – Short term	29.4	33.7	39.8
Financial debt ⁽³⁾ Total	196.2	185.7	175.8
Financial debt – Net ⁽⁴⁾	174.2	185.4	174.8
Net financial debt/ EBITDA ⁽⁴⁾	6.3	6.9	6.0
Investment subsidies	161.3	155.7	148.7
Own capital	29.5	30.2	30.6
Accumulated CRD (liabilities) (*)	(18.4)	(24.9)	(34.8)

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

(2) Refers only to the amounts billed for water and sanitation. In 2019, the amounts for client payables included in the ARD were reclassified as financial assets at their fair value as integral income

(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)

(separate accounts)

AdRA – Águas da Região de Aveiro, S.A. (AdRA)

AdRA - Águas da Região de Aveiro, S.A. 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		
	2019	2020	2021
Business turnover ⁽¹⁾	54.1	55.0	55.4
Cost Recovery Deviation (CRD) (*)	(5.1)	(5.1)	(2.8)
Operating result ⁽²⁾ (OR)	0.6	0.8	1.0
EBITDA ⁽³⁾	15.5	15.7	13.9
Financial results	0.3	0.2	0.1
Net annual result	0.7	0.6	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 a "separate accounts" perspective

	MEUR		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	188.8	197.4	205.2
Investment (increases)	17.1	13.9	14.4
Client debts ⁽²⁾	4.6	7.1	6.7
Total assets	295.0	303.1	309.5
Financial debt ⁽³⁾ – Medium and long term	57.8	57.4	58.5
Financial debt ⁽³⁾ – Short term	4.2	5.4	6.1
Financial debt ⁽³⁾ Total	62.0	62.8	64.6
Financial debt – Net ⁽⁴⁾	61.6	62.4	64.1
Net financial debt/ EBITDA ⁽⁴⁾	4.0	4.0	4.6
Investment subsidies	37.3	36.0	35.3
Own capital	18.8	18.7	18.7
Accumulated CRD (liabilities)	(14.1)	(19.2)	(22.0)

(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

AgdA – Águas Públicas do Alentejo, S.A. (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.

	MEUR		
	2019	2020	2021
Business turnover ⁽¹⁾	15.0	16.1	18.1
Cost Recovery Deviation (CRD)	1.4	(0.4)	(0.7)
Operating result ⁽²⁾ (OR)	1.2	1.3	1.4
EBITDA ⁽³⁾	1.6	3.6	6.4
Financial results	(0.6)	(0.6)	(0.6)
Net annual result	0.5	0.6	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)

	MEUR		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	133.6	144.9	158.4
Investment (increases)	23.8	17.3	20.5
Client debts ⁽²⁾	6.1	5.6	6.0
Total assets	154.8	161.0	176.1
Financial debt ⁽³⁾ – Medium and long term	48.6	48.2	55.3
Financial debt ⁽³⁾ – Short term	6.5	5.5	0.6
Financial debt ⁽³⁾ Total	55.1	53.6	55.9
Financial debt – Net ⁽⁴⁾	53.9	52.4	54.6
Net financial debt/ EBITDA ⁽⁴⁾	32.9	14.8	8.6
Investment subsidies	68.6	78.2	88.2
Own capital	8.7	10.2	10.8
Accumulated CRD (asset)	1.1	0.7	(0.1)

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

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

(3) Bank Loans

(4) Financial Debt Total - Availabilities - FRCS

Águas do Norte, S.A. (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.

	MEUR			
	2018	2019	2020	2021
Business turnover ⁽¹⁾	13.3	15.2	18.2	17.7
Cost Recovery Deviation (CRD)	3.4	3.6	2.6	3.0
Operating result ⁽²⁾ (OR)	0.9	0.8	1.3	1.0
EBITDA ⁽³⁾	0.3	0.8	2.9	1.6
Financial results	(0.3)	(0.1)	(0.4)	(0.3)
Net annual result	0.5	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)

	MEUR			
	2018	2019	2020	2021
Operating assets (net) ⁽¹⁾	49.0	58.6	64.3	68.9
Investment (increases)	12.8	9.6	6.3	7.2
Client debts ⁽²⁾	4.0	6.4	5.7	6.2
Total assets	91.9	107.0	116.1	125.7
Financial debt ⁽³⁾ – Medium and long term	36.0	36.0	36.0	36.0
Financial debt ⁽³⁾ – Short term	3.4	10.8	12.8	15.0
Financial debt ⁽³⁾ Total	39.4	46.8	48.8	51.0
Financial debt – Net ⁽⁴⁾	39.3	46.7	48.8	50.9
Net financial debt/ EBITDA ⁽⁴⁾	118.1	55.3	16.7	31.8
Investment subsidies	10.1	15.0	15.8	19.3
Own capital	11.2	14.8	15.5	16.0
Accumulated CRD (Asset)	30.4	34.0	36.6	39.6

(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 Alto Minho, S.A. (AdAM) – retail activities

AdAM - Águas do Alto Minho 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		
	2019	2020	2021
Business turnover ⁽¹⁾	0.0	23.3	23.3
Cost Recovery Deviation (CRD)	0.3	1.9	8.0
Operating result ⁽²⁾ (OR)	0.1	0.1	1.0
EBITDA ⁽³⁾	(0.2)	2.5	(1.5)
Financial results	0.0	(0.1)	(0.1)
Net annual result	0.0	0.1	0.2

(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		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	0.4	6.0	11.2
Investment (increases)	0.4	5.2	5.5
Client debts ⁽²⁾	0.0	11.1	6.5
Total assets	1.7	25.9	42.2
Financial debt ⁽³⁾ – Medium and long term	0.0	0.0	0.0
Financial debt ⁽³⁾ – Short term	0.0	2.0	3.9
Financial debt ⁽³⁾ Total	0.0	2.0	3.9
Financial debt – Net ⁽⁴⁾	(1.0)	1.8	3.3
Net financial debt/ EBITDA ⁽⁴⁾	5.7	0.7	(2.2)
Investment subsidies	0.0	4.7	9.5
Own capital	1.2	1.9	3.9
Total liabilities	0.5	24.0	38.3
Accumulated CRD (Asset)	0.3	2.2	10.1

(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

Other state-owned companies (separate accounts)

EPAL – Empresa Portuguesa das Águas Livres, S.A. (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.

	MEUR		
	2019	2020	2021
Business turnover	167.0	161.2	160.5
Cost Recovery Deviation (CRD)	0.0	0.0	0.0
Operating result ⁽¹⁾ (OR)	75.9	66.6	71.0
EBITDA ⁽²⁾	102.5	94.1	98.4
Financial results	(0.8)	(1.0)	(1.0)
Net annual result	52.5	47.0	49.7

(1) Results before interest and tax

(2) OR + Amortisations + Provisions + Impairment Losses and Reversals – Investment Subsidies

	MEUR		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	689.7	673.2	658.7
Investment (increases)	12.2	9.6	13.4
Client debts ⁽²⁾	15.1	27.4	28.5
Total assets	853.1	839.8	847.1
Financial debt ⁽³⁾ – Medium and long term	89.1	78.9	68.5
Financial debt ⁽³⁾ – Short term	12.5	10.3	10.4
Financial debt ⁽³⁾ Total	101.7	89.1	78.9
Financial debt – Net ⁽⁴⁾	(2.0)	(14.2)	(41.9)
Net financial debt/ EBITDA ⁽⁴⁾	(0.0)	(0.2)	(0.4)
Investment subsidies	31.7	31.1	30.3
Own capital	634.9	640.1	654.1

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

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

(3) Loans

(4) Financial debt Total - Availabilities - SGPS Treasury Support - Financial Applications

AdSA – Águas de Santo André, S.A. (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.

	MEUR		
	2019	2020	2021
Business turnover ⁽¹⁾	14.7	14.4	16.3
Operating result ⁽²⁾ (OR)	6.2	5.3	6.9
EBITDA ⁽³⁾	8.4	7.3	9.4
Financial results	(0.1)	(0.1)	0.1
Net annual result	4.4	3.9	5.2

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

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Impairment Losses and Reversals – Investment Subsidies - Earnings/ Construction costs (IFRIC 12)

	MEUR		
	2019	2020	2021
Operating assets (net) ⁽¹⁾	45.2	41.1	44.1
Investment (increases)	1.4	0.4	7.7
Client debts ⁽²⁾	3.0	3.4	2.3
Total assets	70.6	70.7	78.9
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⁾	(4.5)	(20.1)	(20.1)
Net financial debt/ EBITDA ⁽⁴⁾	(0.5)	(2.7)	(2.1)
Investment subsidies	26.0	23.8	27.4
Own capital	20.7	24.5	29.7
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 - SGPS Treasury Support - FRCS

Prospects [water supply and wastewater sanitation systems]

As has been the case, in 2022 the focus will remain on the strategic axes associated with the Strategic Framework of Commitment (CSF – Portuguese acronym) defined and approved for the triennium 2020 - 2022.

The three pillars of this CSF focus on **(i)** strengthening the Group's culture, which contributes to achieving **(ii)** service excellence, which, in turn, translates into **(iii)** the social utility of the supply and sanitation services, deploying the AdP Group's know-how in the service of the country for resolving the main challenges facing the environment sector.

Added to these challenges is a context strongly marked by the consequences of the COVID-19 associated crisis and, more recently, the conflict in Ukraine: in terms of service, due to the difficulties in managing teams (despite the high resilience shown by supply and sanitation operations) and in managing the supply chain; in economic terms, by the difficulty imposed due to the restrictions arising from the non-degradation of the operating efficiency ratio, measured by the quotient between operating expenses, excluding depreciation, and business turnover.

Thus, the objectives and challenges, which have been growing in number, scope and complexity, bring additional pressure, both in terms of service and tariff accessibility.

In this sense, the AdP Group has focused, on the one hand, on increasing the resilience and efficiency of services and systems, both through the execution of the investment plan, the implementation of structuring and innovative actions and the careful management of assets, with an emphasis on maintaining the production capacity, the consolidation of the fight against losses, the digitalisation and the continuous promotion of efficiency.

Furthermore, AdP Group has focused on adopting a collaborative and proactive approach in the management of supply and sanitation services, in order to transform and benefit from the positive externalities that the sector generates for the economy and for the life of the populations - benefits that are expected to be translated into service and tariff sustainability. Hence, the definition and implementation of the Group's Innovation strategy, aimed not only at increasing technological and procedural efficiency but also at achieving circularity and organic valuation and energy and carbon neutrality while also boosting the usage of treated wastewater for various purposes, promoting a reduction in the pressure on water resources in a scenario that expects them to become increasingly scarce.

During 2022, we shall continue the work started on revising the tariff trajectories for the Multi-municipal Systems subject to aggregation and demerger (Norte) with the aim of containing the tariff trajectories. The work leading to the methodology for defining the indicators for measuring compliance with public service obligations, as well as the methodology for the functional assessment of the assets allocated to supply and sanitation services, will also continue.

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.

The year 2021 saw the start of the 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 beginning, in June, of the contract for 78NCI/HUILA/19 – Management, Operation and Maintenance Services for the Water Supply Systems in Huila Province. The Angolan market remains

one of the most significant to the activities of AdP Internacional and as a result of the continued commitment to this market, a new Technical Assistance contract was won for launching a parallel financing management unit of the European Investment Bank (EIB).

The 2021 key developments 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, there was the awarding of a new contract in Lebanon, the objective of which is to support the four regional water and sanitation companies in Lebanon in order to define and support the implementation of operational strategies capable of making them more resilient to the challenges that the country currently faces.

As regards contractual implementation, there were the following developments:

- In the Mozambican market, 2021 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 2021, 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 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 June 2021, the contract 78NCI/HUILA/19 - Management, Operation and Maintenance Services of the Water Supply Systems of the Province of Huila entered into effect. The contracting authority for this contract is the National Directorate of Waters of the Ministry of Energy and Waters of Angola, which received World Bank financing totalling USD 6.3 million. Furthermore, in this same country, the Technical Assistance Contract for the creation of a management unit for parallel financing from the European Investment Bank (EIB) took effect in December 2021, with a total value of around EUR 3 million;
- In Cape Verde, the projects Strengthening Existing Skills in Cape Verde for the Prevention and Management of Water Use Conflicts and the Project Preparation of the Circular Economy Roadmap in the Urban Water Cycle in Cape Verde - Action Plan for the Reuse of Treated Wastewater were implemented with funding from the Environmental Fund of the Portuguese Ministry of Environment and Climate Action;;
- 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 EdP Internacional and Leadership Consulting (in consortium) resumed normal procedures in April 2021, with the teams focused on the implementation of activities in support of the EAGB water and electricity departments. The contract was interrupted due to the pandemic situation between June 2020 and April 2021. In the meantime, all activities inherent to its proper execution have resumed as normally as possible, with the return of the five principal experts to Bissau;
- 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 quarter of 2022.
- In the Ivory Coast, two projects financed by the Environmental Fund were structured; 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. These projects will be completed by the end of the first half of 2022;
- In Malawi, the project "Consultancy Services for the Preparation of an Improvement Strategy for Sanitation and Drainage and the Directive Plan for the City of Lilongwe" is nearing completion and is now 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 capitals 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. It is currently expected to launch during the 1st half of 2022.

- Furthermore, under the auspices of a project financed by the World Bank entitled “Utilities of the Future”, AdP Internacional provided specialised technical support, through its specialist and technical staff, with the aim of promoting and implementing comprehensive and effective plans to transform and prepare utilities for new and growing challenges and the 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 AdP Internacional.

The global pandemic situation experienced during much of 2021 forced the reformulation and/or postponement to 2022 of many of the contracts planned for implementation in 2021. Even so, it is worth noting the remarkable improvement in EBITDA, registers a positive result of EUR 286,000, following the good operational execution of the contracts in progress compared to that hitherto planned. The overall Financial Result reflected a loss of EUR 24,000 but still the best outcome of recent years. We would also note a decrease in the gross AdP Internacional debt of EUR 200,000 resulting from significant delays in receiving funding from the financing institutions.

Thus, the economic recovery of AdP Internacional evolved in a positive and sustained fashion as a result of implementing new contracts in Angola, Guinea-Bissau (restarting), Mozambique and Cape Verde.

Indicators

Economic-financial indicators - AdP Internacional

	2019 ⁽¹⁾	2020	€ thousands 2021
Business turnover	3 491	3 544	6 262
Operating result	(073)	123	083
EBITDA ¹	018	(079)	286
Financial results	(101)	(083)	(024)
Net annual result	(219)	030	038

¹ Operating result + Amortisations + Provisions

	2019	2020	€ thousands 2021
Net assets	3 655	6 371	6 913
Own capital	(037)	211	238
Total liabilities	3 692	6 160	6 675

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

Outlook

In 2022, AdP Internacional will continue its efforts to consolidate its economic and financial results and is expected to maintain its path towards sustained growth.

To this end, and according to the strategy defined by the AdP Internacional Board of Directors, the priority initiatives for 2022 will be:

- Monitoring of operational expenditure, with particular emphasis on compliance with expenditure budgets for ongoing projects;
- Improving the management and production of control processes with a view to "doing more and better with the same resources";
- Increasing competitiveness by continuously improving the quality of proposals and increasing the incorporation of internal (AdP Group) resources;

- Consolidating international strategic partnerships, particularly in French-speaking African markets;
- Improving knowledge and information management processes so as to maximise quality and efficiency in setting up commercial processes;
- Strengthening relationships with AdP Group companies, especially by encouraging new employees to take on international challenges;
- Disseminating the work developed by AdP Internacional: technical papers at conferences and international events

In line with the strategy defined by the Board of Directors, any approach to new markets and new contracts will adopt the principle of economic and financial sustainability for the projects in which AdPI becomes involved, seeking to optimise costs in order to increase operating margins.

Activities of other holdings

AQUATEC, Lda.

Aquatec's objective is to provide technical assistance services related to water supply systems, wastewater sanitation and urban waste treatment, acting as the AdP Group's platform for attracting business to the Mozambican market, with a special focus on commercial and maintenance management systems (see chapter on international activities).

AdP Timor-Leste, Lda.

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 activities).

Águas do Brasil, S.A.

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

Energia (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.

Thus, the AdP Energias, which is part of the AdP Group and whose mission is to maximise the deployment of assets and endogenous and renewable resources, to rationalise energy consumption and to reduce or compensate for AdP Group company greenhouse gas emissions, in parallel with the development of complementary activities to enhance and value operational infrastructures within a framework of economic, social and environmental sustainability, business objectives are based on the development of initiatives related to the activities, goals and objectives defined at the corporate level.

Hence, the company is organised to fulfil the mission and objectives assigned by the shareholder / Portuguese State, with a particular emphasis on the following points:

- Energy efficiency and/or energy management
- Production and sale of energy from endogenous and renewable sources
- Energy neutrality and REC management
- Carbon neutrality and/or carbon management
- Other projects of corporate and/or sectorial relevance.

Of these listed goals, and the reason most fall within the scope of the contract for energy technical support services, signed between AdP SGPS and AdP Energias in 2021, we would highlight those related with energy efficiency and the sharp increase of the in-house production of 100% renewable European by AdP Group companies.

Within this context, AdP Energias, in addition to continuing with the management of the already installed special regime energy production projects at AdP Group companies - 201 micro-production plants, 10 mini-production plants and 1 mini-hydro -, manages a set of ongoing initiatives related to energy efficiency and the sharply increasing 100% renewable energy production at AdP Group companies, in particular:

- Stimulating and coordinating the Energy Neutrality Program for the AdP Group and its companies (ZERO Program);
- Implementing the AdP Group and company Carbon Neutrality Program;
- Bringing about the setting up of an AdP Group Renewable Energy Community (CER), involving all its companies;
- Participating in the definition of an evolution of the centralised procurement model for energy acquisition;
- Other energy efficiency work in AdP Group companies;
- Definition of a strategy for nurturing sustainable mobility in the AdP Group.

More information on the core activities carried out by AdP Energias in 2021 can be obtained by following the link: <https://www.adp.pt/pt/?id=78&emp=11>.

Performance

In 2021, AdP SGPS and AdP Energias signed a contract for the provision of technical support services in the energy area, striving for the maximisation of the energy usage from endogenous and renewable resources available to the AdP Group's infrastructures, the implementation of solutions that promote energy efficiency and the rational utilisation of energy, and the maximisation of the Group's own energy production as well as the development, management and monitoring of the Energy Neutrality Program and the AdP Group Carbon Neutrality Plan while also managing the Renewable Energy Community (CER) of the AdP Group, allowing for the trading of renewable energy surpluses among infrastructures from the same company, among Group companies and among these and other partners in the aforementioned CER as well as between these and the national grid.

In 2021, there was a favourable economic performance, with a positive EBITDA (of around EUR 25,000) having verified a net operating income 163% lower than in 2020. Even with the 31% increase in business turnover compared to 2020 accompanied by continued efforts to contain operating costs, such actions were unable to generate a positive net profit, highly conditioned by the recording of the EUR 173,000 impairment for the Beiriz Power Plant.

As regards the financial position, at the end of 2021, this registered a reduction in net assets (and liabilities). The reduction in assets results mainly from recording the EUR 173,000 impairment of for the Beiriz Power Plant, based on impairment tests according to the value for use method. The reduction in Liabilities is justified by the decrease in lease liabilities.

Indicators

	(in thousand EUR)		
	2019	2020	2021
Business turnover	374	302	393
Operating result	(20)	(91)	(240)
EBITDA ¹	14	(2)	25
Financial results	(2)	(2)	(2)
Net annual result	(22)	(93)	(241)

¹ Operating result + Amortisations + Provisions

	(in thousand EUR)		
	2019	2020	2021
Net assets	2 218	1 147	866
Own capital	1 134	1 040	799
Total liabilities	1 084	107	67

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:
 - Improvements to the electricity acquisition process;
 - Increasing in-house 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 for the EDP Group's infrastructures;
 - Changing 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.
- v) Development of the AdP Group Renewable Energy Community.

Finally, it should be noted these projects are all included in the Strategic Commitment Framework for the mandate (2020 - 2022), which underpins and sustains their importance and relevance to the AdP Group's objectives.

Of the 12 strategic challenges set out in the Strategic Commitment Framework, AdP Energias is closely involved in the Circular Economy challenge, through its participation both in the PEPE project and in the Energy Neutrality Program, in particular through renewable energy production from its assets.

For this strategy to succeed, in particular for the measures listed above, the Board of AdP Energias maintains a strong conviction that the concerted forms of involvement and/or funding will be found either by AdP Energias itself or by the shareholder and/or through EU funding and/or partnerships, that will enable the full and complete implementation of the actions/measures listed.

In fact, through their implementation we will be closer to achieving what we want to be.

AdP Valor – Serviços Ambientais

In 2021, the activities of AdP Valor were also characterised by the continuation of the company's transformation process, with the submission of its Business Plan and Activity Plan and Budget (PAO) to the supervisor. Inherent to these documents is the premise that 2021 represents year zero in the new life of AdP Valor, in perfect alignment with the guidelines of the supervisor and shareholder, turning 2022 into the first year of full operational activities aligned with this vision. This approach implied that during 2021 the company's production capacity would not be rebalanced following the significant reduction in human resources as a result of the reorganisation process.

Thus, 2021 was marked by two distinct dimensions in terms of the operationally implementing the company's new mission. On the one hand, the areas of New Businesses and Innovation, with its focus mostly on preparing for the launching of the activities planned for 2022, engaging in a set of organisational and structural initiatives and, in the case of Innovation, by deploying a team that was carried over from the previous year, we were able to maintain operational activities in all three defined dimensions (proactive, reactive and operational Innovation). Furthermore, in the case of the Engineering and Operations Department, resources were redirected to the new vision that includes the provision of highly specialised engineering services, with an important strategic nature and focusing both within and beyond the Group.

In terms of company organisation, a number of actions took place, including the following highlights:

- Alignment with shareholder guidelines;
- Submission of the 2021 PAO (having obtained the respective approval from the supervising authorities);
- Implementation of a new cost accounting structure;
- Development of AdP Valor's digitalisation strategy.

In terms of human resource management:

- Change to the company's organisational structure;
- Strengthening the team's skills in full alignment with the approved Activity Plan and Budget (PAO);
- Developing and implementing an appropriate technical training plan, with a differentiating character;
- Involving the team in the change management process.

In terms of communication:

- Development of a set of new partnerships, particularly in the areas of innovation and new businesses;
- Organisation of several events to promote knowledge sharing and reinforce the AdP Group's technical culture;
- Increased proximity to the Group's companies, promoting networking.

In operational terms:

- Coordination of various working groups in the company's 3 operational areas, with special emphasis on Innovation, the AdP Group's sludge plan and the Engineering and Asset Management Committee;
- Focus of engineering services on corporate and highly specialist projects;
- Strong support for international activity, especially interacting with the World Bank, strengthening the AdP Group's image in various geographical contexts.

AdP Valor prepared its digitalisation strategy as well as contributing to digitalising the Group's operations, as presented to the shareholder in July 2021, having gained the shareholder's agreement over the implementation of a set of actions aligned with the vision presented.

The strategy defined by AdP SGPS for the Group positions innovation as one of the pillars of its sustainability and affirmation, with innovation included in the Strategic Framework of Commitment as one of the twelve pillars of action.

In this context, AdP SGPS handed down specific guidelines to AdP Valor, which attributed responsibility for promoting, boosting and stimulating innovation in the AdP Group. In this context, the "Strategy and Action Plan" innovation document (2021-2022) was developed with the aim of contributing to the AdP Group's global innovation strategy, which was approved by the AdP SGPS Board of Directors on 28 January 2021.

On World Water Day, the Group's 360° Innovation Strategy was publicly presented as one of the 12 pillars of AdP's corporate strategy. This session presented the general guidelines for the roadmap to achieving 360° innovation, which is now under implementation across three complementary dimensions: proactive innovation, reactive or collaborative innovation and operational or organic innovation.

Performance

The AdP Valor performance according to any comparison with the track record is absolutely conditioned in view of the corporate reorganisation carried out in August 2020. In fact, the transition of the three departments (Legal, Information Systems and Procurement and Logistics) to the SGPS sphere, implied the transfer of business turnover and very relevant operating expenses, particularly in terms of NSE's and personnel in this case following the transfer of the employees in those departments.

Thus, any comparison between the year of 2021 and previous years does not seem appropriate. This reflects in most of the company's result indicators.

Notwithstanding the above, in 2021, AdP Valor obtained a positive Net Profit of EUR 895,000 and reflects an EBITDA of EUR 1,531,000. Once again, we would underline that this operating performance is the result of two different realities in which there is a reduction in business turnover (25%; -1.3M€) with this offset by the decrease in Operating Expenses (42%).

In terms of business turnover, we would highlight the Services Rendered item with its variation essentially due to the following factors:

- Loss of income from transferred departments of EUR 3 million compared to 2020.
- Inclusion of revenue related to the assignment of facilities for the amount of EUR 1.8 million.

The transfer of facilities and the respective reimbursement of expenses are now recognised under the heading "Revenue from contracts with customers", as the Company's corporate purpose includes real estate activities. Until 2020, this revenue was recognised under the heading "Other operating income and gains" – with EUR 1.5 million accounted for in 2020.

Indicators

	2019	2020	thousand EUR 2021
Business turnover	7 022	5 216	3 924
Operating result	1 614	1 755	1 049
EBITDA ¹	3 119	2 810	1 531
Financial results	1	(6)	(27)
Net annual result	1 206	1 354	895

¹ Operating result + Amortisations + Provisions

The AdP Valor asset structure, as at 31 December 2021, reflects the call option operation exercised, on 20 December 2021, regarding the head office building, as well as all the inherent contractual obligations. This consists of a finance lease, recognised as an Asset under Right of Use until that date. With the exercise of the aforementioned option, this became recognised as a Tangible Asset.

Net assets for the amount of EUR 25.5 million reflect a 12% increase compared to the previous year, supported fundamentally by the increase in the Availabilities item (EUR 3.3 million), which advanced due to the need to meet the payment for the residual value of the building.

The reduction in the Customers item corresponds to the NSE transfer deriving from the three departments (DCL, DSI and DSJ) relocated into the AdP SGPS sphere.

At the end of 2021, this also observes a reduction in net financial liabilities of about EUR 0.4 million, generated by terminating the leasing contract.

On the other hand, the liabilities also reflect **i)** recognition of the Environmental Fund Protocol and subsidies to be recognised, with a overall value of EUR 1.2 million and; **ii)** the reduction in the items for debts to suppliers and other creditors, debts to the State and Income Tax, as well as accruals made for holidays and holiday subsidies, amounting to approximately EUR 450,000 and corresponding to a 45% reduction on 2020.

	2019	2020	thousand EUR 2021
Net assets	21 946	22 508	25 110
Own capital	14 189	15 543	16 438
Financial debt Bruta	6 095	4 611	3 500
Net financial debt	4 406	2 408	1 971
Total liabilities	7 757	6 965	8 672

Activities of other shareholdings

Trevo Oeste – Tratamento e Valorização de Resíduos Pecuários, S.A.

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

Water is an essential resource for life on our planet and for sustainable development with cross-cutting importance to the framework of the Sustainable Development Goals (SDGs) of Agenda 2030 and assuming an increasingly prominent role in the context of the urgency of climate action.

The AdP Group has Sustainability in its DNA and pursues a public service mission, with a long-term vision, based on a robust organisational model and a strong ethical culture, underpinning its actions with a commitment to improving its natural and human capital for the benefit of current populations and future generations.

The profound transformation that has occurred in recent decades to the water supply and sanitation sectors in Portugal has raised the standard of quality and coverage of these services, establishing and promoting conditions for public health, economic development and regional cohesion and environmental preservation.

Through our regionally based companies and by integrating sustainability into the foundations of the management strategy and as a tool to enhance the creation of value for all our stakeholders, we have also progressively increased our contribution to achieving the SDGs.

In water management, the work is never finished and, especially in this sector of essential public services, the enormous responsibility of anticipating scenarios, assessing risks, developing solutions and acting accordingly stands out.

Thus, aware of the responsibility endowed by our mission and because we are the business group with the greatest impact on the lives of the Portuguese, we have strengthened our capacity to respond to the increasing challenges associated with climate change, pollution control and the protection of human health and the environment.

We therefore assume our share of responsibility at the different levels of climate action: in terms of adaptation, enhancing system resilience, establishing of a circular economy model that promotes water efficiency, water recycling and the valorisation of other by-products of high ecological value, and while also raising awareness of the value of water and its efficient use.

Regarding mitigation, our objective is to achieve energy neutrality by 2030 through the ZERO program, which involves every Group company and activity and foresees the reduction of energy consumption coupled with sharp increases in the Group's own production of 100% renewable energy.

This matter is dealt with in the Sustainability Report of the AdP Group. Since 2008, the AdP Group has published its sustainability report, which provides a consistent and transparent account of the Group's economic, social and environmental responsibility. It includes a consolidated balance sheet of all the group's companies, reporting on their performance and highlighting the strategies adopted, the degree of compliance with targets set and the best practices implemented by subsidiaries whose operations cover the whole country, from north to south and inland to coastal areas.

This publication allows a closer relationship with all its stakeholders. Communication with stakeholders is developed through multiple channels, direct and indirect, and the Sustainability Report is the main document that embodies this transparency policy.

The Sustainability Report for 2021, which will be developed in continuity with previous editions, follows the guidelines of the GRI - Global Report Initiative and the ERSAR standards, will be subject to verification by an external entity and can be consulted, when available, on AdP's website, through the link: <http://www.adp.pt/pt/comunicacao/publicacoes/?id=42> and SIRIEF (<https://sirief.dgwf.pt>).

2021 represented a transition year for the strategy revised in 2017 and the ambitions, goals and targets to be assumed from 2022 to 2025, Hence, throughout 2021, the AdP Group observed the following, already defined, Principles and Commitments:

Principle:

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.

Principle:

Contributing to combatting climate change

Commitment:

- Guarantee Group eco-efficiency.

Principle:

Guarantee the implementation of sector policies consolidating the Group as a benchmark reference in the environment sector

Commitment:

- 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.

Principle:

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

Commitment:

- 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.

Principle:

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

Commitment:

- 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.

Principle:

Nurturing growing proximity to the community

Commitment:

- 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.

With regard to the degree of compliance with the targets set, we would like to highlight the following:

- Increase to 47% of companies deploying management systems for the reconciliation of professional, family and personal life
- 59% of companies with facilities certified by the ISO 50001 standard;
- Increase to 4.8% the energy produced/energy consumed ratio;
- 6 water supply Companies with a Water Safety Plan;
- 100% of companies have a corporate volunteering program;
- 100% of companies with Gender Equality Plans
- 98% response rate to written complaints (bulk)
- 98% of WWTP sludge recovered;
- We guarantee 99.6% and 99.3% Safe Water (bulk and retail);
- We carried out 99.8% wastewater analyses (bulk and retail);
- 1.3% reuse of treated wastewater;
- 13 AdP Group companies with fleet energy certification.

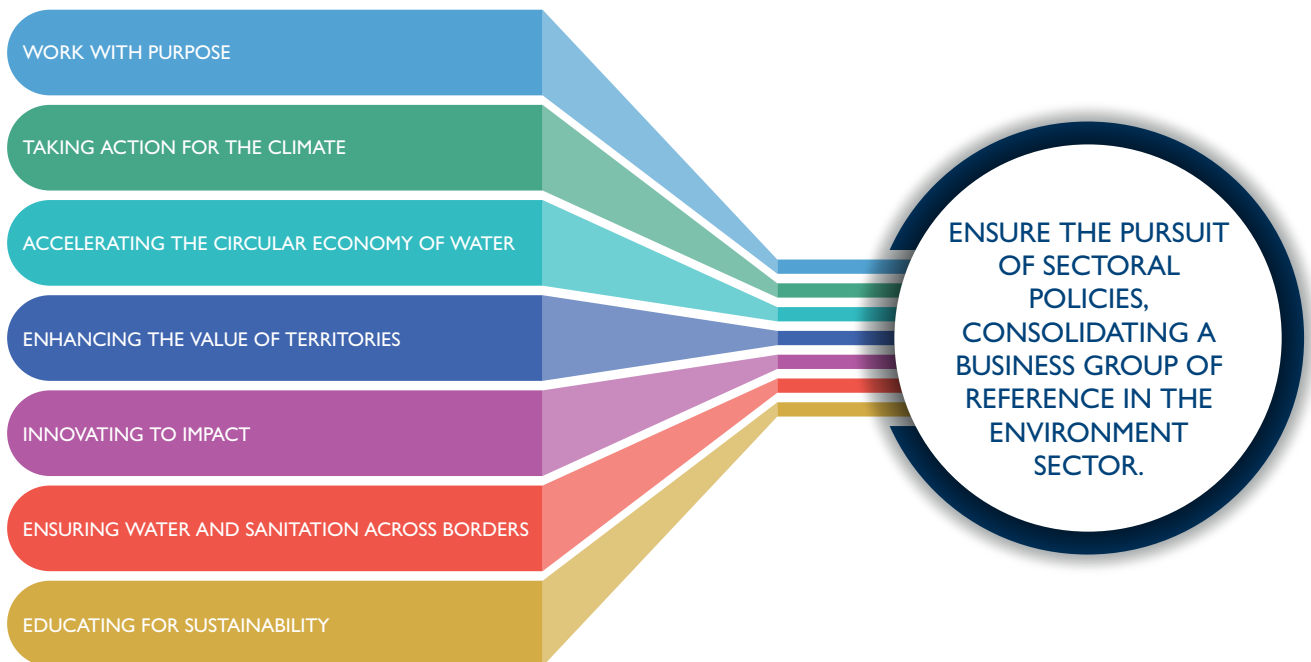
Sustainability Strategy 2022- 2025

In 2021, the AdP Group revisited its sustainability strategy, aligning it with the Strategic Framework of Commitment that systematises the Group's vision for the period until 2030 and, in 2022, will corresponding take on the seven ambitions, objectives and goals set for 2025.

This strategy resulted from analysis of the management guidelines and business strategy (CSF), reflections on the expectations of stakeholders, the consolidation of existing best practices, the commitments made to the principles of the United Nations Global Compact and the 17 Sustainable Development Goals.

Our purpose: Making a difference in the lives of people

THE 7 AMBITIONS OF THE GROUP AdP UNTIL 2025



WORK WITH PURPOSE

To value the relationship with employees, encouraging their professional and personal evolution

PILLAR: GROUP CULTURE

OBJECTIVES:

- Invest in the professional and personal development of our employees
- Guarantee equal opportunities and promote diversity and inclusion
- Ensure occupational health and safety
- Promote a balance between work, family and personal life
- Ensure transversal and effective internal communications



TAKING ACTION FOR THE CLIMATE

Reducing GHG emissions, mitigating our impacts, adapting operations to climate change

PILLARS: SERVICE EXCELLENCE & SOCIAL UTILITY

OBJECTIVES:

- Ensure energy neutrality and self-sustainability
- Reduce GHG emissions
- Promote the Group's sustainable mobility
- Promote system resilience and guarantee the availability, quality and safety of the service and the product



ACCELERATING THE CIRCULAR ECONOMY OF WATER

Managing the urban water cycle in balance with nature, ensuring the transition to a circular economy.

PILLAR: SERVICE EXCELLENCE

OBJECTIVES:

- Conserve and enhance water bodies
- Minimise waste produced and recover it as a by-product



ENHANCING THE VALUE OF TERRITORIES

Providing a public service of excellence, with a direct impact on improving the population's quality of life

PILLAR: SERVICE EXCELLENCE & SOCIAL UTILITY & GROUP CULTURE

OBJECTIVES:

- Enhance the relationship of proximity and dialogue with customers and municipal partners
- Contribute to the development of a responsible economy
- Invest in the relationship and the sharing of values in the supply chain
- Be an integral part of the communities in which we operate
- Protect and restore biodiversity and ecosystems
- Water as an essential factor in deepening the protection of public health



INNOVATING TO IMPACT

Fostering open, collaborative innovation that creates value for the AdP Group and its companies

PILLAR: SERVICE EXCELLENCE & SOCIAL UTILITY & GROUP CULTURE

OBJECTIVES:

- Develop RDI projects aligned with the strategic areas of innovation and the needs of AdP Group companies
- Develop and launch innovative products, services and processes
- Develop open innovation based on a multi-polar network of competences
- Promote the digital transformation of the AdP Group



ENSURING WATER AND SANITATION ACROSS BORDERS

Cooperating internationally to promote sustainable water management

PILLAR: SOCIAL UTILITY

OBJECTIVES:

- Share knowledge through capacity building projects and technical support
- Promote mutual aid in water, sanitation and climate related activities and programs in developing countries
- Operate in a geography of reference



EDUCATING FOR SUSTAINABILITY

To be a benchmark actor in education for sustainable development.

PILLAR: SOCIAL UTILITY & GROUP CULTURE

OBJECTIVES:

- Promote education for sustainable development
- Promote the rational usage of water and the consumption of tap water
- Promote the sustainable usage of the sanitation network
- Encourage the usage of ApR
- Promote the circular economy and energy neutrality
- Promote innovation



2021 highlights

- The year 2021 was once again a turbulent year, very much buffeted by the COVID-19 Pandemic. In this context, we continued to pursue our path by adapting internal processes so as not to compromise respect for the principles of universality, quality of service and efficiency.

The Águas de Portugal Group, with its experience and accumulated knowledge, has carried out its commitment to provide critical and essential services in an uninterrupted manner with the commitment and spirit of mission of our employees, who are always on the front line ensuring the continuity of operations.

In 2020, we gained added responsibility because our services are the guarantor of public health. We implemented contingency plans across every Group company in due time to ensure an effective response in minimising the impact of potential risks on the health of our staff and on the continuity of our activities. We readjusted the operation, guaranteeing the health and safety of our employees, both in the operational structures and those able to perform their functions remotely. We provided all our workers with appropriate PPEs, psychological support, labour gymnastics, among other services.

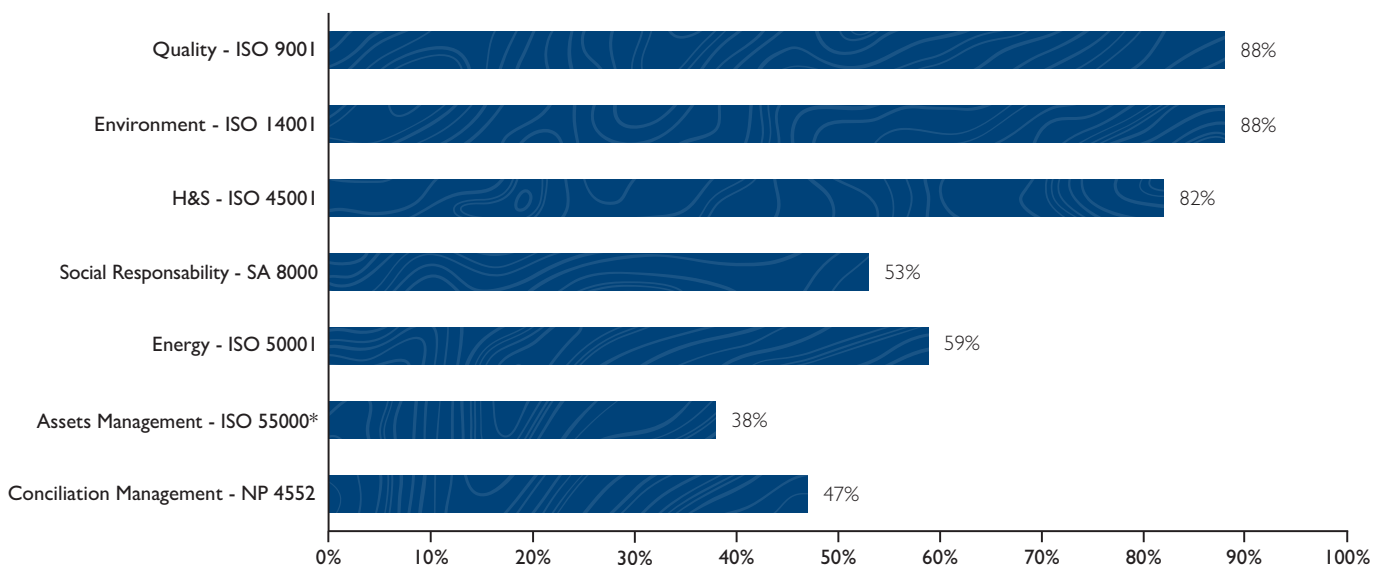
A COVID-19 Contingency Plan was developed and implemented in all companies, prepared in accordance with Guideline no. 006/2020 of 26/02/2020, from the General Directorate of Health, which complements the respective operational and emergency plans. The exceptional risk management measures within the scope of COVID-19 contingencies determined the critical human resources and technical means to ensure essential services. Special attention was and continues to be given to raising awareness and informing all staff to adopt crucial individual behaviours for personal hygiene and social conduct, both in working situations and in their personal lives.

The Contingency Plans have been adjusted over time according to the evolution of the epidemiological situation and the measures enacted in Portugal. Each adjustment was always underpinned by two premises: **(i)** maintaining the safety of all workers and **(ii)** the continuity of the provision of an essential public service.

- The AdP Group Integrity Commitment was publicly presented in December 2021 and is based on a governance model with the highest ethical standards, transparency, accountability and excellence in public management practices and was subscribed to by all Group companies. The AdP Group's Integrity Policy presents our vision on ethics and integrity, consolidating the commitment of the constituent companies to a governance model based on the highest ethical standards, transparency, accountability and excellence in public management practices.
- In the field of health and well-being, in line with our Reconciliation policy, we continued with: **(i)** the gymnastics program, available to workers three times a week after office hours **(ii)** psychological support appointment available to all workers and their families **(iii)** and the fruit distribution program, which consists of handing out fruit daily, supplied directly by small national producers.
- Also of note is the pursuit of 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 2021, 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 - SA8000, 59% in Energy - ISO 50001 and 23% (of the 12 operating companies) in Asset Management - ISO55000 and 35% in Reconciliation Management - NP 4552:2016.

Certifications

(%)



- In May, the results of COVIDetect were presented, the research project launched in 2020 and developed by a consortium comprising several AdP Group companies, the Faculty of Science of the University of Lisbon and the Analysis Laboratory of the Lisbon's Higher Technical Institute with the objective of establishing an early warning system for the presence of the SARS-CoV-2 virus in wastewater and contributing to improving the response to possible new outbreaks of the disease.
- As such, the AdP Group has been developing strategies to fight climate change, having already assumed the commitment to reach energy neutrality in 2030 through the ZERO Program, which involves every Group company and activity, including those developed at the international level. The Program contemplates the reduction of electricity consumption and the increase in the Group's own production of 100% renewable energy, contributing to the reduction of greenhouse gas emissions, until reaching neutrality. This initiative reinforces the commitment made in 2019, the year the Group signed up to the "Business Ambition for 1.5° C" charter promoted by the United Nations Global Compact.
- In promoting the circular economy in the urban water cycle, we would highlight the AdP Group Action Plan for Reuse with the goal of identifying the treatment facilities feasibly able to produce water for reuse (ApR), its potential uses and the investment needs to ensure treatment levels in accordance with the required quality standards and as well as building ApR distribution systems, tailoring them to the demand prevailing at each point in time.
- The 360° Innovation Strategy was defined, whereby innovation is assumed to be a vector for speeding up and accelerating the AdP Group's commitment over the next decade, defining the path for the paradigm shift needed to respond to new societal challenges. Over the next three years, the AdP Group will allocate more than EUR 1 million to a fund created specifically to finance new projects and accelerate strategic innovation.
- The signing of two contracts with the Ministry of Energy and Water of the Republic of Angola, in the amount of USD 10.5 million, with funding from the World Bank and the European Investment Bank, for technical assistance to develop water supply and sanitation services that will benefit 2.5 million people in several provinces, reflect the leading international activities ongoing in 2021.
- At the forefront of global trends, and following Group adhesion in 2009 to the commitments of the Global Compact - UNGC, in 2021 all Group companies signed up individually, thereby further strengthening our commitment to the ten principles of the Global Compact covering the areas of human rights, labour practices, environmental protection and anti-corruption mechanisms, with our actions being validated annually by the UNGC through the Sustainability Report. In 2016, the Group joined the Alliance for Sustainable Development Goals, of which it is a member of the General Council, strengthening its commitment to people and the environment. Access to water and sanitation were declared human rights in 2010 and 2015 respectively and reinforced in SDG 6 of Agenda 2030. To highlight the support of Águas de Portugal to the accelerator program for the achievement of the 17 Sustainable Development Goals of the United Nations Global Compact as one of the 12 Portuguese companies that integrate the challenges of SDG Ambition into business management. The SDG Ambition aims to accelerate the implementation of Agenda 2030 in this "Decade of Action" to meet the SDGs - Sustainable Development Goals. In 2021, we again participated in Social Responsibility week as organiser of the session "What if we didn't wash our hands?" This question is valid at any time, particularly with the timing of pandemic outbreaks giving it even greater prominence. Indeed, having quality water at a tap's distance is an asset that is often not attributed its real value.
- SDG 17 calls for partnerships and the Águas de Portugal Group has been following this path both for knowledge and innovation management and for social responsibility. We collaborate with several entities from the Portuguese Network of the United Nations Global Compact, the Alliance for the SDGs, the BCSD, the IGEN Forum, the Portuguese Charter for Diversity among others, all aligned for sustainable development. Additionally, in 2016, the Group signed the Portuguese Charter for Diversity, a European Union initiative, with the aim of encouraging employers to implement and develop internal policies and practices to promote diversity and became an associate member of APPDI – the Portuguese Association for Diversity and Inclusion and GRACE – the Responsible Business Association in 2021.
- The corporate program for awarding scholarships with a view to contributing to the development and learning of the children of employees constitutes an internal Social Responsibility program with great impact. In 2021, the year with the highest number of applications submitted, 64 scholarships were awarded, 33 for Higher Education and 31 for Special Education, each worth 1,200 euros. The scholarships awarded cover all the Group's companies and has, ever since 2016, also included the international area.

The program to award scholarships to the children of Águas de Portugal Group employees began in the 2013/2014 academic year, with a total of 328 scholarships already awarded.

It should be recalled that this initiative involves the commitment of all employees and all Group companies as the scholarships awarded result from the funds raised by sending out the Group's electronic Christmas cards, which have an associated donation of €0.50 for each card sent. This project, which began in the 2013/2014 academic year, has already distributed scholarships for Higher Education and Special Education.

- One of our guiding principles is equality and respect for diversity. We actively promote the fight against discrimination and regard ethics as a paramount value in our performance. In 2021, we continued to play an active role in several projects promoting gender equality, inclusion and the fight against poverty and social exclusion. The AdP Group once again participated in the "Engineers for a Day" project, which aims to encourage young female students in primary and secondary education to choose engineering and technology, deconstructing the idea that these are male fields and combating the stereotypes that condition their school and career choices. This Project is integrated in the National Strategy for Equality and Non-Discrimination - Portugal More Equal;;
- This year AdP again welcomed a trainee from the participants in the Girl Move female entrepreneurship project. Girl Move is a Foundation whose mission is to create a movement of life, support and empowerment for women in Mozambique, through their education and the creation of human networks of mutual help and cooperation among peers, intergenerational and international. Its main objective is to empower these young women, through education and cooperation in order to combat early school leaving, early marriages and pregnancies, and gender violence, which are problems that affect the young Mozambican female population and hinder the enforcement of basic human rights and the opportunity to achieve their full human potential.

One of the programs developed is called "Change" and is aimed at young graduates aged between 20 and 30, who can do a one-year "life placement" with the support of the project's partner entities.

In this context, in 2021 we welcomed another young Mozambican woman, Taniça.

- The AdP Group continued to partner Paralympic sport, supporting the Portuguese Paralympic Committee (CPP) on its way to the Tokyo 2021 Olympic Games. As part of our social responsibility strategy, we support sport for all and this support is in line with our mission. This was already our objective when we supported the Portuguese Adapted Swimming Team for the Paralympic Games of 2012, which took place in London.
- Environmental Education is a strategic initiative of the Águas de Portugal Group that aims to actively contribute to the pursuit of activities strongly oriented to a more conscious environmental education, which may encourage the adoption of more sustainable behaviours regarding the value of water as a scarce and essential resource to life and to all dimensions of human activity. AdP Group companies maintain close relationships and partnerships with the local community. The promotion of greater awareness of the populations over the sustainable use of water and sanitation services has been a constant campaign of Group companies, in particular through awareness raising actions with education still remaining online throughout 2021..
- 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 and certification by the SA8000 Social Responsibility standards and standards for the reconciliation between professional and family life reflect the measures tackling these issues. The AdP Group is also one of the eight Portuguese flagship companies that have set the goal of achieving 40% female representation in decision-making positions by 2030, having signed up to the National Goal for Gender Equality in 2021 in order to reiterate the goal of promoting equal treatment and opportunities and the balanced participation of men and women in professional activities.

The AdP Group annually discloses relevant HR information disaggregated by gender (as well as for individual companies) in the Corporate Annual Report and the Sustainability Report. The corporate SR is sent to the main stakeholders and is made available on Group and company websites as well as on the intranet.

COVID-19 pandemic

The year 2021, just as 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 are 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, through 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.

Furthermore, rendering continuity to that already done during 2020, 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 Organisation (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 in 2021 the pandemic held very significant impacts on the organisation of work and the management of Human Resources across all areas of the companies.

Once again and as observed in 2020, in terms of investments, there were impacts. Both in terms of the execution of ongoing contracts but also due to the postponement of project preparation actions and tender contract procedures.

In terms of the 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 for EPAL and AdSA), due to the fall in economic activities not counterbalanced by the increase in domestic consumption caused by prophylactic confinement;
- 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 the opposite direction, there was a reduction in travel, accommodation and fuel costs

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 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 2021

The Group strategy defined by AdP SGPS in 2020 places innovation as one of the pillars of its sustainability and affirmation, and innovation was included in the Strategic Framework of Commitment as one of the twelve pillars of action.

In this context, AdP SGPS transmitted specific guidelines to AdP Valor, which attributes it with responsibility for promoting, boosting and stimulating innovation in the AdP Group. In this context, the Strategy and Action Plan for Innovation (2021-2022) was developed with the aim of contributing to the AdP Group's global innovation strategy, which was approved by the AdP SGPS Board of Directors on 28 January 2021.

On World Water Day, the Group's 360° Innovation Strategy was publicly presented as one of the 12 pillars of AdP's corporate strategy. This session presented the general guidelines for the roadmap to achieve 360° innovation, which is undergoing implementation across three complementary dimensions: proactive innovation, reactive or collaborative innovation and operational or organic innovation.

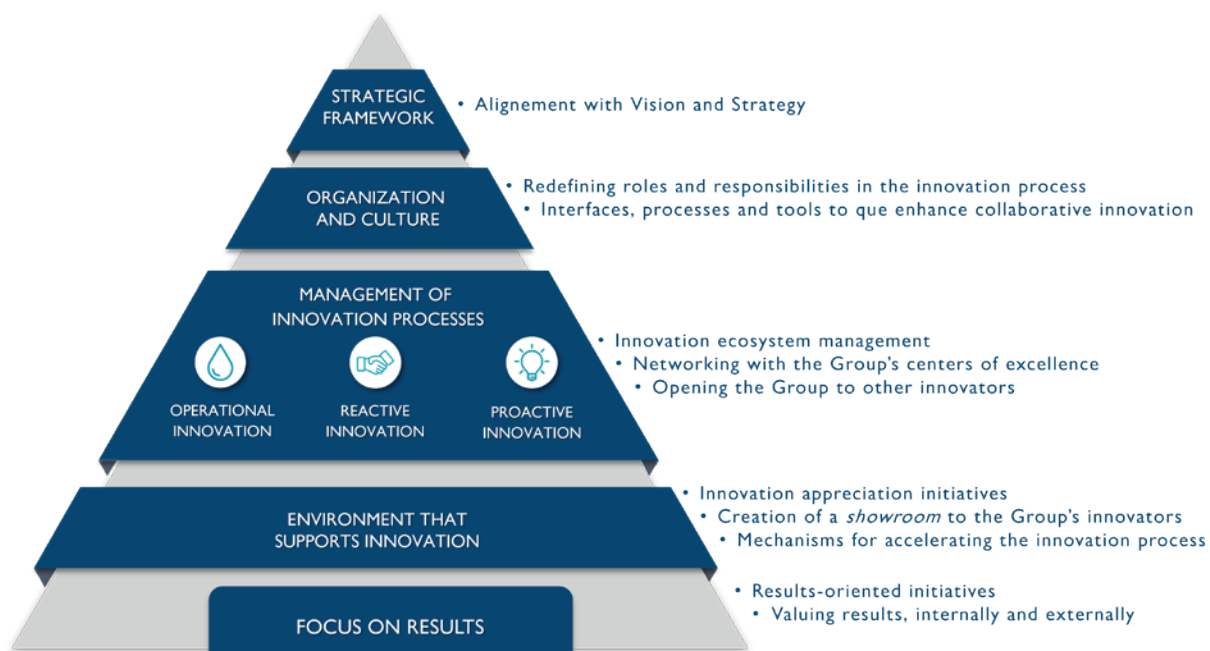


Figure - Summary table of the 360° Innovation strategy

In terms of proactive innovation, 2021 saw the establishing of an innovation agenda for the AdP Group, which was drafted by a working group that included representatives from the operating companies and that met fortnightly between May and July, with contributions to the agenda extended until November 2021 and presented to the AdP SGPS Executive Committee at the end of that year.

In terms of reactive innovation, the Group has played a leading role in the challenges posed by the agendas for mobilizing business innovation. It submitted two applications in the fields of circularity and energy neutrality, mobilizing around 100 partners from the public and private sectors, research institutions and important stakeholders, with a total value of €67M and €60M, proposing the development and launch of 40 and 25 new products/services, respectively, in the field of circularity and energy neutrality. The preparation of both applications deserved the commitment, coordination and dedication of several Group companies around the common goal of fostering a spirit of innovation based on a multi-polar network of skills.

Additionally within the scope of reactive innovation, AdP Valor continued to strengthen its project portfolio, focusing on those that meet the challenges and needs of the Group and the company itself, having closed the year with a total portfolio of 14 innovation projects, with funding allocated by different national and EU instruments and with a wide network of partners:

- **PYROLIFE** (*Marie-Curie Innovative Training Networks financing (H2020; 2019-2023; Status: ongoing; AdP Valor Role: secondment)*)
 With the aim of providing countries with the knowledge to enable effective and integrated fire management, through the PyroLife Project, the European Union is financing the PhDs of 15 researchers who are advancing the knowledge on fire-related matters.

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.

For four months in 2021, AdP Valor hosted a PhD student who is developing a research project focusing on understanding perceptions about fire risks and land management in building greater socio-ecological resilience to Mediterranean fires, focusing on the regions of Spain and Portugal.

- **FRISCO** (*Financed by: FCT; 2020-2023; Status: ongoing; 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 risks and select the most suitable impact mitigation measures. FRISCO seeks to provide answers to these needs through the construction of two outputs:

- 1) 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.
- 2) A stochastic model of occurrence and fire, applying this to test mitigation solutions 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.

In Portugal, the case study was the hydrographic basin of the Sado River, one of the rivers that suffers the most from water scarcity and which serves as the water source for two AdP Group companies: Águas Públicas do Alentejo and Águas de Santo André.

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

COVIDetect aims to create an early warning system for 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.

The project is part of a national and European initiative considered strategic for the preparation of countries for future epidemic waves and is a tool for the detection, quantification, characterisation and modelling of the virus through analysis of its presence in Wastewater Treatment Plants (WWTP).

- **LIFE PHOENIX** (Financed by: LIFE; 2020-2024; Status: ongoing; 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 reutilisation (ApR) from wastewater following secondary treatment in line with new European requirements for ApR.

AdP's collaboration includes participation in the development of a feasibility study for the application of the solutions in two of the Group's wastewater treatment plants and dissemination of the project in Portugal.

- **LIFE RENATURWAT** (Financed by: LIFE; 2020-2024; Status: ongoing; 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.

This includes the installation of a demonstration pilot at a wastewater treatment plant in Valencia (Spain). Based on the results of this pilot, AdP Valor will develop a plan to install the solution in one of its WWTPs in the Norte region.

- **SARS CONTROL** (Financed by: Compete 2020; 2020-2021; Status: ongoing; 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.

- **REUSE II** (Financed by: Environmental Fund; 2021; Status: completed; AdP VALUE Role: partner)

The project aimed to promote the application of water for reutilisation (ApR) in agricultural irrigation in Alentejo, both involving the usage of environmentally sustainable and low-cost technologies and by creating knowledge and developing communication actions on water reutilisation. The methodology adopted aimed at reusing water in a safe manner and adapted to the usage in question and justified by cost-effectiveness analysis.

The project included the study of ApR usage on a pomegranate crop, located in the proximity of the producing WWTP. In 2021, the project entered a second phase in order to extend the study on the impact of using ApR on soils and crops from another irrigation campaign.

- **AQUA VINI** (Financed by: Environmental Fund; 2021; Status: completed; AdP VALUE Role: partner)

The project aimed to contribute to promoting the production and usage of ApR in the wine industry in the Alentejo region, more specifically in the vineyards of Herdade da Ravasqueira, managed by Sociedade Agrícola D. Diniz, S.A. The project also intended to contribute to increasing technical knowledge about the reuse of water in irrigated agriculture, the effects of application for the growth of irrigated crops and the impact on environmental receptors, soil and water resources, as well as on irrigation systems.

The methodology adopted in the development of the project is based on the fit-for-purpose approach, based on a risk assessment and therefore ensuring balanced and competitive cost-effectiveness.

Similarly to the REUSE and REUSE II projects, an important component of the project was to raise community awareness, especially in the agricultural community, about the importance of wastewater reutilisation in irrigation activities.

- **Smart Fire Prevention** (Financed by: Environmental Fund; 2021-2022; Status: on going; AdP Valor Role: coordinator)

This project, Smart Fire Prevention - Fire Risk Assessment using Satellite Inspection and Implementation of Deforestation Procedures, aims to develop a decision support tool to optimize the planning of fuel management activities around Águas de Portugal Group infrastructures through recourse to open access (free) satellite images and developing algorithms and alarmistics.

- **SILVANUS** (Financed by: Environmental Fund; 2021-2022; Status: ongoing; AdP Valor Role: coordinator)

The project SILVANUS - Integrated Technological and Information Platform for Wildfire Management aims to provide a platform for sustainable and climate resilient forest management, offering innovative resources to combat the ignition and spread of forest fires as well as mitigating their effects.

The platform for development will reconcile environmental and social aspects and technological and scientific innovations, providing decision-makers with a holistic and integrated vision of the management of forest areas and the associated fire risk. Thus, the SILVANUS platform will act across three levels: **a)** prevention and preparedness; **b)** detection and response; **c)** restoration and adaptation.

As part of this project, Portugal will be developing a pilot that focuses on two essential goods: water and energy. The Portuguese pilot will be led by EDP New, and counts on the collaboration of partners AdP Valor, the Higher Technical Institute and TerraPrima, as well as Águas do Vale do Tejo as a third party. The main goal of this pilot is to demonstrate the implementation of forest fire prevention and restoration actions that simultaneously benefit nature conservation. To do so, this shall combine conventional agricultural practices (such as grazing) with digital technologies to develop and implement forest management approaches in proximity to nature.

- **JRC SERPIC** (Financed by: FCT; 2021-2024; Status: ongoing; AdP Valor Role: partner)

The SERPIC - Sustainable Electrochemical Reduction of Contaminants of emerging concern and Pathogens in wastewater treatment plant effluent for the irrigation of crops project aims to investigate and minimize the dissemination of the so-called emerging pollutants, focusing on the production of quality water for food crop irrigation and the discharge of superior quality water into the environment. To this end, the project focuses on three main objectives:

- Investigating the dispersion and transformation of emerging pollutants, pathogens and antibiotic resistant bacteria in water;
- Developing innovative solutions for advanced wastewater treatment, based on membrane technologies combined with electrochemical solutions for oxidant production, using solar power as the main energy source;
- Developing methodologies and tools for monitoring; environmental and public health risk assessment; and for the implementation of new reutilisation concepts as a basis for improving policy formulation and decision-making processes.

To validate the effectiveness of the treatment technologies developed, a prototype will be installed in Spain to produce water for crop irrigation in situ. Tests will be carried out on the produced wastewater, soil and crops. The necessary electrical energy will be generated by photovoltaic modules.

- **OZONE4WATER** (Financed by: FCT; 2021-2024; Status: on going; AdP Valor Role: partner)

The OZONE4WATER project aims to develop a disruptive ozone production technology for water treatment, with procedural and economic advantages over conventional solutions. To this end, this project focuses on the optimisation of the process at two levels:

- i) deploying membranes for O₃/O₂ separation in order to obtain an O₃-enriched stream, significantly reducing O₂ consumption as well as the associated energy consumption;

ii) applying a pressurised static mixer micro/meso-structured (NETmix), capable of improving the O₃ mass transfer from the gas phase to the liquid phase to bordering on 100%.

Project development also involves the creation of a laboratory prototype, which will validate the pre- and post-oxidation of drinking water and the advanced treatment of urban wastewaters, thus allowing access to safe and affordable drinking water as well as the production of ApR compatible with the irrigation of raw consumer crops. Prior to project termination, there will be the assessment the environmental, economic and social impacts of the technology developed as well as the viability of its future implementation through a Life Cycle Assessment.

The company also continued to set on the advisory boards of several projects, already in the implementation phase, for example WATER MINING.

In terms of operational innovations, we would highlight our participation in the SOL Green Capital program, a program promoted by Beta-i in collaboration with Lisbon City Council, which brings together large companies and start-ups with a view to fostering the search for solutions in the environment and sustainability areas in the Portuguese capital. In addition to AdP Valor, the AdP Group also participated in this program with EPAL and Águas do Tejo Atlântico with a view to promoting the Group's coordination of innovation.

Also noteworthy was the collaboration with the start-up Aquacorp in the development of three pilot projects at the Group's wastewater treatment plants to test technology for monitoring wastewater quality using images.

In terms of process innovation leading to greater efficiency, AdP Valor presented the AdP SGPS Executive Committee with a roadmap for the digitalisation of various processes in line with a culture of innovation that has driven progress in this field over recent years and, at the end of 2021, announced the ambition to launch three new digital products during the first quarter of 2022:

- AQUAMOD
- WICCE
- ASSET.ID

In the organisational context, the AdP Valor Innovation Department was set up, in accordance with the company's strategy of acting as a driver for promoting and accelerating innovation within the AdP Group in partnership with the other companies.

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 2020.

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.

Human Resources

As part of its corporate human resource management policy, AdP is committed to actively promoting the development and continuous satisfaction of all employees, thereby contributing to their involvement and a culture of responsibility, autonomy, initiative, meritocracy, internal requirements, service excellence and social usefulness, promoting the sustainability of the AdP Group.

The year 2021 corresponded to a year of implementation and maintenance of many commitments, highlighting the rapid adaptation of our people to a hybrid reality marked by a phased return to face-to-face meetings in our offices, and the carrying out, even in this environment, of various studies and internal diagnosis projects and national and international benchmarking practices.

As it was a year of change and readjustment, the work of diagnosis of the major human resource processes that began in 2020 continued, including a complete diagnosis of the people cycle, which resulted in the identification of ongoing projects to update, modernise, simplify and mainstream human resource management in the AdP Group, placing people at the centre of this discussion.

Since 2018, all AdP Group workers are covered by the Collective Labour Agreements (CLAs) in force, which include principles of equality and non-discrimination and individual rights, as well as topics such as the rights, duties and guarantees of companies and

workers, professional categories and job descriptions, professional careers, organisation and provision of work, financial benefits, individual protection equipment and vocational training, among other aspects.

The year 2021 also marked the start of work of the joint committees associated with the CLAs, aimed at clarifying any issues that may exist in terms of interpretation of the respective clauses.

Furthermore of note in 2021, there was also a salary analysis project that included national and international benchmarking allowing for the verification of the AdP Group reality.

The Performance Evaluation System aims to manage and develop individual contributions in order to guarantee the alignment of performance with the strategy and goals of the company and to enhance continuous improvement. The Performance Evaluation System provides that this evaluation is no isolated act but rather part of a permanent and continuous process, which includes the alignment of expectations, the clear definition of the goals and objectives to be achieved, the identification of opportunities for the improvement and development of employees and hence the greatest transparency is sought in developing this procedure. During 2021, we evaluated all employees and initiated a profound reflection and review of the current system, having already defined a new continuity model for implementation in 2022, which will allow us to consider performance from the perspective of true individual potential, reinforcing the maxim that our people and their development are our main focus.

The internal mobility of employees is a practice that we value and encourage, constituting an important factor in the professional development of our people. The internal recruitment of professionals, for deployment on projects and/or to meet specific knowledge needs, represents a process that adds value to the AdP Group and enables employees to encounter new contexts and challenges that foster the acquisition of cross-cutting learning and skills. When undertaking international projects, we make recourse to internal employees whenever possible as a means of capitalising on the AdP Group's existing knowledge and promoting the professional development of our people.

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, with an emphasis on knowing, doing, sharing and being.

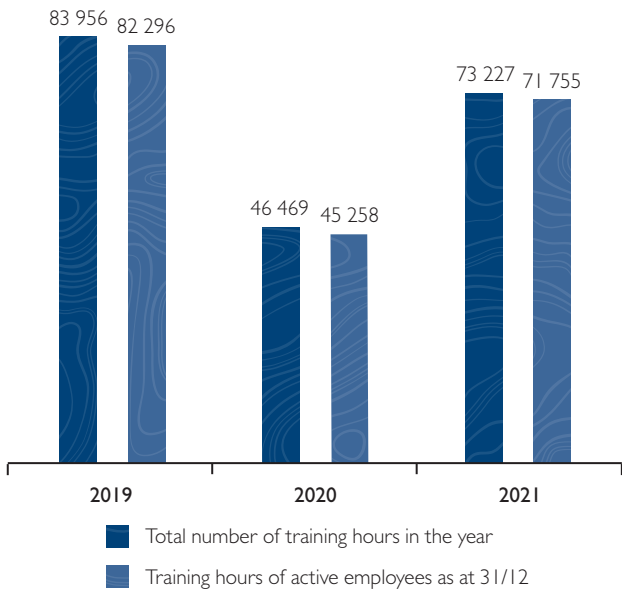
The processes of planning, management and evaluation of training aim to meet the identified training needs and ensure their quality, effectiveness and appropriateness.

Training actions of a transversal and strategic nature are also streamlined in order to promote organisational development as well as strengthening and consolidating the sharing of values and aligned and joint work and development.

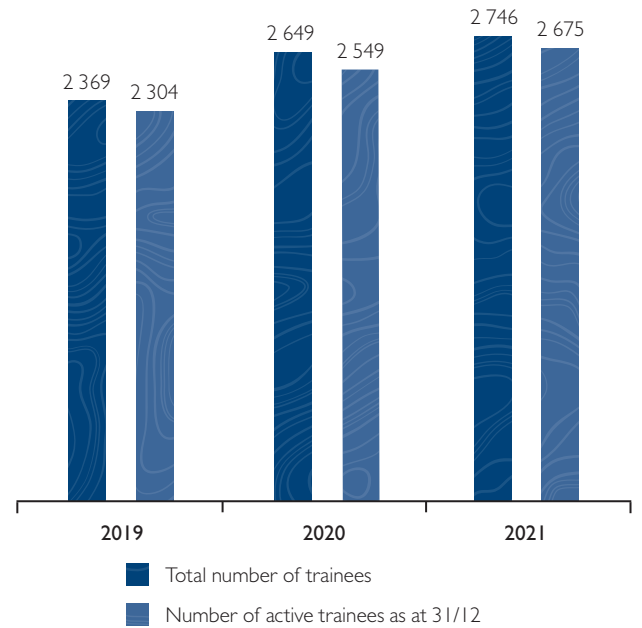
In 2021, we implemented our internal fortnightly webinar model, called AdP T@lks, which were held in a digital format and open to all AdP Group employees. With the aim of inspiring and promoting new ways of thinking and being, we held 22 sessions throughout 2021, with internal and external guests, who brought us reflection, openness to the world and new perspectives.

The Conscious Leadership Program was launched with the mission of promoting vitality, passion, purpose and cohesion in the AdP Group's leadership, in its organisations and around them, making teams more committed, working more and better, achieving improved results, greater team spirit and greater motivation and personal fulfilment. During 2021, eight training groups were held, consisting of top management (directors and senior managers). We thus took the first steps on a path that we believe in and see ourselves in - leadership by example.

Number of training hours



Trainees



Note: The total number of trainees in 2020 was corrected by four, reported in excess by mistake

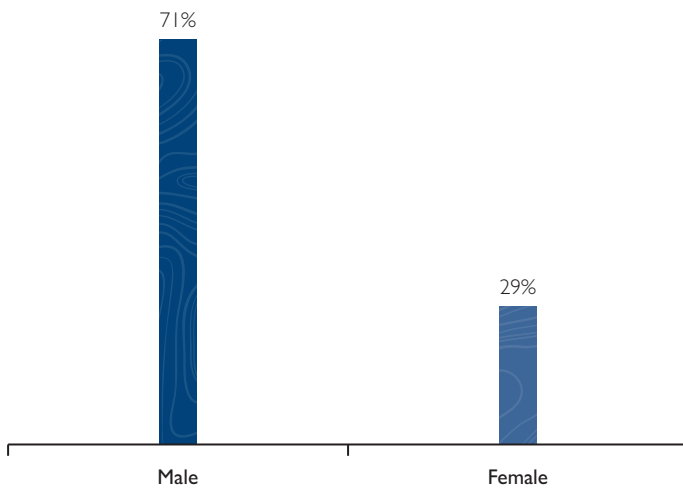
The number of training hours increased significantly, showing a clear recovery from the values recorded in 2020, a year marked by the outbreak of the pandemic situation. This recovery was possible thanks to the great ability to adapt of those involved, training entities and trainees, who easily incorporated digital format training sessions to replace the traditional face-to-face sessions.

The number of trainees has been consistently increasing, in particular through digital format training actions that are made available to all workers.

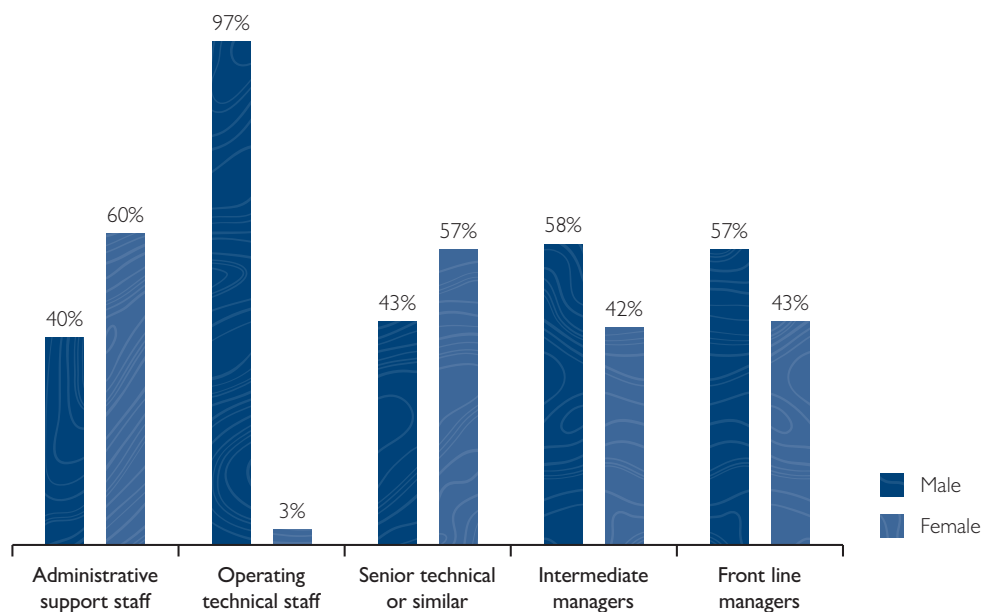
Gender equality

Of the Group's active employees, 71% are male and 29% 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



Employees by segment by gender



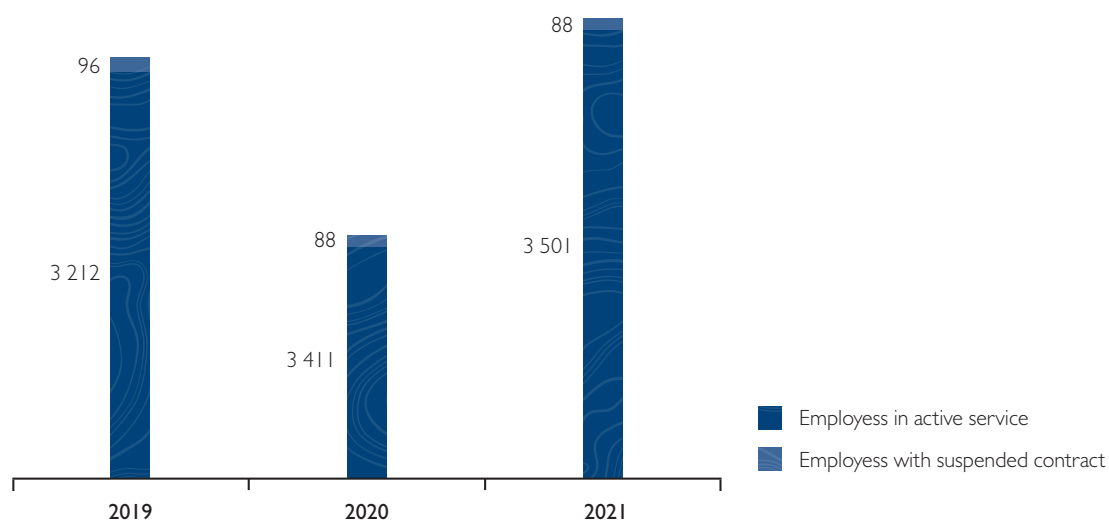
In compliance with paragraph 2 of Council of Ministers Resolution 18/2014 of 7 March and the procedures in place in the AdP Group, AdP SGPS, S.A. promotes, disseminates and publishes online information about the remuneration paid to women and men in its annual sustainability report.

Among the working population, the Group has 86 people with disabilities and 34 people of minority nationality.

Characteristics of Group Human Resources as at 31 December 2020

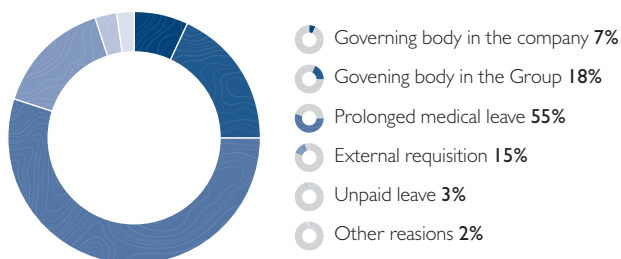
At 31 December 2021, the Group had 3,501 active employees, up 2.6% on the end of 2020. The number of employees on suspended contracts remained at 88.

Total Group employees



Of the employees with suspended contracts, 55% were on long-term sick leave while 25% were undertaking administrative functions in Group companies. The remaining situations concern contracts suspended for the performance of public duties (external requisition), unpaid leave, and other reasons.

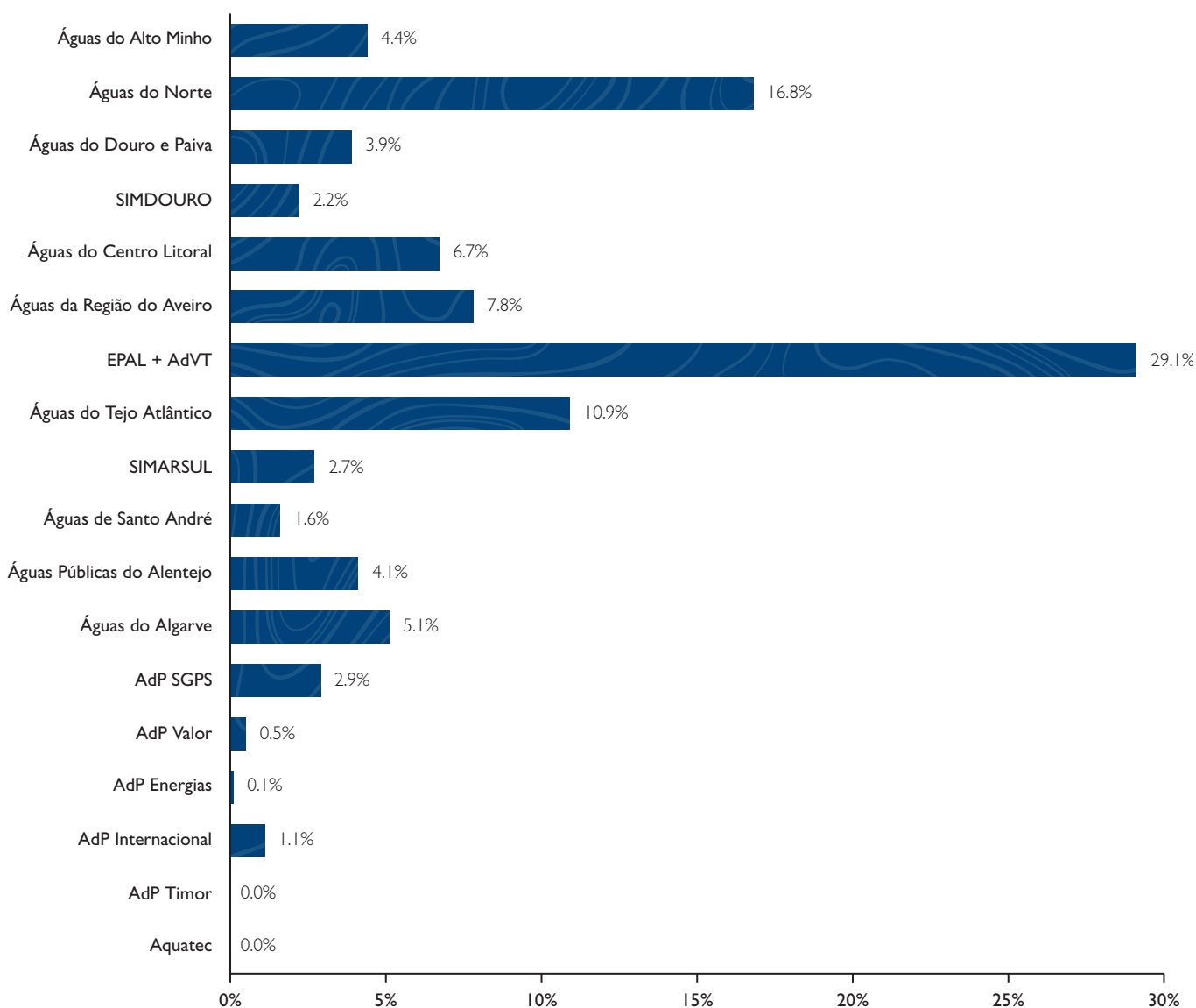
Employees with suspended contracts



Characterisation of the active workers

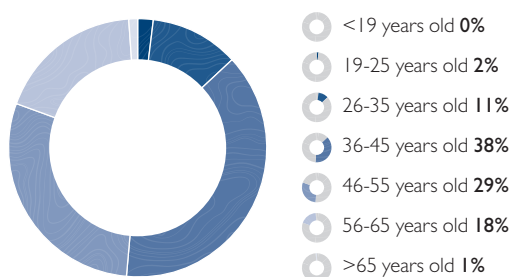
The companies employing the largest number of workers are EPAL (which includes AdVT workers) with 29.1%, Águas do Norte with 17.3% and Águas do Tejo Atlântico with 16.8% and Águas do Tejo Atlântico with 10.9%. The remaining companies concentrate the remaining 43.2% of active workers.

Active employees by company

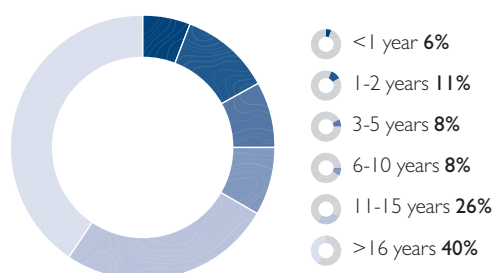


The average age of members of staff is 46, with 38% aged 36-45 and 29% aged 46-55. The active workers aged over 56 total around 19%.

Age distribution



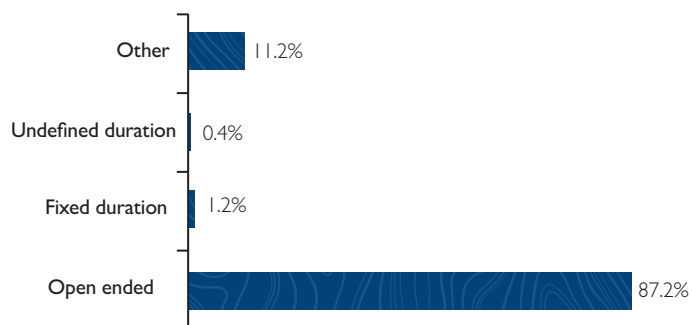
Years worked per active employees



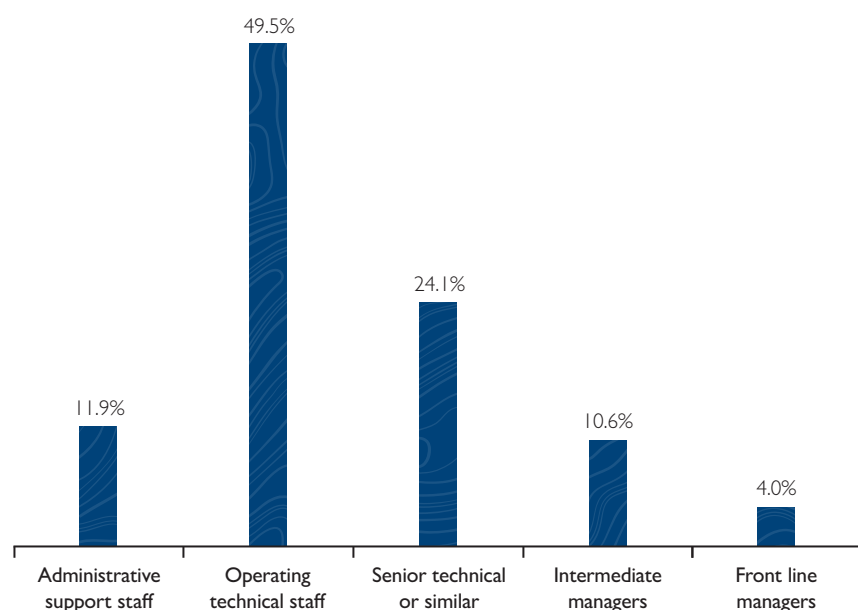
The average length of service of AdP Group employees is 13 years, with 66% having been with the Group for more than 10 years.

As regards the contractual relationship, 98.4% of the employees have permanent contracts (87.2%+11.2%). 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

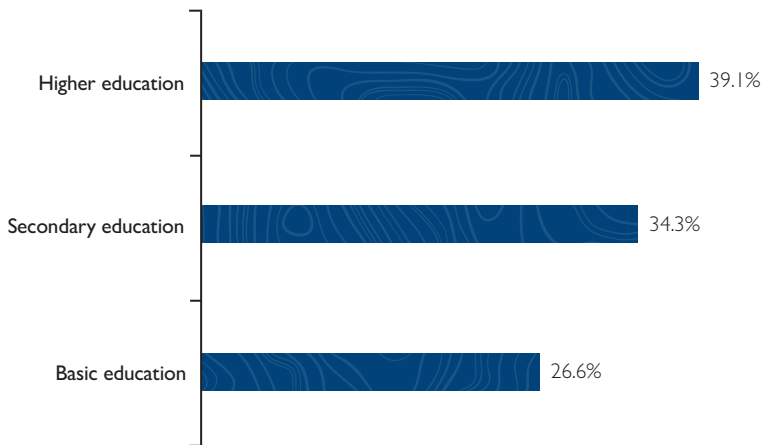


Active employees by segment



About 49.5% of the active workers are operational technicians and 24.1% are senior technicians. Management and middle management positions are occupied by 14.6% of the active workers

Education levels



As regards the level of education qualification, approximately 39.1% of AdP Group members of staff hold at least undergraduate degrees.

Internal control and risk control systems

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 2021, 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

This should reflect the importance of internal controls and establish the discipline and structure of the other SCI components. This encapsulates the set of rules, processes and structures that provide the basis for the performance of internal control in the organisation.

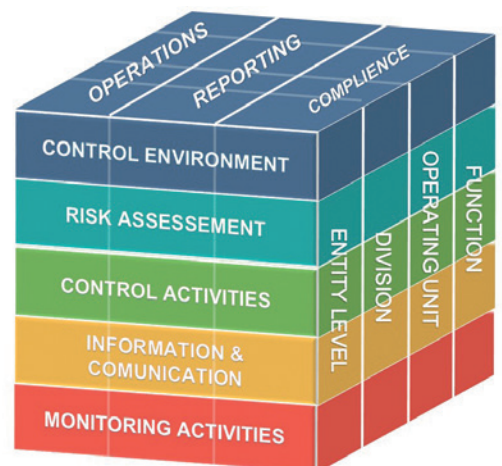
This defines the spirit of the organisation, influencing the employee awareness of risks.

This provides the foundations for all other SCI components.

Risk evaluation

Intended to identify, evaluate, monitor and control all the risks that may influence the strategy and objectives defined by the institution, ensuring that they are met and that the necessary actions are taken to respond appropriately to undesired deviations.

Risk is defined as the possibility of an event occurring and affecting (positively or negatively) the achievement of the objectives defined by the organisation.



This involves a dynamic and interactive process to identify and analyse the risks affecting the achievement of the organisation's objectives, serving as a basis for understanding just how they should be managed.

Objectives should be defined at different levels of the organisation, consistently and categorically for operations, reporting, and compliance, with sufficient clarity to be able to identify and analyse the risks to those objectives.

Control activities

Activities designed to prevent or reduce the adverse impact of risks, for example recurring process control activities.

Control activities are actions established by policies and procedures that help ensure management directives for mitigating risks in achieving objectives are duly implemented.

Control activities are performed at all levels of the organisation and at various stages of the business process and technological environment.

Control activities can be preventive or detective in nature and can encompass a range of manual and automated activities, such as authorisations and approvals, verifications, reconciliations and business performance reviews.

The segregation of duties is typically incorporated into the selection and development of control activities. When the segregation of duties is not possible, the management should develop and apply alternative control activities.

Information and communication

Established to ensure the capture, processing and exchange of relevant, comprehensive and consistent data, within a timeframe and in a manner that enables the effective and timely performance of the management and control of the institution's activities and risks.

Information is necessary for the organisation to exercise its IC responsibilities in support of the achievement of its objectives. The management obtains or generates and uses relevant and quality information from internal and external sources to support the functioning of IC.

Communication is the ongoing process that enables staff to understand the responsibilities of IC and the importance to achieving the objectives. This takes place both internally and externally and provides the organisation with the information necessary to execute controls on a daily basis. Internal communication represents the means by which information is disseminated throughout the Group, flowing in all directions and throughout the organisations. It enables all employees to receive a clear message from management that control responsibilities must be taken seriously. External communication serves a dual purpose: it allows relevant external information to flow in, and provides information to third parties in response to requirements and expectations.

Monitoring activities

These are performed with a view to ensuring the appropriateness and effectiveness of the ICS itself over time, which ensures, inter alia, the timely identification of any deficiencies or opportunities for improvement.

Ongoing, one-off/independent, or a combination of both, serve to determine whether each of the five IC components, including the controls that apply the principles within each component, are present and functioning.

Ongoing assessments, embedded in business processes at different levels of the organisation, provide timely information.

Periodic one-off/independent evaluations will vary in scope and frequency, depending on risk assessment, the effectiveness of ongoing evaluations and other management considerations.

The results are assessed in accordance with criteria established by the Regulators, recognised by regulatory bodies, the management and the Board of Directors and with shortcomings communicated in a timely manner to the management and the Board of Directors, as appropriate, with the most relevant results always communicated to the Board of Directors.

The project to implement the Internal Control System (ICS) referred to above contains the following phases:

- Initial Stage - which includes the identification and approval of the methodology to be used, the determination by AdP SGPS of the 35 processes considered critical in the AdP Group, based on strategic guidelines and significant accounts;

- Phase One - scheduled for completion by the end of 2021, includes the following stages:
 - The mapping of the 15 priority processes, with the identification of risk events and the controls implemented in their mitigation, in two pilot companies, through the preparation of the respective Risk and Control Matrices (MRC, Portuguese acronym);
 - The definition of the metrics to be used in the future evaluation of the ICS, and the preparation of the base version of the Group's Internal Control Manual, to be used by the companies, and in which the Control and Risk Matrices of the mapped processes will be included.
 - The mapping of priority processes in the Group's other companies, based on the information systematised in the MRCs of the pilot companies, and which implies their adjustment to the reality of the risks and controls implemented in each company.
- Second Phase - which is planned to start in the 1st quarter of 2022, includes the following stages:
 - The mapping of the remaining critical processes, in the same pilot companies involved in Phase One, through the drafting of their respective MRCs;
 - The approval of the internal control manuals by the companies, the approved base version and the MRC information regarding the processes mapped in Phase One;;
 - The mapping of the remaining processes in the Group's companies, based on the information systematised in the MRCs of the pilot companies, and which implies adjustments to cope with the realities of the risks and controls implemented in each company.

Following completion of the Initial Phase of the project in 2020, the First Phase was finalised during 2021, with the following activities taking place:

- i. Mapping the 15 initial processes in Group companies based on the information systematised in the Risks and Controls Matrices (MRCs) of the two pilot companies, implying the adjustment of the information collected to the reality of the risks and controls existing in each company. The work, which started in the 4th quarter of 2020, followed the time schedule initially defined, having been concluded by almost every AdP Group company by the end of the 4th quarter of 2021;
- ii. Carrying out preliminary analysis of the maturity of the 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;
- iii. Conclusion and sending of the MRCs for the purchasing process, which resulted from the audit carried out by companies on this process, through which the risk events and existing controls were identified;;
- iv. Joint review of the MRCs completed by the companies so as to ensure the consolidation of the systematised information and improve the contents presented;
- v. Performing audit tests and evaluating the effectiveness of the controls in effect for salary processing and eventually for accounts receivable, based on the MRCs drawn up by the companies;;
- vi. Review of the processes identified within the scope of the Group's Internal Control System with this requiring mapping of the project's second phase, ensuring that the alignment with company strategic objectives and significant accounts is maintained;
- vii. Awarding a contract to the entity responsible for mapping out the remaining business processes in pilot companies as part of the second phase of the project for implementing the Group's Internal Control System, to begin in early 2022;
- viii. Review of the AdP Group Internal Control Manual and the defined ICS evaluation metrics in order to ensure they align with the reality of the AdP Group companies, incorporating the knowledge acquired throughout the implementation of the first phase of this project, with company approval expected in early 2022.

The second phase of the implementation of the Internal Control System will begin in 2022, with the following activities planned:

- i. Completion of the mapping of the processes related to the first phase that could not be finalised in two companies;
- ii. Beginning of the mapping, in the pilot companies, of the processes for inclusion in the second project phase, through the identification of risk events and existing controls and preparation of flowcharts and MRCs;
- iii. Continuation of the joint review with companies of the MRCs for the processes mapped under the auspices of the first phase to identify possible inconsistencies or unidentified situations, consolidate the systematised information, improve the contents and ensure their adherence to the reality of the mapped processes;
- iv. Preparation and approval of the internal control manuals, based on the revised version and in which the already finalised MRCs will be included;
- v. The mapping of the second phase processes in the remaining AdP Group companies will begin, based on the information gathered in mapping the MRCs in the pilot companies;
- vi. Testing the evaluation of the indicators and metrics defined for assessing the internal control system in order to obtain a preliminary view of the situation of the respective internal control systems.

Conclusion of the audit tests and assessment of the effectiveness of the controls associated to the accounts payable process and carrying out an audit of salary processing based on the MRCs prepared.

The control test results (in particular for core issues) obtained from 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 as regards the ICS performance.

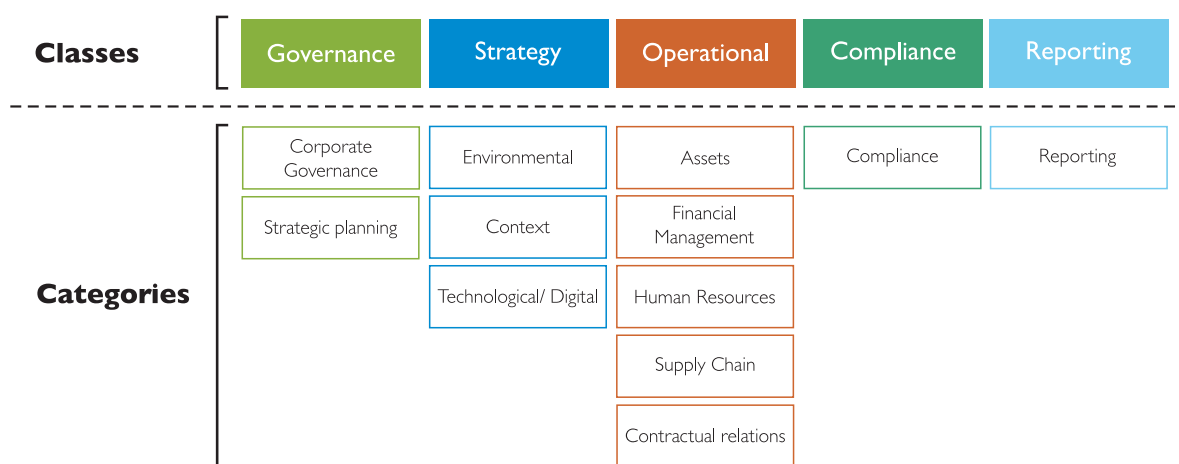
Awareness raising and internal control training will also be promoted, aiming at fostering the permanent monitoring of the controls implemented by the companies and especially by staff responsible for managing the business processes.

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 effect across 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.

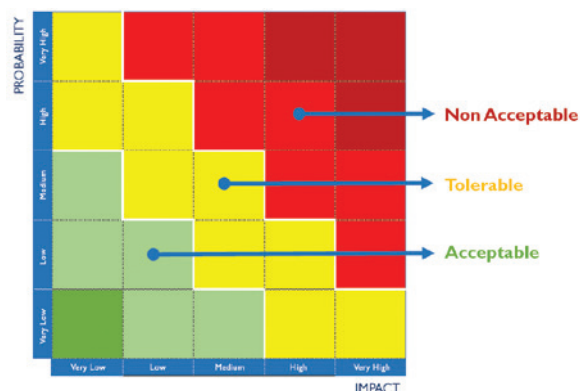
The corporate risk management model currently implemented in the AdP Group, also defined according to the COSO methodology, presents the risks organised according to a structure of defined classes and categories, as set out below:



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 matrix presented.

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.

Taking into consideration the risk evaluation process carried out in 2018, some of the core risk exposure faced by the Group are the following:

- Extreme weather events - Loss of human life, damage to ecosystems, extinction of species, destruction of property and/or financial loss on a global scale as a result of extreme weather events: cold fronts, fires, floods, heat waves, extreme drought, storms and tornadoes, etcetera.
- Information security - Risk of loss of confidentiality, integrity and availability of information systems, resulting from a non-existent or inadequate definition of information security policies.
- Foreign exchange and commodities - Risk of the Organisation's financial statements being affected by its exposure to changes in commodity costs, specifically the costs of energy and reagents.
- Losses in retail supply - Risk of water resource losses along the downstream supply chain, with a consequent reduction in supply capacity and financial losses, resulting from malfunctions and failures not detected in time or from ageing infrastructures.
- 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 infrastructures and the absence of network separation.

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 subsequent evaluations.

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.

	31.12.2021	Impact of average rate	
		+1%	-1%
Interest (cost) at a variable rate	556 733	1 692 641	-
	556 733	1 692 641	-

Impact of the rate change measured over a period of twelve months.

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 2021 and 2020, 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
Assets			
EIB Financing	103 486 932	459 180 663	749 732 694
Bond Financing	157 292 140	228 830 825	160 382 671
Net amount	260 779 072	688 011 488	910 115 365

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 in the table above, given the inability to reliably determine the future interest incurred beyond these timeframes.

As at 31 December 2021, the outstanding principal EIB loan amounts display the following stratification by years of rate re-fixing/revision:

('000 EUR)

Year the period for the current interest rate in effect is to end	Capital outstanding at 31.12.2021 (note 23)	Capital value in the year of rate re-fixing
2022	36 720	1 754
2023	7 596	6 541
2024	-	-
2025	685 234	491 020
2026	72 936	40 366
2027	68 363	30 274
2028	7 000	-
2029	176 038	73 062
2030	77 580	-
2040	30 000	-
	1 161 467	643 017

For the purposes of determining future variable rate interest (shareholder loans), this considered (i) the known interest coupon on 31 December 2021 and for settlement in 2021; and (ii) the following coupons took into account the Euribor indexer on 31 December 2021 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 31 July 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 14 January. 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 (Million EUR)	Line of credit available	Line of credit used	Line of credit unused
Bank overdrafts (AdP Group)	125.0	-	125.0

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	31.12.2021	31.12.2020
Non-current loans	23.2	1 468 847 965	1 705 786 127
Current loans	23.2	236 937 980	80 579 663
Capital reconstitution fund	11.2	(21 222 798)	(23 360 682)
Availabilities	17.2	(323 290 474)	(255 790 943)
Leasing liabilities (*)		2 123 610	6 799 407
Net debt		1 363 396 283	1 514 013 572
Investment subsidies	22.2	1 445.287 330	1 484 046 405
Total of own capital (without minority interest)		1 442 840 097	1 385 322 840
Capital and subsidies		2 888 127 427	2 869 369 245
Debt/ Total capital		0.47	0.53

(*) apenas referentes a locações com entidades financeiras

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 own capital 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 (“Municipalities”)

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 note 13) as well as the financial income (see note 36).

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. State and public sector, 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 and other entities:

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.

Business Sector	Bulk Business (*)			Retail Business (**)				Large Industrial Clients and other entities	TOTAL (note 13.3)
	Municipalities	Others	Total	Municipalities	State and Public Sector	Others	Total		
Client type	Low	Medium		Low	Low	Medium		Medium	
Gross exposure	265 801 911	17 692 942	283 494 853	2 903 704	2 206 845	49 078 782	54 189 331	23 498 878	361 183 062
Impairity	(26 277 906)	(477 839)	(26 755 745)	-	-	(19 127 337)	(19 127 337)	(14 962 362)	(60 845 444)
Net exposure	239 524 005	17 215 103	256 739 108	2 903 704	2 206 845	29 951 445	35 061 994	8 536 516	300 337 618

(*) Local authorities, municipal or intermunicipal services, and municipal or intermunicipal companies.

(**) Households, institutions and companies supplied by the retail distribution network.

As of 31 December 2021, the ageing of trade receivables (except municipalities) and the respective impairment losses are as follows:

31.12.2021	Institutions, companies supplied by the bulk network				Households, institutions, State and Public Sector, and companies supplied by the retail distribution network.				Large Industrial Clients and other entities			
	Gross exposure	Impairity	% Loss	Net exposure	Gross exposure	Impairity	% Loss	Net exposure	Gross exposure	Impairity	% Loss	Net exposure
Amount due	13 669 276	-	0%	13 669 276	20 308 495	(259 296)	-1%	20 049 199	6 540 942	-	0%	6 540 942
Amount due up to 180 days	650 841	-	0%	650 841	8 916 717	(251 017)	-3%	8 665 700	1 452 908	-	0%	1 452 908
Amount due over 180 days	3 372 825	(477 839)	-14%	2 894 986	22 060 415	(18 617 024)	-84%	3 443 391	15 505 028	(14 962 362)	-97%	542 666
	17 692 942	(477 839)	-3%	17 215 103	51 285 627	(19 127 337)	-37%	32 158 290	23 498 878	(14 962 362)	-64%	8 536 516

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 2021, 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	31.12.2021	31.12.2020
Demand deposits	17.2	80 210 044	152 002 584
Term deposits	17.2	243 000 000	103 705 000
Capital reconstitution fund	11.2	21 222 798	23 360 682
Others		267 402	163 614
		344 700 244	279 231 880

Rating	31.12.2021	31.12.2020
A2	190 539	177 401
A3	329 683	167 834
B1	748 146	-
B2	-	658 454
B3	348 721	52 134
Ba3	45 166	-
Ba1	-	5 588 030
Baa1	1 664 879	1 636 975
Baa2 (a)	341 160 696	-
Baa3	-	270 365 383
Not available	212 414	585 669
	344 700 244	279 231 880

Note: Moody's rating obtained from the websites of the financial institutions in January 2022.

(a) As at 31 December 2021, includes EUR 326 041 000 deposited with the Treasury and Public Debt Management Agency - IGCP, E.P.E.

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.

Economic and financial analysis (compared to 2020)

CRD (results)

58.9
EUR million

surplus, a rise of EUR 3.5 million (the fourth consecutive year in which the Group turns in a surplus in consolidated terms)

OPEX

525
EUR million

increase of EUR 7.7 million (+1.5%) with the most significant being EUR 4.4 million for Maintenance and Repairs and EUR 3 million for Staff Costs. As in 2020, the pandemic conditioned the recording of additional expenses.

BUSINESS TURNOVER

725.2
EUR million

improvement of EUR 9.9 million (+1.4%)

INVESTMENT

155.8
EUR million

up EUR 25.1 million (+19.2%)

GROSS DEBT

1 707.9
EUR million

Reduction of EUR 85.3 million (-4.8%)

EBITDA (adjusted)

378.9
million EUR

improvement of EUR 8.4 million (+1.3%)

NET DEBT

1 363.4
EUR million

reduction of EUR 150.6 million (-9.9%)

$OC / T \mid OC = COMC + ESS + HRCOSTS \mid T = SALES + POP.SERV$

46 %

Decrease compared to 2020 (46.2%). Maintenance (47.4%) compared to 2020 when excluding the impact of the COVID-19 pandemic.

NET RESULT

83.3
EUR million

up EUR 4.7 million (+6.0%)

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 granter, 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 own capital 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.

2021

The results

The AdP Group closed the 2021 financial year with a net result of around EUR 83.3 million, representing an increase of 6.0% on the previous year (which recorded a result of approximately EUR 78.6 million). The net results per share stood at EUR 0.96 (vs. EUR 0.90 in 2020).

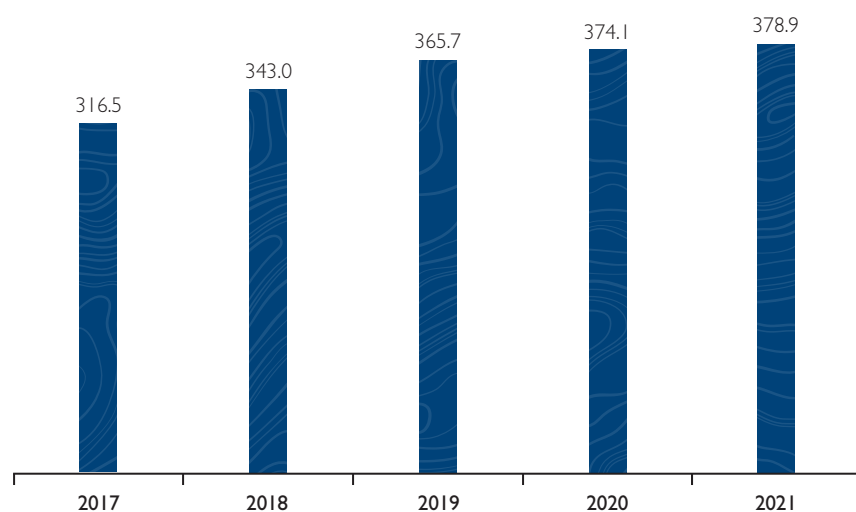
The growth in Net Profit was conditioned by several factors, namely: **i)** reduction in financial expenses, directly related to the decrease in the volume of debt; **ii)** reduction in sales due to the effect of the COVID-19 pandemic, with particular reflection on the results of EPAL and Águas do Douro e Paiva, not offset by the reduction of charges; **iii)** effect of the decrease in the rate of the Portuguese State 10-year Treasury Bonds, an indexer used to determine the Net Results of the Multi-municipal Systems and State-Municipal Partnerships. This indexing presented in recent years a sharp reduction, from 1.84% in 2018 to 0.75% in 2019, to 0.41% in 2020 and reaching 0.30% in 2021.

EBITDA, adjusted for the surplus of cost recovery, amounted to EUR 378.9 million, which represented an increase of 1.3% year-on-year (EUR 374.1 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 9.9 million with particular emphasis on sanitation (up EUR 8.4 million), which allowed the Group to cope with an increase in operating expenses.

The EBIT recorded (as in 2020 affected by the COVID-19 pandemic), adjusted for the expense recovery surplus, was, EUR 1.4 million below 2020.

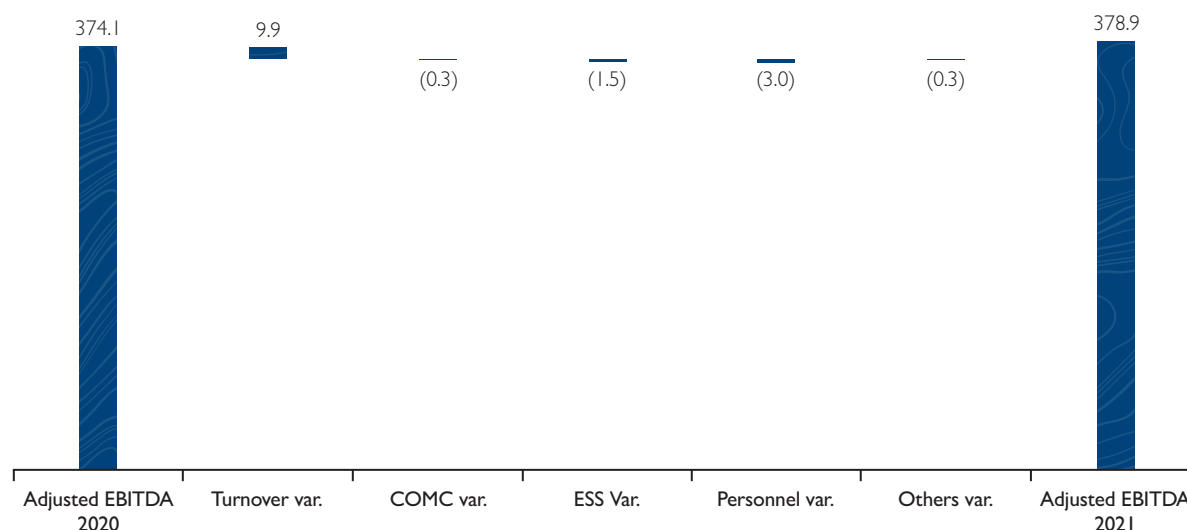
Adjusted EBITDA

(million EUR)



Adjusted EBITDA

(million EUR)



During 2021, there was an improvement in the coverage ratio for operating expenses by business turnover (OC/BT | $OC=CMVMC+FSE+GP$ | $BT=SALES+PSERV$) of 0.2 p.p. compared to 2020, and which reached 46.0%. Both these periods were considerably conditioned by the pandemic, both in terms of reduced invoicing and increased expenses. In 2019, this ratio stood at 46.6%.

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

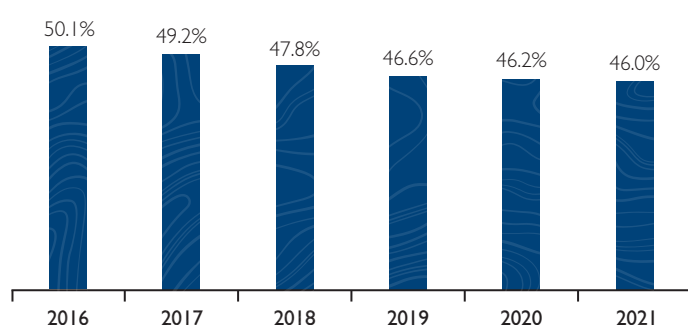
While falling within the scope of the consolidated accounts, in order to comply with the guidelines issued by the DGTF (Directorate General for the Treasury and Finance) for application to companies belonging to the Public Business Sector, the OC/BT ratio should

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. In this way, the adjustments considered in the year of 2021 result from the following:

- Decrease in business turnover (in Águas do Douro e Paiva and in the retail activities - EPAL), with a total value of EUR 12.0 million (in line with the EUR 12.3 million recorded in 2020);
- Increase in operating costs, registered across the universe of operating companies, of approximately EUR 4.8 million (EUR 2.6 million in 2020) driven by the following key factors:
 - Increase in staff costs, due to the increase in the amount spent on overtime and on individual protection equipment;
 - Increase in spending on infrastructure cleaning and disinfection;
 - Increase in the cost of temporary work.

Without these effects, the coverage ratio for expenses by business turnover amounts to 47.4% (the same level as in 2020).

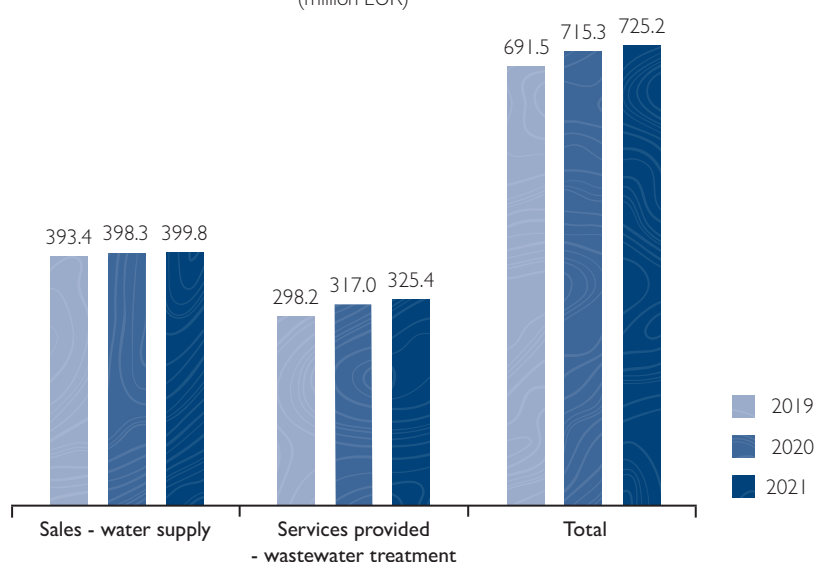
Operation costs/ Turnover



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 725.2, up approximately +1.4% on the previous year due to both the supply and sanitation activities.

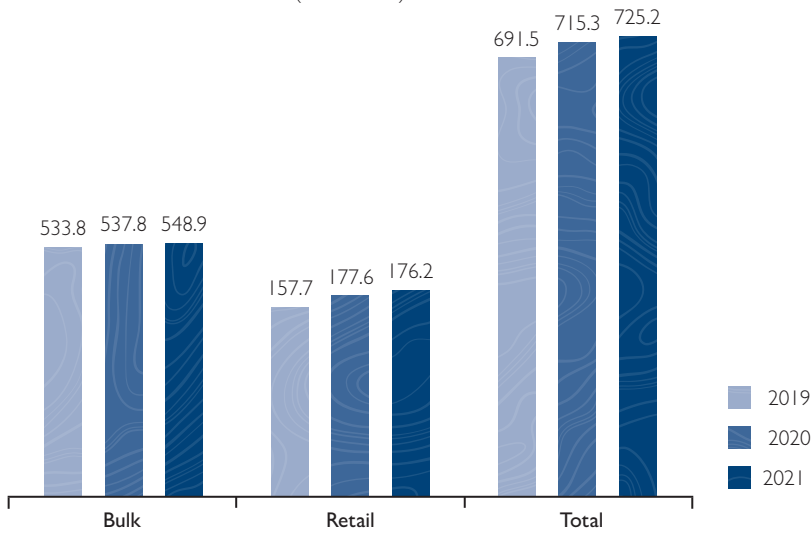
Turnover by business area

(million EUR)



Turnover by segment

(million EUR)



This variation in business turnover (1.4%) stems from the following:

- In terms of supply, there was a 0.4% increase in sales resulting from the tariff update and the increase in the volume of billed water compared to 2020 (+1.7 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, Oporto and the Algarve.

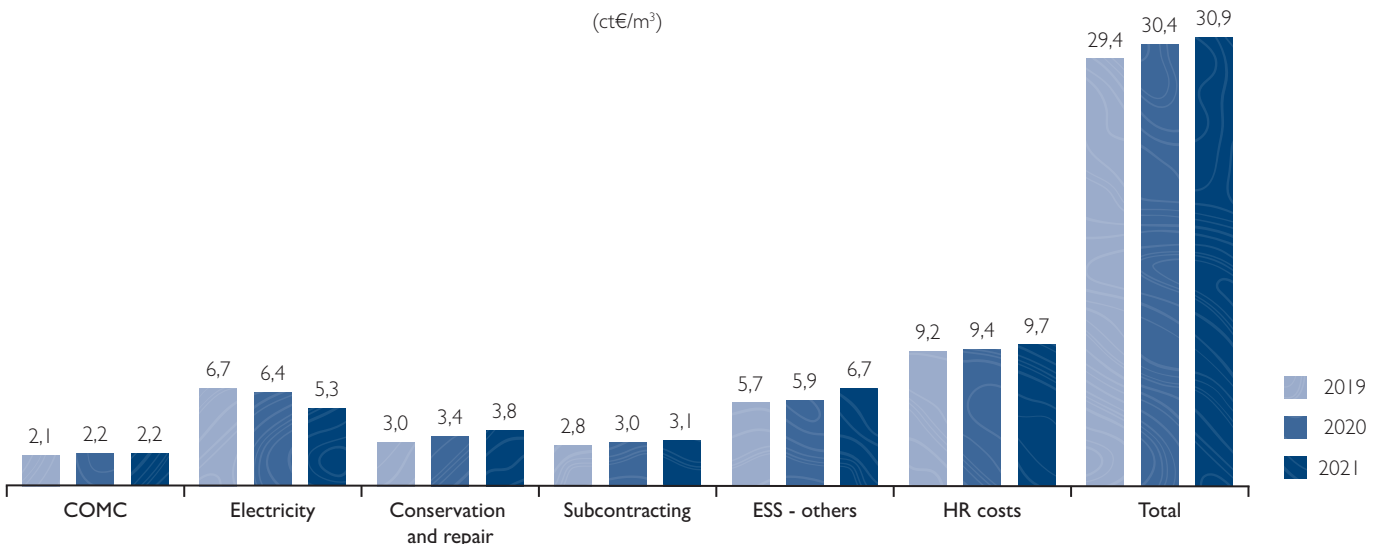
- In the wastewater treatment sector, there was an increase (+2.7%) in the provision of services.

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 1.4% from EUR 0.29.4 per m³ in 2019 to EUR 0.30.4 per m³ in 2020 and 0.30.9 EUR per m³ in 2021, duly reflecting the rise in operating and maintenance costs

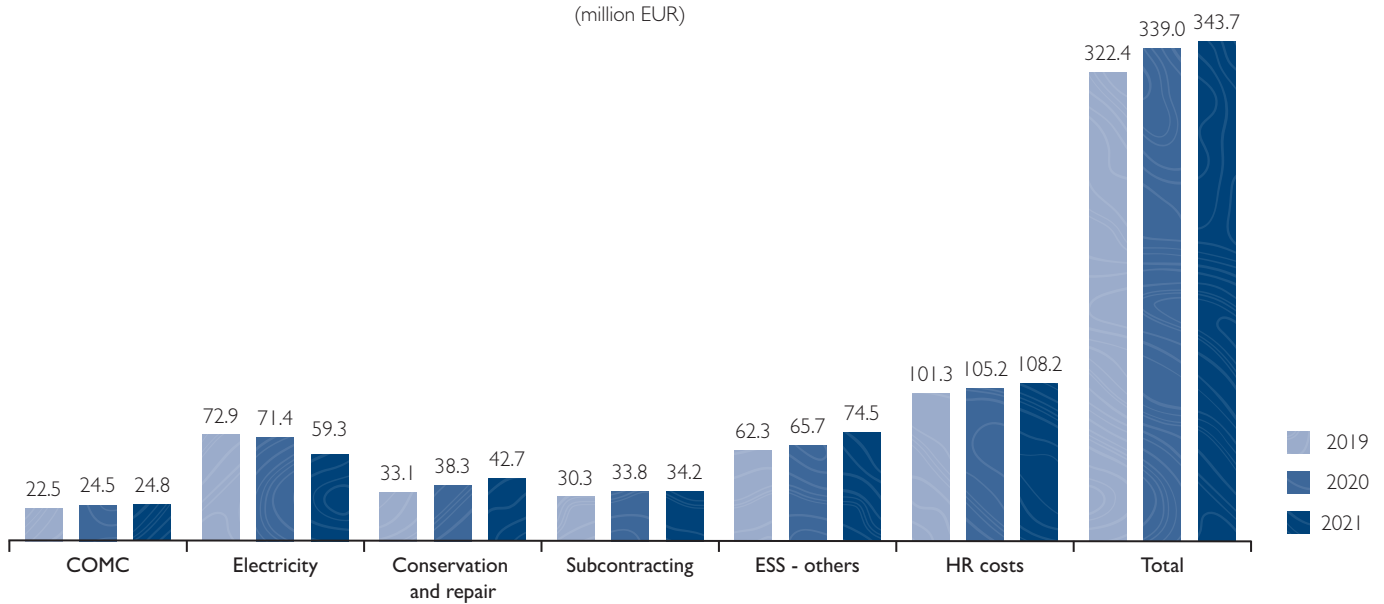
Cash-cost

(ct€/m³)



Cash-cost structure

(million EUR)



Operating and maintenance costs increased by EUR 4.8 million compared to 2020. In 2020, there was an increase of EUR 16.6 million compared to 2019. This trend is strongly driven by the effects of the COVID-19 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.

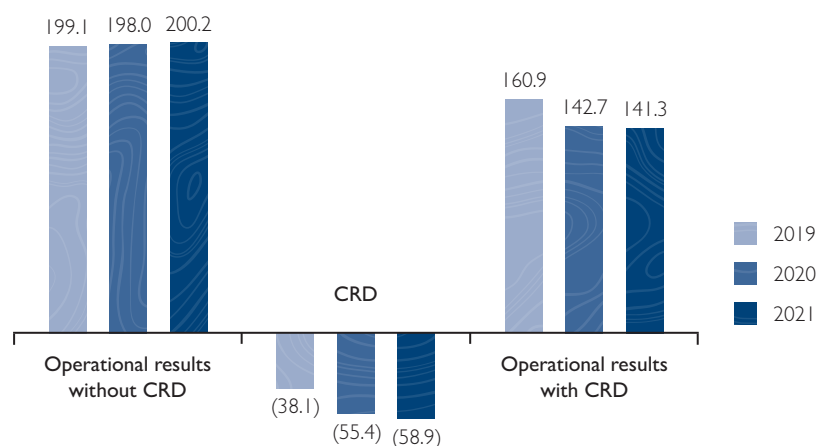
This effort has historically returned efficiency gains. However, in 2021, there is a very substantial reduction in energy costs as a result of the contracting made at the beginning of the year and for the years 2021 and 2022, which enables a very significant reduction in annual costs. As a result, and already in 2021, there has been a reduction of almost 17% in spending of this nature, accounting for EUR 59.3 million in 2021.

As mentioned, the Group has been focusing on the rehabilitation and/or refurbishment of its infrastructures. In this sense, 2021 experienced a significant increase in spending on infrastructure maintenance and conservation (EUR +4.4 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, reflect 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 2021 amounted to EUR 108.2 million, higher than the EUR 105.2 million recorded in 2020. This surge in costs mainly stemmed from the expansion of the Group's workforce (2.6%), training hours (which merited particular focus in 2021), the one-off settlement of situations arising from and provided for in the CLA, and, to a lesser extent and although also verified in 2020, an increase in the value of the expenditure on overtime and on individual protection equipment, within the scope of the COVID-19 pandemic and the measures arising from the contingency plans implemented in Group companies, primarily contributed to this rise in spending. Once again, expenditure on uniforms, the acquisition of protection and safety equipment and cleaning services stand out. 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 2021 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 infected in order to avoid teams becoming unavailable.

Operation results

(million EUR)



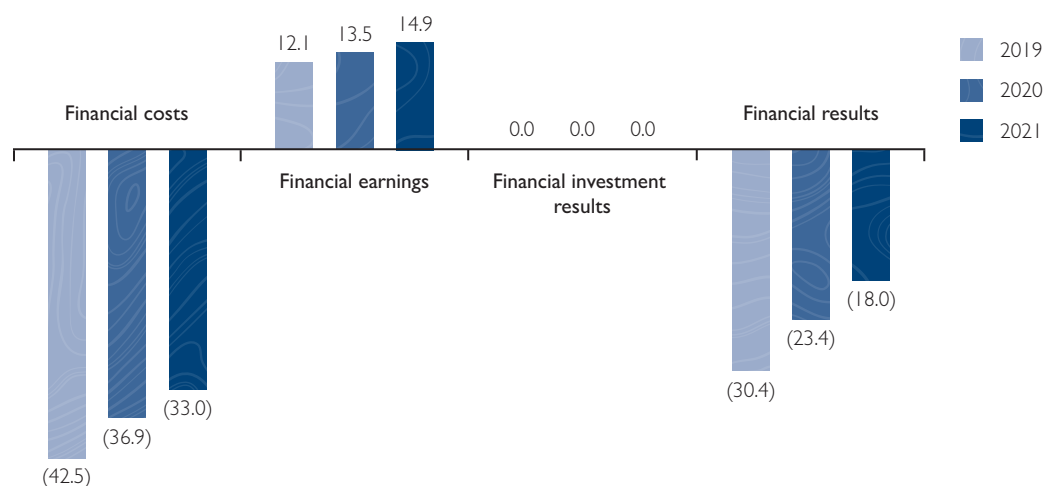
The cost recovery deviation corresponds to the difference between shareholder remuneration for the contractually defined and regulated activities and the net result generated by the respective activities, which in 2021, was a surplus of EUR 58.9 million (only SIMARSUL still did not register surpluses). 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.

The estimates for the corrections relative to the production efficiency scenario established for 2021 proposed by the Regulator, still at the contradictory stage, were not reflected. The final decisions of the Regulator were known after the closing of the accounts of the different companies.

This reflects in the following variations in the financial accounts:

Financial results

(million EUR)



The financial year of 2021 reflects a decrease in financial expenses (capitalised and non-capitalised), which directly relates to the decrease in the volume of debt (reduction by approximately EUR 85 million compared to 2020). In 2021, this also benefited from the maintenance of negative interest rates. As for financial income, there is a growth of EUR 1.4 million, which is mainly justified by the increase in interest on arrears.

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

	2019	2020	2021
Adjusted EBITDA	365.7	374.1	378.9
Operating results (with CRD)	160.9	142.7	141.3
Operating results (without CRD)	199.1	198.0	200.2
Financial results	(30.4)	(23.4)	(18.0)
Taxes	(38.8)	(33.9)	(32.7)
NR for the period	91.8	85.5	90.6
NR attributable to minority shareholders	(8.6)	(6.9)	(7.3)
NR attributable to AdP SGPS shareholders	83.1	78.6	83.3

Statement of financial position

Assets

The AdP Group's total net assets stand at EUR 6,120 million, which represents a decrease of approximately EUR 18.6 million compared to 2020, as a combined result of the variations in current assets (+ EUR 45.9 million) and non-current assets (- EUR 64.5 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.

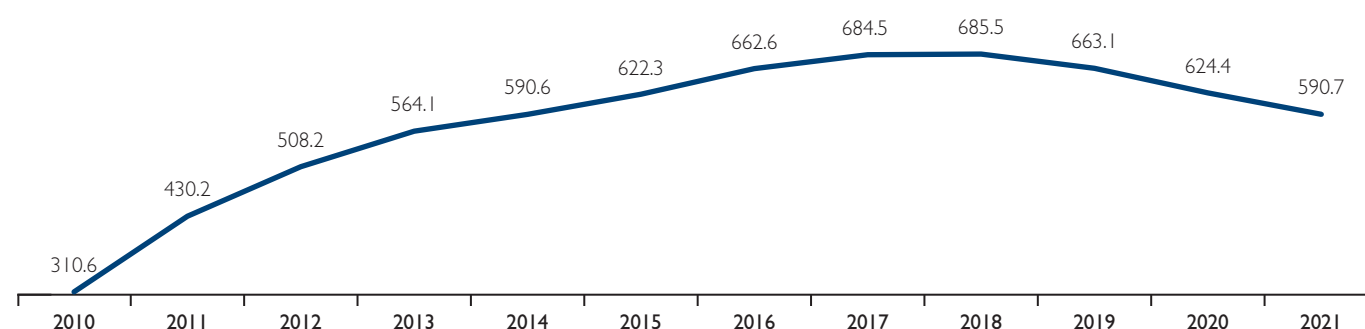
The reduction in tangible assets and intangible assets arises from their continued amortisation during the concession period, which amounted to EUR 237.8 million in the year, which compares with the realised value of the investment, which amounted to EUR 155.8 million). The contractual obligation of 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 2021 amounted to a value of EUR 590.7 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.

Cost recovery deviation

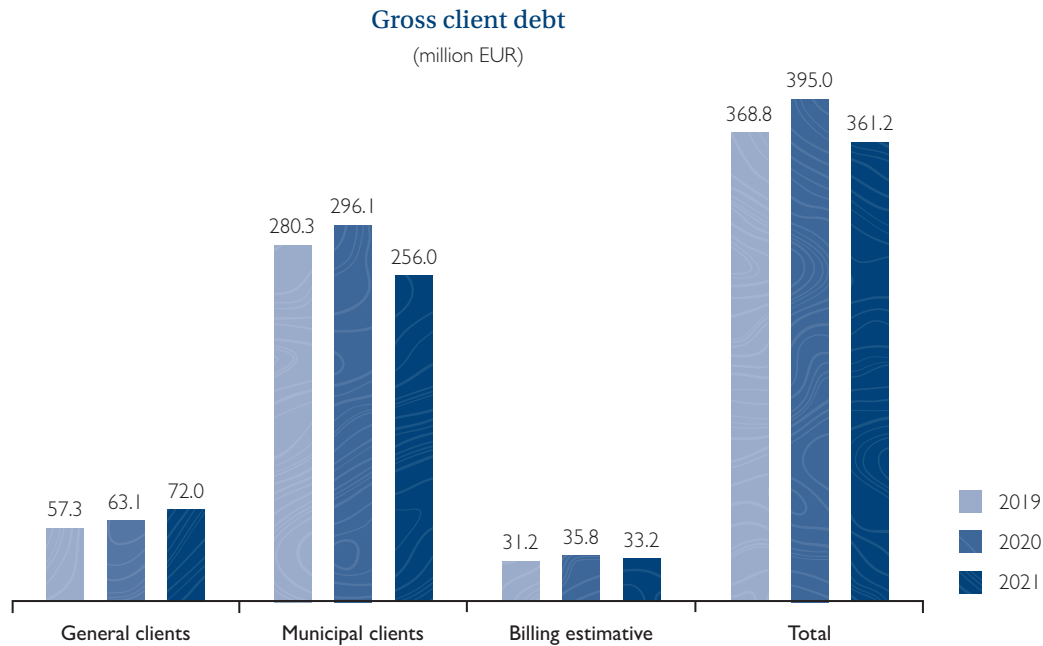
(million EUR)



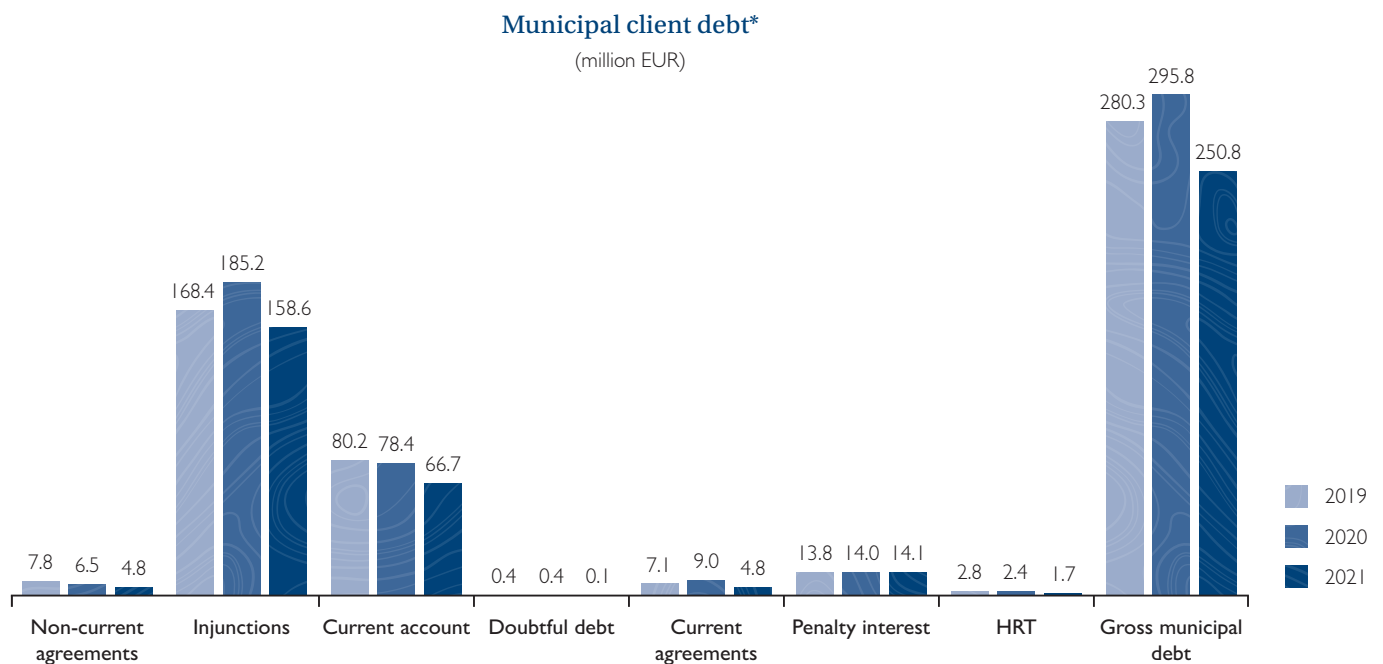
Clients

At the end of the 2021 financial year, gross client debt totalled EUR 361.2 million, representing a reduction of 8.6% compared to 2020. The reduction of the balance reflects the efforts and diligences made by the Group (in particular through the subsidiaries), to recover outstanding debts. This, even bearing in mind the impact of the pandemic effect, 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 financial assets at fair value through other comprehensive income, amounting to EUR 27.6 million, reflecting a 57.3% year-on-year in comparison to 2020, when around EUR 54.6 million were received.



The debts owed by Municipal Clients break down as follows:

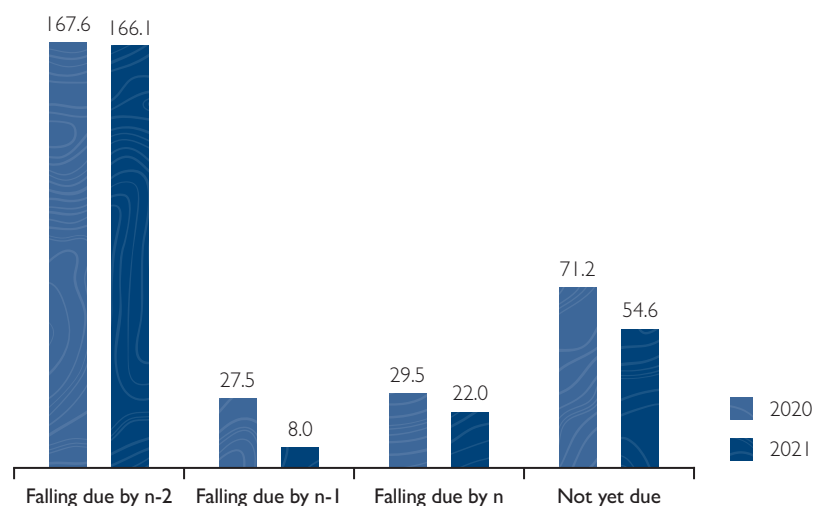


* This does not include the amounts relating to an accrual basis/billing estimate

Of greater prominence, the securities (certified) subject to injunction – EUR 158.6 million in 2021, 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. This represents a year-on-year reduction of 14%. Once again, this reflects the efforts to normalise current relations between users and managing entities, with the historical cases remaining pending judicial resolution.

Municipal client debt by age

(million EUR)



Own Capital

The AdP Group own capital, including minority interests, increased by EUR 63.3 million in the year under review to about EUR 1,770.5 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 83.3 million and hence the result per share of EUR 0.96.

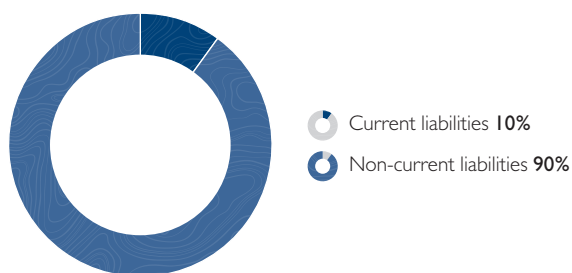
Liabilities

Total Group liabilities decreased by 1.9%, dropping from EUR 4,431.5 million in 2020 to EUR 4,349.4 million in 2021, essentially due to the effect of the drop in remunerated non-current debt.

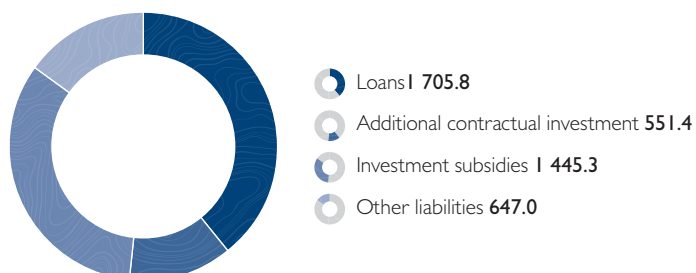
The non-current liabilities, EUR 3 920,6 million, represent 90% of total liabilities and are composed essentially of: **(i)** shareholder bonds (with a total value of EUR 544.3 million) and investments loans contracted from the European Investment Bank (amounting to EUR 1 161.5 million); **(ii)** investment subsidies (with a value of EUR 1,445.3 million); and **(iii)** increases in contractual investment costs (with a total value of EUR 551.4 million). The year-on-year decrease in the non-current liabilities balance, totalling EUR 237.8 million, stems essentially from amortising medium- and long-term financing, but especially from the maturity of principal repayments on EIB loans and bond loans.

The current liabilities, with year-to-year growth of 36.3%, stand at EUR 428.9 million and essentially contain: **(i)** loans obtained corresponding to the 2022 amortisation of medium to long term loans (with a total value of EUR 236.9 million); **(ii)** suppliers (with a total value of EUR 60.5 million), **(iii)** leasing debt (EUR 4.4 million), **(iv)** tax on earnings and debts to the state (EUR 27.1 million) and other current liabilities and accruals and deferrals (amounting to EUR 99.9 million).

Distribution of the liabilities 2021



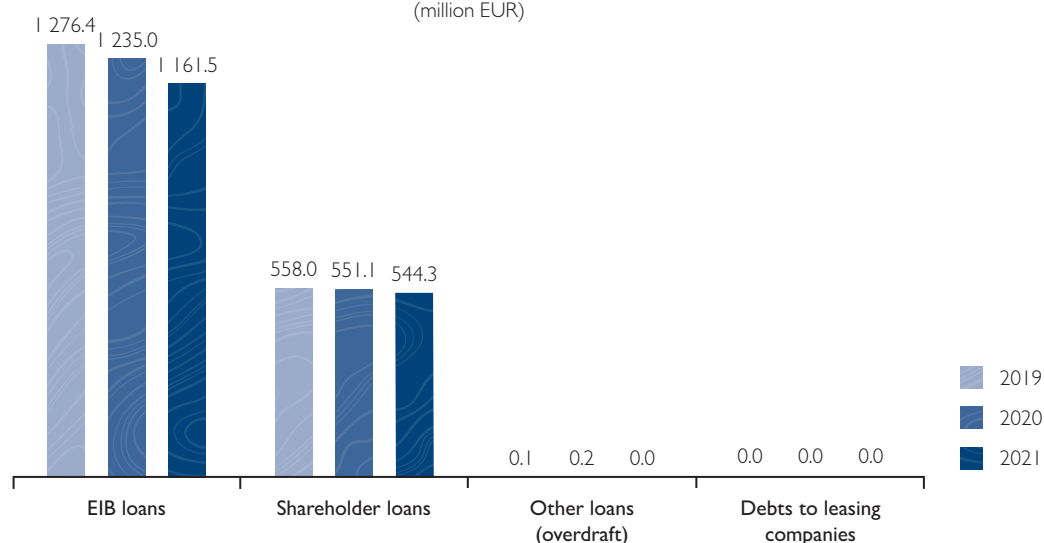
Composition of the liabilities 2021



The Loans total item amounts to EUR 1,705.84 million and has displayed a continuous downwards trend (almost 27% in the period between 2016 and 2021). 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)

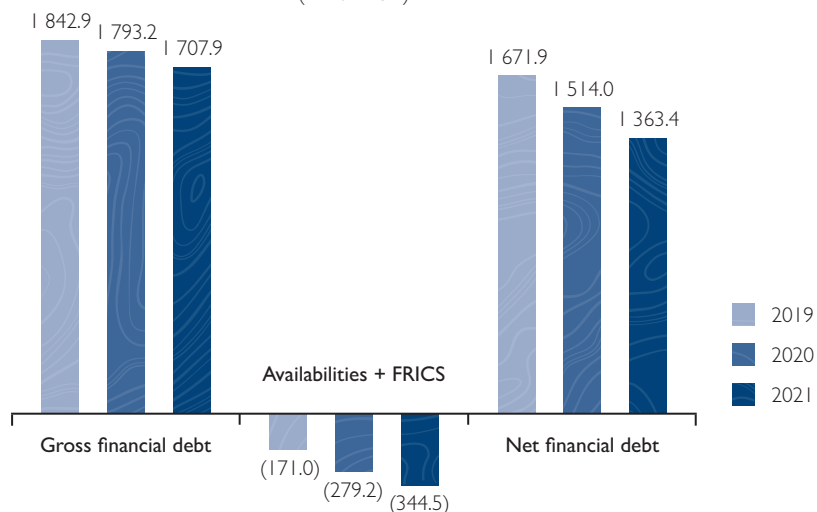


The net financial debt indicator also reflects the Group's continued efforts to reduce it. The items availabilities and financial applications contribute to this indicator which, in 2021, achieved a total value of EUR 344.5 million.

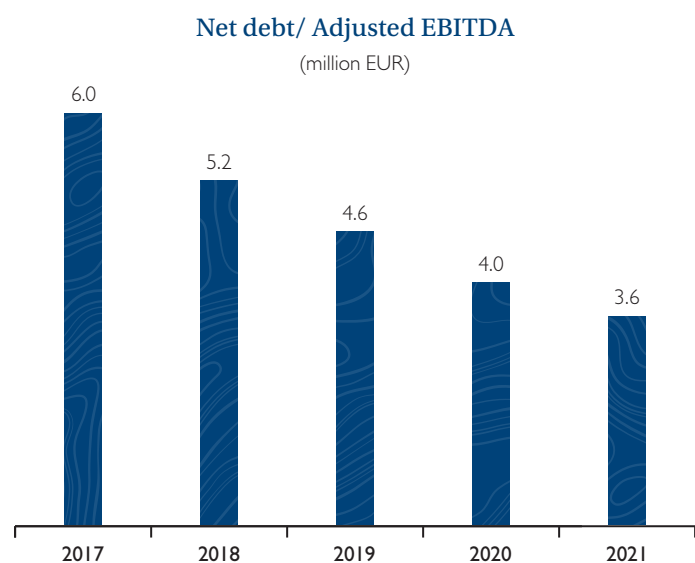
Furthermore, in the context of indebtedness, IFRS 16 was adopted with effect from 1 January 2019, which recognises debts to leasing companies as amounts to be reported under the liability heading "Lease Liabilities".

Financial debt

(million EUR)

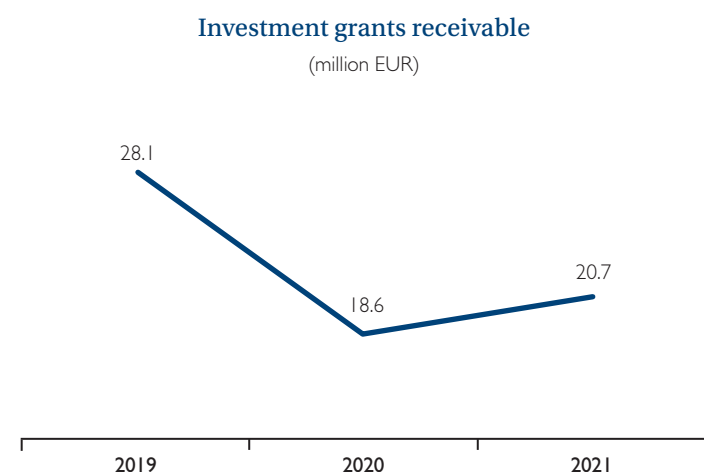


The centralised financial management has focused its activities on Group financial consolidation, and has been continuously and sustainably reducing the ratio of net debt to adjusted EBITDA in consolidated terms. The trend in this indicator is indicative of the Group's growing capacity to generate operating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



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 2021, this total stood at EUR 1,44.3 million. As with the asset item, in terms of the concessions, the balance of this item is to be annulled.

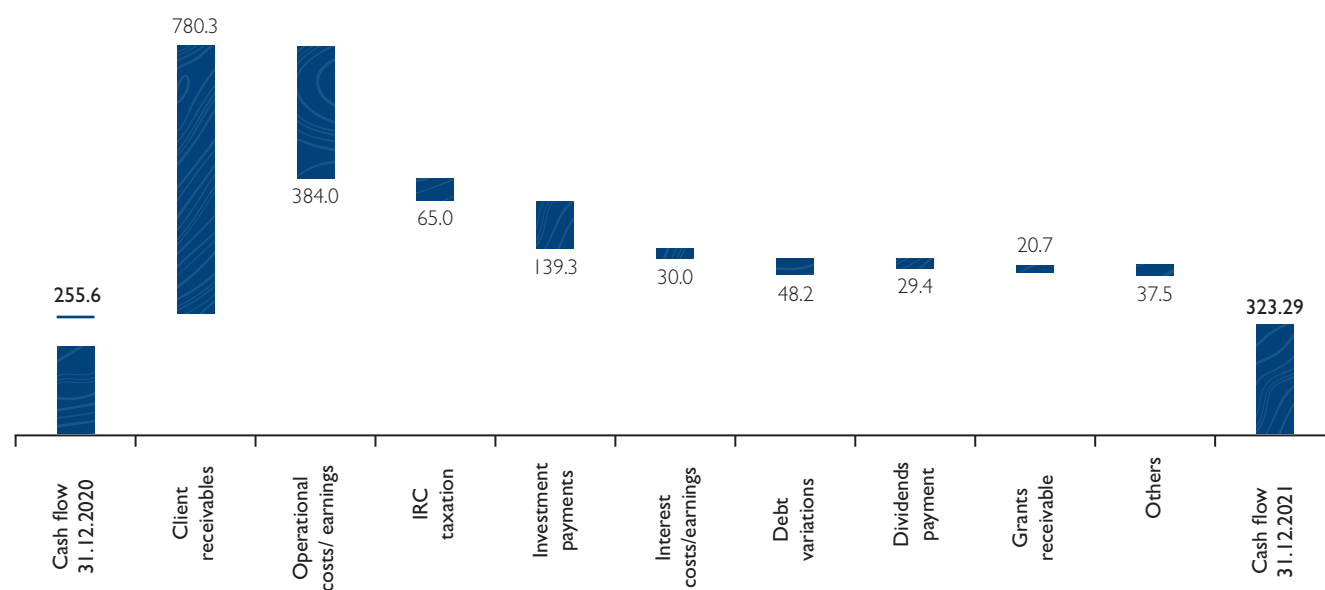
During the 2021 financial year, around EUR 20.7 million were received in non-repayable subsidies. The reduction in comparison with previous years reflects the end of AdP Group works that could be eligible for co-financing. The AdP Group will continue to make all necessary efforts so that its investment operations can benefit from non-refundable co-financing.



This should also highlight that the increased contractual investment costs item rose by 4.6% year-on-year. The total of EUR 551.4 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 2021:



Financial analysis of separate accounts

2021

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 (PENSAAR 2020) published by Order No. 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)** concessions for multi-municipal systems, constituted by the State and municipalities; and **(iii)** the 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.

The Results

AdP SGPS closed 2021 with a net profit of EUR 56 million, which represents a decrease of 7% compared to the 2020 result, EUR 60.6 million. Earnings per share decreased from EUR 0.70 EUR in 2020 to 0.64 EUR in 2021.

The reduction of EUR 4.5 million in net profit, compared to 2020, is essentially due to a decrease in financial results of approximately EUR 5.3 million, particularly due to the impact on financial investments, as a result of a lower distribution of dividends by subsidiaries, especially EPAL.

Concomitantly and in not very expressively, this conveys the reduction in other companies resulting from the evolution in 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. In fact, a decreasing trend has been observed in this indexing factor since 2018, having dropped from 1.84% in that year, to 0.75% in 2019, 0.41% in 2020 and an estimated 0.30% in 2021.

Simultaneously, the year 2020 reflects the improvement of the operational result in about EUR 1.4 million, based on: **i)** revenues for activities carried out by AdP Valor (NSE's), until August 2020, transferred to AdP SGPS (information systems, procurement and

logistics and legal services); and **ii**) in the VAT recovery for 2016 to 2019 due to a change in methodology from Pro-Rata to real allocation rate (EUR 1.9 million)

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 1.2 million), and a decrease in supplies and external services (FSE) (EUR 1.2. million).

As a result of the above, the operational efficiency indicator represented by the weighting of operating expenses over business turnover (GO/VN), reflects a deterioration in operational robustness, increasing about 5.1 p.p., from 62.9% in 2020 to 68% in 2021. However, this trend must always be observed in the light of the aforementioned corporate reorganisation, which only impacted for five months in 2020.

Also noteworthy is the improvement in the EBITDA indicator, which registered the total of EUR 7.2 million in 2021 representing annualised growth of 26%. This performance inherently arises from the increase in business turnover and operating expenses due to the administrative reorganisation but is based on recovering VAT payments from previous years, as explained above.

	2019	2020	2021	MEUR	
				Variation 2021/2020	
				Valor	%
Operating earnings	11.4	14.5	18.5	4.0	28%
Business turnover	11.3	13.9	16.5	2.7	19%
Other income and operational gains	0.1	0.7	2.0	1.3	196%
Operating costs	8.6	9.0	11.6	2.6	29%
Supplies and external services	3.6	2.8	4.1	1.3	45%
HR costs	4.8	5.9	7.2	1.3	21%
Amortisations, depreciations and reversions	0.2	0.2	0.3	0.1	64%
Other costs and operational losses	0.1	0.1	0.1	(0.0)	-1%
Operating results	3.1	5.6	6.9	1.4	25%
Financial results	66.8	60.4	55.1	(5.3)	-9%
Net result	65.2	60.6	56.0	(4.5)	-7%

The scope of AdP SGPS operating results needs to take into account the corporate reorganisation carried out with reference to August 2020, reflecting the non-linear evolution of the respective amounts. More detailed analysis of the 2021 financial year and the main operating items in the AdP SGPS profit structure demonstrates that:

- The 19% increase (EUR 2.7 million) in business turnover derives from: **i**) EUR 50,000 for management fees charged to subsidiaries; and **ii**) EUR 2.5 million regarding information system, legal, procurement and general support related activities, historically undertaken by AdP Valor;
- The 45% increase in FSE costs (EUR 1.3 million) holds greater significance for the specialised works item (EUR 1.2 million), specifically in the technical assistance item, which records the expenses related to the shared services charges. This increase is explained by the incorporation on 1 August 2020 of the Information Systems, Purchasing and Logistics and Legal Departments that were formerly in the sphere of AdP Valor.
- For the reason explained in the paragraph above, the personnel costs item increased by 21% (EUR 1.3 million), which reflects the integration of employees from the departments transferred.

There is also more detailed analysis of the company's financial results, which totalled approximately EUR 55.1 million, representing a reduction of 9% compared to 2020.

MEUR

	2019	2020	2021	Variation 2021/2020	
				Amount	%
Financial income	20.4	19.9	18.1	(1.9)	-9%
Financial costs	5.3	4.5	2.9	(1.7)	-37%
Financial investment Gains / Losses	51.8	45.0	39.9	(5.1)	-11%
Financial results	66.8	60.4	55.1	(5.3)	-9%

In fact, the following contributed to the variations in the financial results:

- The reduction in financial income of EUR 1.9 million arises mainly from the reduction in interest on loans and treasury support granted to subsidiaries (EUR 1.6 million) and the commissions charged to subsidiaries for the EIB provided guarantees in the context of their contracted financings.
- The downturn in financial expenses of EUR 1.7 million stems mainly from: **i)** the reduction in interest costs with bond loans due to the reduction in the outstanding principal and the maintenance of negative market reference rates (Euribor); **ii)** the decrease in the outstanding principal of 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).
- The reduction of EUR 5.1 million in gains and losses in financial investments, due to dividends received from subsidiaries. The biggest variations occurred in EPAL (EUR -4.4 million), AdTA (EUR -0.27 million) and AgdA (EUR -0.17 million). Also of note is the variation in impairment losses, which in 2021 totalled EUR 195,000 and in 2020 recorded EUR 5,000, relating to the appropriation and reversal of impairments for investments in subsidiaries and for loans granted.

Statement of financial position

MEUR

	2019	2020	2021	Variation 2021/2020	
				Valor	%
Investments in subsidiaries and associates	711.6	712.7	713.4	0.7	0%
Group company loans	765.2	708.6	688.5	(20.1)	-3%
Clients	4.2	5.9	3.1	(2.8)	-47%
Cash and cash equivalents	16.5	11.5	33.5	21.9	190%
Total assets	1 498.3	1 440.3	1 439.6	(0.7)	0%
Own capital	823.9	857.3	885.8	28.5	3%
Loans - medium and long term	551.1	544.3	387.5	(156.8)	-29%
Loans - short term	110.8	28.8	156.9	128.1	444%
Total liabilities	674.4	583.0	553.8	(29.3)	-5%

Assets

The company's net total assets dropped by EUR 0.7 million during 2021, mainly due to:

- The reduction of EUR 20.1 million, compared to 2020, resulting from subsidiary financing operations. As at 31 December 2021, the value of shareholder loans was EUR 21.3 million lower and Treasury Support was EUR 1.3 million higher. The aforementioned reduction is materially justified by 2021 being greatly conditioned by the COVID-19 pandemic that substantially restricted the subsidiaries from executing their investment plans and in the case of Águas do Centro Litoral, for the reimbursement of EUR 15 million, due to the receipt of a large amount from clients with outstanding payments.
- The increase of EUR 0.7 million related to Investments in subsidiaries and associates, is reflected in underwriting the remaining share capital in Águas do Alto Minho (EUR 0.9 million). As at 31 December 2021, the accumulated value of the financial investments was EUR 733.7 million. For the purpose of reconciliation with the table above, we note that there are, both in 2021 and 2020, accumulated impairment losses with the following breakdown: EUR 15.4 million for AdP Internacional (EUR 15.5 million in 2020) and EUR 4.9 million for AdP Energias (EUR 4.7 million in 2020).

- c) The EUR 3 million reduction in the receivables item, mainly constituted by the debts of subsidiaries (management fees and interests), both for invoiced amounts (EUR 2.3 million) and accrued income (EUR 0.8 million), with AdNorte, AdA, AdTA and AdCL the entities contributing most to this variation. It should be noted that, due to the AdP Group corporate reorganisation process, on 1 August 2020, the activities previously carried out by AdP Valor (previously called AdP Serviços) were transferred to AdP SGPS, which led to an increase in revenue from client contracts (EUR 1.3 million).
- d) The increase of EUR 21.9 million in cash and cash equivalents refers to term deposits made with the IGCP (Treasury and Public Debt Management Agency - IGCP, E.P.E.) in December 2021 and maturing on 3 January 2022.

Loans to group companies - Non-current

	MEUR			
Company	2019	2020	2021	Variation 2021/2020
Águas do Norte	306.3	298.1	290.0	(8.1)
Águas do Vale do Tejo	100.8	90.9	97.5	6.6
Águas do Centro Litoral	71.8	72.9	58.0	(14.9)
Águas Públicas do Alentejo	48.6	28.2	35.3	7.1
Águas da Região de Aveiro	57.8	57.4	58.5	1.1
Águas do Douro e Paiva	29.5	23.0	12.0	(11.0)
Águas do Algarve	25.0	20.0	15.0	(5.0)
SIMDOURO	50.0	48.0	47.0	(1.0)
Águas do Alto Minho	0.0	0.0	0.0	0.0
AdP Valor	0.0	0.0	2.0	0.0
AdP Internacional	1.7	1.7	3.6	1.9
AdP Energias	0.0	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	691.7	640.4	619.1	(23.3)

The value of loans (with a maturity of less than 1 year), totalling EUR 11.8 million, of which EUR 5 million is attributable to Águas do Algarve and EUR 3.6 million to Águas do Norte is also recognised in the current assets. This total is incorporated into the table below.

Loans to Group companies - Current

MEUR				
Company	2019	2020	2021	Variation 2021/2020
Águas do Norte	26.3	6.5	11.0	4.4
Águas do Vale do Tejo	21.9	30.9	30.9	0.0
Águas do Centro Litoral	7.8	6.9	0.9	-6.0
Águas Públicas do Alentejo	6.5	5.5	0.5	-5.0
Águas da Região de Aveiro	4.2	5.4	5.9	0.5
Águas do Douro e Paiva	0.0	0.0	0.0	0.0
Águas do Algarve	5.0	8.5	13.5	5.0
SIMDOURO	2.0	0.0	0.0	0.0
Águas do Alto Minho	0.0	2.0	3.9	1.9
AdP Valor	0.0	0.0	1.5	1.5
AdP Internacional	0.0	2.5	0.4	-2.1
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	73.7	68.2	68.4	0.2

Own capital

AdP Own Capital experienced a year-on-year surge of EUR 28.5 million to come in at EUR 885.8 million. This also highlights the variations deriving from the application of the 2019 results, specifically the establishing of a legal reserve of EUR 3 million, the distribution of dividends totalling EUR 27.5 million, with the remaining amount applied to raising the results carried over by EUR 30 million.

Liabilities

Company liabilities fell back by EUR 29.3 million in comparison with 2020, amounting to EUR 553.8 million. This variation is justified mainly by the amortisation of Loans obtained from Group companies with surpluses, under the centralised cash management (EUR 22.0 million with EPAL) procedures and as well as the effects of shareholder loan amortisations (EUR 6.8 million).

The medium and long term loans amount to EUR 387.5 million with bullet maturities in 2022 (EUR 156.8 million), 2023 (EUR 200.8 million) and 2027 (EUR 160.2 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 156.8 million at the end of December 2021.

Also to be noted are the short-term bonds, paid in constant capital instalments of EUR 6.8 million per year until 2028. The variation with 2020 results from the payment made to EPAL at the beginning of 2021 (amounting to EUR 22 million) and the recognition of the tranche of EUR 156.8 million, related to bond loans, to be made in 2022.

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

	2019	2020	2021
Up to 1 year	6.8	28.8	156.8
From 1 to 3 years	163.6	363.6	213.6
Over 3 years	387.5	180.7	173.9
Total	558.0	573.1	544.3

MEUR

The net debt of AdP SGPS at the end of the financial year was in the region of EUR 510.9 million, down EUR 50.8 million on the position at the end of 2020. The variation in cash and cash equivalents, which increased by EUR 21.9 million compared to 2020, contributed both to this figure and to the closing balance for the year of EUR 33.5 million.

Cash flows

Company operational activities generated EUR 21 million in 2021, registering an annualised rise of 16.8% (EUR 3 million). This variation primarily resulted from an increase of EUR 5 million in Cash Receipts from Clients (14%). However, this positive reflection is partially offset by the unfavourable increase in payments to staff of EUR 1.3 million (+22.4%), in Payments to suppliers of EUR 1 million (+27.4%), as well as in income tax payments of EUR 1.6 million (+33.7%).

As regards the investment activities, the negative balance of EUR 40.2 million (+40%), compared to 2020, is mainly due to the combined effect of the balance between the granting of Shareholder Loans and Treasury Support to finance subsidiaries and the respective reimbursements associated with the reduction in dividends received.

Financing activities, with a positive variation of EUR 64 million, primarily reflect the movement in loans with amortisations and granting values higher than the reimbursements obtained, as well as the dividends paid to the shareholder amounting to EUR 27.5 million.

Subsequent events

There are no subsequent events, transactions or changes that may affect the reporting detailed in this Management Report nor do any affect reporting of the financial statements as at 31 December 2021.

The current context of war in Ukraine and the sanctions imposed on Russia has aggravated inflationary pressures on fuel and energy. In the Group, given the contracts in force, the impact on energy prices will only be felt in 2023. Fuel incorporates several services (in particular reagents and sludge transportation), and the contracts are under monitoring.

Outlook

The Águas de Portugal Group Strategic Framework of Commitment, established in 2020, is the benchmark that sets the positioning and projects the future in the field of intervention of the companies with the goal of making a difference in the lives of Portuguese citizens.

The formulation of the strategic direction was triggered by the occasion of embarking on the current corporate governance cycle, having corresponded to an internal mobilisation process, broad and participative, which counted on the active participation of the management and specialist staff of the companies, as well as half a thousand contributions from employees generally.

The guidelines issued by the shareholders were duly taken into account and the new challenges arising from the paradigm shift in social behaviour and in the development model were incorporated, with the environment emerging as the stage for major transformations and water resources gaining increased importance.

The configuration of the axes of action assumed raising the standards of demand and adding social utility to the management of the urban water cycle means, in particular:

- Strengthening the resilience of infrastructures to climate change and other adverse phenomena, outperform service quality, safety and efficiency standards, make the investment efforts compatible with tariff balance and equity;
- Prioritising the application of circular economy principles in the use and reuse of finite resources, in particular through the reuse of treated wastewater and sludge recovery, and also through own energy production based on assets and by-products of operations, aiming to achieve carbon neutrality within the decade;
- Striving to, within the scope of the Municipality partnership models, maximise economies of scale and range, combatting water losses, ensuring the sustainable recovery of expenses and improvements to the operational framework of management and service provision.

To consolidate this renewed ambition, Águas de Portugal Group companies are preparing an extremely demanding investment cycle in terms of size, complexity and schedules for execution.

Based on principles and commitments of integrity, sustainability and good governance, with a focus on people and organisations, the adoption of best practices will be intensified at the level of the governance model, organisation and operation, the enhancement of human capital and fostering knowledge and innovation.

This is a path that requires the committed involvement of all stakeholders, with particular emphasis on members of staff and necessarily travelled in partnership, benefiting from the collective mobilisation of society, the different productive sectors and public actors.

Final considerations

The Board of Directors welcomes the collaboration of all those who contributed to the AdP Group's operational and financial performance during 2021, 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 pandemic;
- 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, 26 April 2022

The Board of Directors



José Carlos Athaide 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

In 2021, AdP SGPS's net profit totalled EUR 56,038.209.39 (fifty-six million, thirty-eight thousand, two hundred and nine euros and thirty-nine cents).

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 2021, calculated in the individual financial statements, receives the following application:

For the legal reserve - EUR 2,801,910.47 (two million, eight hundred and one thousand nine hundred and ten euros and forty-seven cents);

For retained earnings - EUR 25,736,298.92 (twenty-five million, seven hundred and thirty-six thousand, two hundred and ninety-eight euros and ninety-two cents);

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

Lisbon, 26 April 2022

Report of the Non-Executive Director

REPORT OF THE NON-EXECUTIVE DIRECTOR JAIME SERRÃO ANDREZ ON THE PERFORMANCE OF THE EXECUTIVE DIRECTORS OF THE COMPANY ÁGUAS DE PORTUGAL, SGPS, SA CONCERNING THE YEAR 2021

1. 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 2021 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 2021 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 2021 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 details the possible impacts and expectations regarding the company in the current context of the ongoing COVID-19 pandemic and they reflect both the best information available at this time and the great efforts deployed by the company and its Management Bodies to maintain the eventual 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, 5 April 2022

The Non-executive Director

(one illegible signature)
Jaime S. Andrez

RELATÓRIO DO ADMINISTRADOR NÃO EXECUTIVO
JAIME SERRÃO ANDREZ
SOBRE O DESEMPENHO DOS ADMINISTRADORES EXECUTIVOS
DA EMPRESA ÁGUAS DE PORTUGAL, SGPS, S.A.
RELATIVO AO ANO DE 2021



I. INTRODUÇÃO

A presente pronúncia é exercida no cumprimento do dever dos Administradores não executivos apresentarem um relatório sobre o desempenho dos Administradores Executivos, nos termos do artigo 7º do Decreto-Lei 8/2012, de 18 de janeiro.

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 do ano de 2021, podendo, por isso, dar nota da minha apreciação do desempenho dos Administradores Executivos, bem como de eventuais factos relevantes que importe destacar.

Assim, tanto quanto é do meu conhecimento, as Contas reportadas a 31 de dezembro de 2021, cumprem, em termos gerais, o quadro normativo específico vigente para as empresas que integram o Setor Público Empresarial, constituindo um retrato adequado da situação económica e patrimonial da empresa.

Saliento, também, que foram cumpridas e respeitadas pela sociedade – no exercício de 2021 –, as disposições legais e as normas e 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 ainda as orientações estratégicas emanadas no âmbito da função acionista.

Entre os elementos de reporte não financeiro relevo o Relatório de Sustentabilidade que, tanto quanto me foi possível acompanhar, foi preparado com as Melhores Práticas existentes, incluindo os referenciais das Nações Unidas, e constitui, tanto quanto é do meu conhecimento, um retrato adequado da atividade desenvolvida pela empresa neste âmbito.

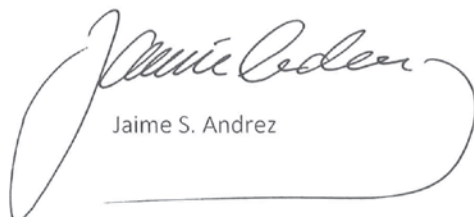
Também o reporte apresentado relativo aos impactos e expectativas sobre a evolução da empresa no contexto de pandemia COVID-19 reflete a melhor informação disponível à data e um esforço grande da empresa, e dos seus órgãos de gestão, na manutenção de uma situação de funcionamento da empresa, tão regular quanto possível, na defesa da saúde e segurança dos seus colaboradores e colaboradoras, bem como no cumprimento estrito das orientações do Governo e das Autoridades de Saúde, nomeadamente no que se encontra plasmado no Plano de Contingência desenvolvido.

3. PARECER

Nestes termos, e no âmbito da atividade desenvolvida e do acompanhamento efetuado, nada chegou ao meu conhecimento, até à presente data, que impeça de manifestar uma apreciação globalmente positiva sobre o desempenho dos Administradores Executivos, podendo dar testemunho do seu empenho, rigor e diligência na condução dos negócios da Sociedade, tendo sempre em vista o cumprimento da Lei, das orientações estratégicas conhecidas das respetivas Tutelas – Setorial e Financeira –, bem como a eficiência na gestão e nos objetivos específicos definidos para a mesma, designadamente a contenção da despesa e a valorização económico-financeira das diferentes áreas de atividade, para além de uma excelente capacidade de relacionamento com os diferentes *stakeholders*, nomeadamente o acionista PARPÚBLICA, que represento, na concretização do serviço público.

Lisboa, 5 de abril de 2022.

O Administrador não Executivo



Jaime S. 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 2021 (circular letter SAI_DGTF/2022/359–20/01/2022).

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.

At the General Assembly dated 10 May 2021, the following strategic guidelines, objectives and management indicators and respective quantifiable targets were approved for the 2020-2022 mandate, in the light of the Program of the 22nd Constitutional Government.

	Indicator	Calculation	Scale	Value reached	Evaluation	Weighting	Weighting (adjusted)	Evaluation
Financial	Management Efficiency	$CRP = [(VC+ECS+PC)/Turnover]$ Variation compared to the proposed ABP	1. var > +0.10pp 2. -0.10pp <= var <= +0.10pp 3. var < -0.10 pp	-3,38pp.	3 Overcome	10.0%	14.3%	0.43
	Commercial debt of municipal debtors	$CDMD = [Balance\ of\ overdue\ debt\ of\ municipalities\ (Year\ N)] / [Balance\ of\ overdue\ debt\ of\ municipalities\ (Year\ N-1)]$	1. CDMD > 110% 2. 90% <= CDMD <= 110% 3. CDMD < 90% *consolidated values	87.3%	3 Overcome	10.0%	14.3%	0.43
	Limit on indebtedness	$Debt = I - Debt\ Stock\ (Year\ N) / Debt\ Stock\ (Year\ N-1)$	1: X > 2% 2: 1,5% <= X <= 2% 3: X < 1.50% *materially relevant investments are excluded from the calculation, the percentage adopted corresponds to that defined in the legislation, evaluated based on consolidated values	-4,8%	3 Overcome	10.0%	14.3%	0.43
	Respect for Payment Terms	Variation in the APT compared to the previous year	1: Nr days _n > Nr days _{n-1} + 1 2: Nr days _{n-1} - 1 <= Nr days _n <= Nr days _{n-1} + 1 3: Nr days _n < Nr days _{n-1} - 1	-10	3 Overcome	10.0%	14.3%	0.43
	Profitability	Change in net income compared to ABP assignable or SGPS	1. Var > 105% 2. 95% <= Var <= 105% 3. Var < 95%	99,6%	2 Achieved	10.0%	14.3%	0.29
Environmental and Business	Maintenance plan	Compliance with the Preventive Maintenance Plan	1. No. of Actions performed against the forecast < 80,00% 2. No. of Actions performed against the expected <= 80,00% < 90,00% 3. No. of Actions performed against the forecast >= 90,00%	89,6%	2 Achieved	5,0%	7,1%	0,14
	Quality of water provided	WQE	1. WQE < 97,00% 2. 97,00% <= WQE < 99,00% 3. WQE >= 99,00%	99,7%	3 Overcome	5,0%	7,1%	0,21
	Quality of wastewater	WWQE	1. WWQE < 90,00% 2. 90,00% <= WWQE <= 95,00% 3. WWQE > 95,00%	96,7%	3 Overcome	5,0%	7,1%	0,21
	Energy neutrality	Implementation of the Energy Neutrality Plan	1. Launch, each year, of tenders for facilities with a production capacity equal to or greater than 50% compared to that provided for in the ABP 2. Launch, each year, of tenders for facilities with a production capacity equal to or greater than 75% compared to that provided for in the ABP 3. Launch, each year, of tenders for facilities with a production capacity equal to or greater than 90% compared to that provided for in the ABP	n.a.	- -	5,0%	0,0%	0,00
	Sludge Plan	Implementation of the Sludge Plan	1. Launch, each year, of tenders for 20% of the sludge production foreseen in the ABP 2. Launch, each year, of tenders for 40% of the sludge production foreseen in the ABP 3. Launch, each year, of tenders for 60% of the sludge production foreseen in the ABP	n.a.	- -	5,0%	0,0%	0,00

	Indicator	Calculation	Scale	Value reached	Evaluation	Weighting	Weighting (adjusted)	Evaluation	
Environmental and Business	Water for Reuse	Implementation of Water for Reuse as a core activity	1. Delivery of FEVE of reuse main activity after 31.03.2022 2. Delivery of FEVE of main reuse activity until 31.03.2022 3. Delivery of FEVE of main reuse activity until 12.31.2021	n.a.	-	-	5.0%	0.0%	0.00
	Agro-industrial and agricultural effluents	Implementation of accessory and complementary activity in the Bulk Wastewater Sanitation Systems and Implementation of the integrated digital platform for management of last resort operator activity in the national territory	1. Delivery of accessory and complementary activity authorization request after 03.31.2022 2. Delivery of accessory and complementary activity authorization application until 03.31.2022 3. Delivery of accessory and complementary activity authorization application until 12.31.2021	n.a.	-	-	5.0%	0.0%	0.00
	Corporate Center Reorganization	Reorganization of the corporate center, optimizing centralized processes and developing new businesses	1. Restructuring completed by 12.31.2021 2. Restructuring completed by 09.30.2021 3. Restructuring completed by 06.30.2021	01/12/2020	3	Overcome	5.0%	7.1%	0.21
Corporate	Innovation	Implementation of a financing and management model to promote the AdP Group's Strategic Innovation	1. Launch of the first internal Strategic Innovation Call, for the participation of AdP Group companies, after 12.31.2021 2. Launch of the first internal Strategic Innovation Call, for the participation of AdP Group companies, until 12.31.2021 3. Launch of the first internal Strategic Innovation Call, for the participation of AdP Group companies, until 09.30.2021	n.a.	-	-	5.0%	0.0%	0.00
	Internationalization	Increase in the international activity of the AdP Group	1. Presentation to the Grantor of a project for a new international operation (business plan), long-term (>=3 years), until 06.30.2023 2. Presentation to the Grantor of a project for a new international operation (business plan), long-term (>=3 years), until 12.31.2022 3. Presentation to the Grantor of a project for a new international operation (business plan), long-term (>=3 years), until 06.30.2022	n.a.	-	-	5.0%	0.0%	0.00
Global evaluation							100.0%	2.8	

- 1) Scale to be considered: 1 = Not Achieved; 2 = Achieved; and 3 = Exceeded.
- 2) Global evaluation method to be considered: $GC < 1.8$ Goals Not Achieved / $1.8 \leq GC < 2.5$ Goals Achieved / $GC \geq 2.5$ Goals Exceeded
- 3) In the event that any indicator is not applicable in the year of evaluation, the respective weighting distribution shall be proportional to the remaining indicators.
- 4) Results are expressed to one decimal place (when applicable).
- 5) Identifies the unit used in each indicator (e.g. %, €, days or units).

In 2021, the Board of Directors acted 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.

The following objectives are not subject to evaluation in 2021: **i)** "Energy Neutrality" and "Sludge Plan (C+Valor Plan)" as approval for the investments by the Ministries has not yet been obtained; **ii)** "Water for Reutilisation", the preparation of the EWEF's for water for reutilisation as the main activity required a review of the concept of water for reutilisation (product concept) and respective market prior to the development of the aforementioned studies, requiring a greater investment of time; **iii)** "Agro-industrial and agricultural effluents" and "Innovation" are based on the new AdP Valor operating model which, following the approval of the reorganisation of AdP SGPS and AdP Valor (former AdP Serviços) only being authorised for 2022; **iv)** "Internationalisation", because the established metric only defines its evaluation in 2022.

b) Implementation of Activity and Budget Plans for 2021

Under article 39, para. 6, of Decree-Law no. 133/2013, of 3 October, AdP SGPS made, presented and submitted the Activity Plan and Budget (PAO) proposal for 2021, in November 2021.

This proposal was approved by Order no. 1155/2021, dated 10.12.2021.

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 2021.

The main financial execution indicators are displayed in the following table:

PRC	Un.	2021 Impl.	Budget 2021.	Implement.	Observations
EBITDA *	EUR	7 227 103	6 735 293	107%	Increase in EBITDA through the positive contributions of business turnover and FSEs and other operating earnings
CMVMC+ FSE + Personnel costs	EUR	11 237 765	12 750 784	88%	Reduction in FSEs
GO / VN	%	67,9%	71,3%	95%	Reduction in operating costs superior to the reduction in business turnover
Travel costs / Allowance costs / Vehicle fleet costs	EUR	314 584	296 900	106%	Deviation associated with travel and accommodation due to internationalisation projects
Business turnover	EUR	16 535 551	17 872 455	93%	Resulting from a lower level of billing by companies compared with budget forecasts
Net result	EUR	56 038 209	56 290 882	100%	Main contribution to the financial results.
Individual indebtedness	EUR	544 318 182	544 318 182	100%	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%.
Consolidated debt	EUR	1 707 909 555	N/D		
Financial investment	EUR	918 000	988 000	93%	Corresponding in 2021 to realising the Águas do Alto Minho share capital
HR costs (**)	EUR	7 161 793	7 200 101	99%	The variation stems from not carrying out planned recruitment
No. of employees	No.	120	120	100%	
Vehicle fleet costs	EUR	275 747	284 195	97%	Reduction in costs from vehicle fleet maintenance with the same number of vehicles [lower consultation due to confinement]
No. of vehicles	No.	47	48	98%	
PMP	days	38	24	158%	The increase is based on accrued costs from the 2nd quarter, not reflecting any delay in the effective payment of positions

* Operational result + (Amortisations - Subs. Invest) + Provisions + Losses due to impairments and reversions - CRD -Earnings/ Construction costs (IFRIC12).

** 17 employees with suspended contracts raise the number of employees in 2021.

2. Financial risk management

The AdP Group activities are exposed to a variety of financial risks, specifically financial market risk, credit risk, counterparty risk and liquidity risk.

The financial risk management policy of the Group seeks to minimize any adverse effects resulting from the unpredictability of financial markets, with this management process performed centrally by the holding company (AdP SGPS).

Adopting a conservative position, and taking into consideration the nature of the assets, the Group has opted to contract very long term loans, having particularly opted for loans obtained from the EIB, a partner entity specialised in financing investments with significant maturities. Additionally, AdP SGPS has long term external financing, through three private bond issues in 2007 and one private bond issue in 2016, between 10 and 20 years.

The Group's interest rate risk management policy is oriented to reduce the exposure of debt cash-flows to interest rate market fluctuations, through the choice of fixed rate modality for EIB loans.

In the investment financing, the interest rate risk hedging is sustained by obtaining long term loans with a strong preference for fixed rate regimes, which is naturally obtained by including its value in the final tariff calculation.

In short-term financing, and bearing in mind that this is essentially to finance customer debt, the risk coverage is sustained by the rates serving to calculate the interest charged to customers.

Most of AdP Group's long term financing lines were negotiated before 2008 under conditions that, while favourable at the time, currently present significant capital gains in terms of debt servicing.

Liquidity risk has been minimised by adjusting the type of funding to the asset for financing, with long-term funding intended to support investment and the permanent component of working capital and short-term funding to meet volatile working capital needs.

Through short-term investments and/or non-used lines of credit, the Group maintains amounts readily available that allow it to deal with unexpected situations without causing any impact to its daily activities.

The credit risk associated to the supply of credit products and services depends on the type of customers to which the Group's products are supplied. Therefore, regarding retail clients (retail), as the product provided is an essential good, we can consider the risks of collection to be reduced. In the case of the product made available wholesale (bulk) the risk assumed relates to the rating of municipal clients, thus, considering these are public administrative entities, the existing risk is more associated with the extension of the term than with its collectability. Considering the issue of maturity extension, AdP SGPS is trying to solve the issue through sale without recourse to, or through, financial entities.

The financial surpluses resulting from company activities firstly serve to finance group companies within a logic of centralised group management and the remaining, along with the contractual investments resulting from the concession contracts, are held by the Public Debt and Treasury Management Agency (IGCP), with the risk associated to IGCP as holder of the group's surpluses being reduced when taking into account that this bank is responsible for the treasury management of the State, the ultimate AdP Group shareholder.

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.

Sensitivity analysis to interest rate variation

	31.12.2021	Average rate impact +1%	Average rate impact -1%
Interest (costs) at a variable rate	(556 733)	(1 315 869)	-
Interest (earnings) at a variable rate	11 390 030	2 694 050	-
Net impact	10 833 297	1 378 181	-

Impact of rate variation measured over a period of twelve months.

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 risk

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.

2021	< 1 year	1 to 5 years	> 5 years
Bond loans	157 292 140	228 830 825	160 382 671

For the purposes of determining future variable interest rates, it was considered (i) the coupon of the interest known on 31 December 2021 and to be settled in 2022; and (ii) the following coupons considered the Euribor indexing on 31 December 2021 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 twelve months.

Contracted short term credit lines

	MEUR		
Liquidity risk	Line of credit available	Line of credit used	Line of credit unused
Bank overdrafts (Attributable only to AdP SGPS)	57.5	-	57.5
Loans from Group companies	90.0	-	90.0
Loans to Group companies	(103.9)	(56.6)	(47.3)
Lines of credit available attributable to AdP SGPS	43.7	(56.6)	100.2
Bank overdrafts (AdP Group)	125.0	-	125.0

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.

	Notes	2021	2020
Non-current loans (bond loans)	15	387 500 000	544 318 182
Current loans (bond and Group Company loans)	15	156 818 182	28 818 182
Availabilities	12	(33 465 441)	(11 522 666)
Net debt		510 852 741	561 613 698
Total of own capital		885 893 100	857 279 891
Capital		1 396 745 841	1 418 893 589
Net debt/total capital		0.37	0.40

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 own capital.

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.

As at 31 December 2021, the exposure to credit risk was as follows:

Business segment Client type	Large Industrial Clients and other entities	Group Companies	TOTAL (Note 10)
Risk	Medium	Low	
Gross exposure	33 542	3 134 734	3 168 276
Imparity	(31 361)	-	(31 361)
Net exposure	2 181	3 134 734	3 136 915

Deposit counterparty

The following table represents AdP's maximum exposure to credit risk (not including the balance of customers and other debtors) as of 31 December 2021 and 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 banking assets	2021	2020
Current account deposits (Note 12)	3 464 941	7 521 666
Term deposits (Note 12)	30 000 000	4 000 000
	33 464 941	11 521 666

Rating	2021	2020
A2	2 015	2 839
A3	3 012	5 355
Ba1	-	4 252
Baa1	231 701	27 934
Baa2 (a)	33 228 213	-
Baa3 (a)	-	11 481 286
	33 464 941	11 521 666

Note: Moody's rating obtained from financial institution websites in January 2022.

(a) At 31 December 2021, this includes bank deposits with the Treasury and Public Debt Management Agency - IGCP, E.P.E. amounting to EUR 33 225 350 (EUR 11 479 938 at 31 December 2020).

The next table shows the evolution in the average AdP SGPS financing rate, including interest effectively paid annually with interest-bearing liabilities and other associated charges in the last five years.

Separate accounts

Years	2021	2020	2019	2018	2017
Financial charges (EUR)	568 318	1 897 602	2 835 322	3 034 860	4 381 031
Average financing rate (%)	0.10%	0.33%	0.43%	0.44%	0.69%

Consolidated accounts

Years	2021	2020	2019	2018	2017
Financial charges (EUR)	31 681 192	34 160 885	40 816 262	43 702 846	52 439 669
Average financing rate (%)	1.85%	1.91%	2.21%	2.27%	2.30%

3. Debt growth limit, under the terms defined in no. 1 of article 65 of Law no. 75/2020, of 31 December (State Budget Law for 2021) calculated according to the formula provided in no. 4 of article 159 of Decree-Law no. 84/2019, of 28 June (DLEO 2019)

Separate accounts

Remunerated liabilities	2021	2020	Variation 21/20	
	Amounts (€)		Valor	%
Remunerated financing (current and non-current)	544 318 182	573 136 364	(28 818 182)	-5.0%
Social capital / Statutory capital	434 500 000	434 500 000	(22 000 000)	-100.0%
New Investments in 2020 (with material expression)				
VARIATION IN DEBT				-2.9%

Consolidated accounts

Remunerated liabilities	2021	2020	Variation 21/20	
	Amounts (€)		Amount	%
Remunerated financing (current and non-current)	1 707 909 555	1 793 165 197	(85 255 642)	-4.8%
Social capital / Statutory capital	0	0	67 499 531	26.4%
New Investments in 2020 (with material expression)			(2 137 884)	-9.2%
VARIATION IN DEBT				-4.8%

	2021	2020	Variation 21/20	
	Amount		Amount	%
Gross debt	1 707 909 555	1 793 165 197	(85 255 642)	-4.8%
Availabilities	323 290 474	255 790 943	67 499 531	26.4%
Reconstitution fund	21 222 798	23 360 682	(2 137 884)	-9.2%
Net debt	1 363 396 283	1 514 013 572	(150 617 289)	-9.9%

4. Evolution in PMP - 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 AdP SGPS PMP on 31 December 2021 is 38 days, 20.8% less than in 2020 (10 days).

PMP	2021	2020	Variation 21/20	
			Amount	%
Term (days) a)	38	48	(10)	-20.8%

a) In 2021, the PMP calculation methodology was changed, specifically in the accrued expenses account. For comparison purposes, the same methodology was applied to the year of 2020, which resulted in the value of 48 days.

Map of the overdue debts position on 31/12/2021 in accordance with DL 65-A/2011, of 17/May:

Overdue debts	Amount (€)	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	312 747	0	0	0	0
Acquisition of capital					
Total	312 747	0	0	0	0

AdP SGPS disclosed during the 2021 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 details 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 18 January, have been complied with in full, in particular regarding the usage of credit cards and other payment instruments 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 18 January, 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

Board Member (Name)	Communications Costs (EUR)		
	Defined Monthly Platform	Annual Amount	Observationss
José Carlos Atháide dos Remédios Furtado	80	343.14	-
José Manuel Leitão Sardinha (*)	0	0	-
Catarina Isabel Clímaco Monteiro d'Oliveira	80	133.62	-
Carla da Conceição Afonso Correia	80	336.65	-
João Pedro Moura Castro Neves	80	235.56	-
Jaime Serrão Andrez, in rep. of Parpública, SGPS, S.A.	n.a	n.a	-
		1 048.97	

(*) Remuneration incurred by EPAL

d) Expenses incurred with fuel and tolls allocated monthly to service vehicles

BD Member (Name)	Monthly Limit Fuel and Tolls	Annual costs associated with vehicles (€)			Observations
		Fuels	Tolls	Total	
José Carlos Atháide dos Remédios Furtado	572.28	4357.20	1444.00	5801.20	
José Manuel Leitão Sardinha (*)	-	-	-	-	
Catarina Isabel Clímaco Monteiro d'Oliveira	457.82	763.80	324.90	1088.70	
Carla da Conceição Afonso Correia	457.82	542.58	187.70	730.28	
João Pedro Moura Castro Neves (**)	457.82	5445.37	2192.71	7638.08	
Jaime Serrão Andrez, in rep. of Parpública, SGPS, S.A	n.a	-	-	-	
				15258.26	

(*) The costs are incurred by EPAL

(**) Annual expenditure in excess of the established annual amount is exclusively for professional use

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 article 16(2) of Decree-Law no. 133/2013, of 3 October, 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 7 March;

In compliance with that established in para. 2 of the Council of Ministers Resolution no. 18/2014, of 7 March, AdP SGPS will promote, internally disclose and make available on its website, the Report on the Remuneration Paid to Men and Women for the year 2021.

Additionally, and following the procedures implemented in AdP Group, the information regarding remunerations paid to women and men may be verified through its disclosure in the annual AdP Group Sustainability Report, in the chapter regarding Employee Symbiosis, in the Principle "We value our relationship with employees", and in the Commitment "We commit ourselves to guaranteeing equal opportunities and to promoting a balance between personal and professional life".

The 2020 Report is available at: https://www.adp.pt/pt/sustentabilidade/relatorios-de-sustentabilidade/downloads/file403_pt.pdf

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 2011, the Group has adopted a Risk Management Plan of Corruption and Related Infringements, also available on the intranet and Internet at https://www.adp.pt/downloads/file6_pt.pdf

2021 included a review of this Plan, as approved by the Board of Directors of AdP SGPS on 14/12/2021, in order to adapt it to the new recommendations issued by the Corruption Foresight Board and adjust it to developments in the company's reality in terms of corruption and related infractions.

This Plan aims to identify those areas potentially subject to a greater occurrence of acts of corruption, as well as the risks arising therefrom and the controls instituted by the company within the scope of their mitigation.

The Prevention Plan of Risks of Corruption and Related Infringements also aims to strengthen the culture of the company and its employees with regard to ethical behaviour and best practices in business relationships with customers, suppliers and other stakeholders. Covering the whole company, this Plan complies with the recommendation of the Council for the Prevention of Corruption (CPC) of 1 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 4 September, 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".

On 17 December 2021 the AdP Group presented its Integrity Policy based on a governance model with the highest standards of ethics, transparency, accountability and excellence in public management practices. AdP SGPS is one of the companies that has signed the Integrity Commitment, which represents a commitment to the implementation of that Integrity Policy, in particular all its associated instruments, with a view to continuously ensuring the internal training that fosters a culture of integrity.

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 31 July 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 capturing synergies in the procurement processes of Group companies as well as to disseminating 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 1 August 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 the 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 31 December, 2021, 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 31 August, 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 2021, 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 3 March 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 year's activity reflects the reorganisation of the corporate centre, also reflected in the budget, so the comparison with 2019 is not straightforward. The comparable basis effects are disclosed in the RET of the 3rd and 4th quarters as reported in SIRIEF.

PRC	2021 Impl.	2021 Bud.	2020 Impl.	2019 Impl.	2021/2020		2021/2019	
					Var. %	Δ Abs.	Var. %	
(0) EBITDA	7 227 103	6 735 293	5 742 725	2 954 468	1 484 378	26%	4 272 635	145%
(1) CMVMC	0	0	0	0	0	0%	0	0%
(2) FSE	4 075 972	5 550 683	2 817 660	3 612 184	1 258 312	45%	463 788	13%
(3) Costs with staff	7 161 793	7 200 101	5 897 672	4 750 935	1 264 121	21%	2 410 858	51%
I. Compensation paid for contractual termination	148 126	150 000	370 862	0	(222 736)	-60%	148 126	0%
II. Rises in remuneration	48 238	48 237	39 586	9 763	8 651	22%	38 475	394%
III. Impact of the application of IRCT	0	0	35 154	0	(35 154)	-100%	0	0%
(4) Costs with staff without the impacts on the operating costs ^{a)}	6 965 429	7 001 864	5 452 070	4 741 172	1 513 359	28%	2 224 257	47%
(5) Impact of COVID-19 pandemic on operating costs ^{a)}	18 086	0	39 927	0	(21 841)	-55%	18 086	0%
(6) Operating costs for the purpose of calculating operating efficiency = ((1)+(2)+(3)-(5))	11 219 679	12 750 784	8 675 406	8 363 119	2 544 273	29%	2 856 560	34%
(7) Business turnover (VN)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
Operating subsidies					0	0%	0	0%
Compensatory payments					0	0%	0	0%
(8) Loss of revenue from the COVID-19 pandemic ^{a)}	0	0	0	0	0	0%	0	0%
(9) Business turnover for the purpose of calculating operating efficiency (7+8)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
(10) Weighting of Costs /VN = (6)/(9)	67,9%	71,3%	62,9%	73,9%	5,0%	8%	0	-8%
I. Travel and accommodation expenses (FSE)	32 347	11 703	11 709	25 019	20 638	176%	7 328	29%
II. Expenses with daily allowances (Personnel costs)	6 490	1 003	1 030	5 586	5 460	530%	904	16%
III. Vehicle fleet costs ^{b)}	275 747	284 195	256 937	222 176	18 810	7%	53 572	24%
(I I) Total = (i) + (ii) + (iii)	314 584	296 900	269 676	252 781	44 908	17%	61 804	24%
(12) Charges with contracting studies, opinions, projects and consultancy	433 186	529 571	315 335	584 327	117 852	37%	(151 141)	-26%
Total number of HR staff (GB + BD + Employees)	120	120	106	89	14	13%	31	35%
No. Governing Bodies (GB)	13	13	14	12	(1)	-7%	1	8%
No. Board of Directors positions (BD)	9	9	8	9	1	13%	(1)	-11%
No. employees (without GB and BD)	98	98	73	42	25	34%	56	133%
No. Employees / No. CD	11	11	9	5	7	183%	8	341%
No. of vehicles	47	48	44	31	3	7%	16	52%

a) The impacts of the measures taken to address the COVID-19 Pandemic should be properly justified and broken down by measure.

b) Vehicle expenditure should include: leasing/amortisations, inspections, insurance, tolls, fuel, maintenance, repairs, tyres, fees and taxes.

* In 2021, the Total HR reported in this paragraph does not include 17 workers with suspended contracts and includes 7 workers being replaced.

** In 2020 a total of 14 members were reported under corporate bodies, 3 members of the board of the general meeting, 6 members of the Board of Directors, 3 members of the Supervisory Board, 1 The Chartered Accountant and the Company Secretary. Considering that the Company Secretary is a company employee and the cost is recorded as a personnel cost and not as a corporate body, we opted to report in this financial year a total of 13 members of corporate bodies and report the Company Secretary as an employee in keeping with the accounting record of the respective costs.

14. Contracting studies, opinions, projects and consultancy – indicating means of compliance with the provisions of no. 7 of article 49 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. Each company must ensure that it does not have the internal capacity, through its own resources, to meet the purchasing needs under consideration;
2. Having verified condition (1), a request is submitted to the Department of Procurement and Logistics, which then undertakes an 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 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.

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 2021, in the amount of EUR 30 million, maturing on 4 January 2021.

For the 2020-2021 period, the AdP Group was granted partial exemption from compliance with the State Treasury Unit by the following IGCP orders:

- SGC Order No 126, of 15 December 2020, for the following services:
 - Amounts related to financing operations carried out;
 - Amounts of bank guarantees not eligible for replacement by guaranteed deposits;
 - Amounts moved through the credit side of direct debits, which are to be transferred fortnightly to AdP accounts in the IGCP;
 - Amounts for the purchase of foreign currency, in situations where the external treasury cannot meet AdP needs;
 - Amounts strictly necessary for meal card loading.
- SGC Order No. 223, of 29 November 2021, for the following services:

Amounts collected by DPG - Digital Payment Gateway from SIBS, which must be transferred fortnightly to AdP accounts in IGCP.

Complementarily and according to the following tables, the cash and cash equivalents account of AdP SGPS is presented in detail.

IGCP	1st Quarter EUR	2nd Quarter EUR	3rd Quarter EUR	4th Quarter EUR
Availabilities	25 295 565,97	43 227 141,63	74 704 731,26	3 224 850,52
Financial Applications				
Total	25 295 565,97	43 227 141,63	74 704 731,26	3 224 850,52

Commercial Bank	1st Quarter EUR	2nd Quarter EUR	3rd Quarter EUR	4th Quarter EUR
NOVO BANCO	0.00	0.00	0.00	0.00
BANCO BPI	198 980.25	184 464.68	268 234.65	223 542.25
BANCO SANTANDER TOTTA	2 490.46	2 360.20	2 196.46	2 015.04
BANCO BILBAO VIZCAYA ARGENTARIA	4 543.05	4 032.60	3 522.15	3 011.70
BANCO COMERCIAL PORTUGUES	1 046.86	990.71	935.36	880.01
CAIXA GERAL DE DEPOSITOS	3 313.70	2 816.00	2 068.52	1 983.29
BANCO BANKINTER	8 902.05	8 820.87	8 739.69	8 658.51
Total	219 276.37	203 485.06	285 696.83	240 090.80
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. Equality Plan

AdP SGPS, recognizes the importance and added value of the balanced participation of men and women in professional activities as well as in family and personal life and aims to make its active contribution to the implementation of best practices to promote equality in society.

Therefore, based on the provisions of article 7 of Law no. 62/2017, of 1 August, and article 3 of Normative Order no. 18/2019, of 21 June, which regulates Law no. No. 62/2017, of 1 August, the entities of the public business sector must annually prepare the Plan for Gender Equality, and publish it on their website and send it to CIG – the Commission for Citizenship and Gender Equality and CITE – the Commission for Equality in Labour and Employment until 15 September of the year prior to which it relates, according to the combined terms of article 3 and paragraph 3 of article 6 of Normative Dispatch No. 18/2019, of 21 June.

Given the provision by CITE of a website for Equality at Work and in Companies, in order to facilitate the preparation of annual plans, serving as a guide and orientation in order to meet the requirements and deadlines in force, AdP SGPS made the Gender Equality Diagnosis in 2021, which served as a reference for the preparation of the Gender Equality Plan 2022, which were sent to the competent authorities and are listed in the aforementioned regulatory order, CITE and CIG.

The AdP SGPS Gender Equality Plan 2022 was uploaded to CITE's platform on 15 September 2021, having been sent to SIOE on 30 November 2021.

The Gender Equality Plan for the year 2022 is published on the AdP SGPS website and is accessible through the following link: https://www.adp.pt/downloads/file453_pt.pdf

18. Non-financial reporting

AdP SGPS, as of 31 December 2021, does not exceed the number of 500 employees and is thus not covered by the obligation provided for in CSC articles 66-B or 508-G.

However, although the preparation and disclosure of a non-financial statement foreseen in CSC articles 66-B and 508-G is not applicable to the company, this same information is included in the chapters on Sustainability and Human Capital of this Management Report and Accounts, containing, at least, the information indicated in the aforementioned CSC article no. 2, specifically enough information for an understanding of the evolution, performance, position and impact of its activities, concerning at least environmental, social and employee-related issues, equality between women and men, non-discrimination, respect for human rights, combating corruption and attempts at bribery.

The provisions of CSC article 508-G - which are aimed at holding companies of large groups that act in the private interest - are not applicable to AdP SGPS.

19. Information published as of 31 December 2019 on the SEE Internet website (DGTF portal)

Information for detailing on the SEE Website	Publication		Comments
	S/N/N.A.	Updated on	
Statutes	N.A.	--	vide note
Company characteristics	N.A.	--	vide note
Governance and shareholder structure	N.A.	--	vide note
Model of governance / Members of the Governing Bodies	N.A.	--	vide note
- Identification of the management bodies	N.A.	--	vide note
- Fixed remunerations statute	N.A.	--	vide note
- Publication of remunerations paid to the management bodies	N.A.	--	vide note
- Identification of the functions and responsibilities of Board of Director members	N.A.	--	vide note
- Presentation of brief CVs of management body members	N.A.	--	vide note
Public financial investment	N.A.	--	vide note
Summary file	N.A.	--	vide note
Historical and current financial information	N.A.	--	vide note
Principles of Good Governance	N.A.	--	vide note
- Internal and external regulations complied with by the Company	N.A.	--	vide note
- Relevant transactions with related entities	N.A.	--	vide note
- Other transactions	N.A.	--	vide note
- Analysing Company sustainability in terms of:	N.A.	--	vide note
Economic	N.A.	--	vide note
Social	N.A.	--	vide note
Environmental	N.A.	--	vide note
- Evaluation of compliance with the Principles of Good Governance	N.A.	--	vide note
- Code of Ethics	N.A.	--	vide 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 - Board of the General Assembly

Presented below are the members of the Board of the General Meeting for 2021, as well as their remuneration:

Mandate (Begin. - End)	Position	Name	Amount of Fixed Allowance (EUR)	Gross Amount Paid (EUR)
2020-2022	Chair	Isabel Sofia de Sousa Santos	650.00	650.00
2020-2022	Vice-Chair	Maria Helena Dias Duarte	525.00	525.00
2020-2022	Secretary	José do Espírito Santo Menezes e Teles	400.00	400.00
				1575.00

2 – Board of Directors

Mandate (Begin. - End)	Position	Name	Appointment		OPRLO or Option for the average of the last 3 years (2)			No of Mandates
			Form (1)	Date	Yes/No	Entity of Origin (D/D)	Date and form of authorisation	
2020-2022	Executive Chair	José Carlos Athaide dos Remédios Furtado	DUE	04/05/2020	No			1
2020-2022	Vice-Executive Chair	José Manuel Leitão Sardinha	DUE	04/05/2020	No			3
2020-2022	Executive Director	Catarina Isabel Clímaco Monteiro d'Oliveira	DUE	04/05/2020	No			1
2020-2022	Executive Director	Carla da Conceição Afonso Correia	DUE	04/05/2020	No			2
2020-2022	Executive Director	João Pedro Moura Castro Neves	DUE	04/05/2020	No			1
2020-2022	Non-executive Director	Jaime Serrão Andrez, in rep of Parpública, SGPS, S.A.	DUE	04/05/2020	No			1

(1) Indicate resolution (R)/GA/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
José Carlos Athaide dos Remédios Furtado	n.a	n.a	n.a	n.a
	EPAL, S.A.	Executive Chair of the Board of Directors	Public	AG
José Manuel Leitão Sardinha	Águas do Vale do Tejo, S.A.	Executive Chair of the Board of Directors	Public	AG
	Faculty of Sciences and Technology, Nova University of Lisbon	Invited Professor at the Department of Environmental Science and Engineering	Public	Despacho
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	AdAM-Águas do Alto Minho, S.A	Executive Chair of the Board of Directors	Public	DUE
	Parpública, SGPS, S.A	Executive Chair of the Board of Directors	Public	n.a.
	Sagesecur, S.A.	Chair of the Board of Directors	Public	30/03/2021 (AG)
Jaime Serrão Andrez in rep. of Parpública, SGPS, S.A.	Circuito do Estoril	Chair of the Board of Directors	Public	06/08/2020 (DUE)
	Águas de Portugal, SGPS, S.A.	Non-executive Director of the Board of Directors	Public	04/08/2020 (DUE)
	EPS - Efacec Power Solutions, SGPS	Non-executive Director of the Board of Directors	Public	02/10/2020 (DUE)
	Higher Institute of Economics and Management, University of Lisbon	Lecturer	Public	Order no. 495/20 – SET

EGP

BD Member (name)	Fixed	Classification	Gross monthly earnings (€)	
	(Y/N)	(A/B/C)	Monthly income	Representation Allowance
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	1 831.28
Carla da Conceição Afonso Correia	Y	A	4 578.20	1 831.28
João Pedro Moura Castro Neves	Y	A	4 578.20	1 831.28
Jaime Serrão Andrez, , in rep of Parpública, SGPS, S.A. (**)	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)
José Carlos Athaíde dos Remédios Furtado	107 587.70	0.00	107 587.70	5 379.39	102 208.32
José Manuel Leitão Sardinha (*)	0.00	0.00	0.00	0.00	0.00
Catarina Isabel Clímaco Monteiro d'Oliveira	86 070.16	0.00	86 070.16	4 303.51	81 766.65
Carla da Conceição Afonso Correia	86 070.16	0.00	86 070.16	4 303.51	81 766.65
João Pedro Moura Castro Neves	86 070.16	0.00	86 070.16	4 303.51	81 766.65
Jaime Serrão Andrez, in rep of Parpública, SGPS, S.A. (**)	0.00	0.00	0.00	0.00	0.00
Total	365 798.18	0.00	365 798.18	18 289.91	347 508.27

(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.

Social Benefits (EUR)

BD Member (Name)	Meal Allowance		Regime de Proteção Social		Annual Health Insurance Charge	Annual Life Insurance Charge	Others	
	Amount/ Day	Amount paid annually	Identif.	Annual Charge			Identif.	Amount
José Carlos Athaíde dos Remédios Furtado	7.14	1 785.00	Social Security	25 504.51	1 159.74	1 875.62	---	0.00
José Manuel Leitão Sardinha	0.00	0.00	---	0.00	0.00	0.00	---	0.00
Catarina Isabel Clímaco Monteiro d'Oliveira	7.14	1 785.00	Social Security	20 340.39	832.20	1 500.50	---	0.00
Carla da Conceição Afonso Correia	7.14	1 785.00	Social Security	20 124.72	1 159.74	1 575.12	---	0.00
João Pedro Moura Castro Neves	7.14	1 785.00	Social Security	20 199.70	1 487.54	1 244.63	---	0.00
Jaime Serrão Andrez, in rep. of Parpública, SGPS, S.A.	0.00	0.00	---	0.00	0.00	0.00	---	0.00
Total		7 140.00		86 169.32	4 639.22	6 195.87	---	0.00

BD Member (Name)	Costs with Vehicles								
	Vehicle Attribu- ted	Contract Signed	Vehicle Reference Value	Mode ⁽¹⁾	Year Begin.	Year Ending	Monthly Leasing Value	Annual Leasing Cost	Remaining Contractual Payments (no.)
José Carlos Athaide dos Remédios Furtado	Y	Y	50 962,61	AOV	2 020	2 024	613,08	7 336,80	31,00
José Manuel Leitão Sardinha	N	N	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Catarina Isabel Clímaco Monteiro d'Oliveira	Y	Y	36 498,26	AOV	2 018	2 022	365,09	4 369,08	4,00
Carla da Conceição Afonso Correia	Y	Y	32 992,62	AOV	2 018	2 022	322,16	3 855,33	6,00
João Pedro Moura Castro Neves	Y	Y	36 498,26	AOV	2 018	2 022	365,09	4 369,08	4,00
Jaime Serrão Andrez, in rep of Parpública, SGPS, S.A.	N	N	n.a	n.a	n.a	n.a	n.a	n.a	n.a

(1) acquisition; ALD; Leasing or other.

BD Member (Name)	Annual expenditure on business travel (EUR)					
	Business Travel	Accommodation Costs	Allowance Costs	Others		Total cost of travel (Σ)
				Identif.	Amount	
José Carlos Athaide dos Remédios Furtado	10 904.09	2 450.00	656.34	-	-	14 010.43
José Manuel Leitão Sardinha	-	-	-	-	-	-
Catarina Isabel Clímaco Monteiro d'Oliveira	-	-	-	-	-	-
Carla da Conceição Afonso Correia	-	-	-	-	-	-
João Pedro Moura Castro Neves	840.50	-	-	-	-	840.50
Jaime Serrão Andrez, in rep of Parpública, SGPS, S.A.	-	-	-	-	-	-
						14 850.93

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)	No. of Mandates
			Form ⁽¹⁾	Date		
2019-2021	Chair	Carla Lamego Ribeiro	GA	27/04/2018	1 602.37	3
2019-2021	Director	Mário José Alveirinho Carrega	GA	27/04/2018	1 201.78	3
2019-2021	Director	Rui Manuel Mendes Cabeças	GA	27/04/2018	1 201.78	1

(1) Indicate GA/DUE/Order.

Name	Annual Remuneration (EUR)		
	Gross (1)	Reductions in Remunerations (2)	Final Amount (3) = (1)-(2)
Carla Lamego Ribeiro (*)	0.00	0.00	0.00
Mário José Alveirinho Carrega	16 824.92	841.25	15 983.67
Rui Manuel Mendes Cabeças	16 824.92	841.25	15 983.67
Total	33 649.84	1 682.49	31 967.35

(*) Receives no remuneration.

SAF/FU

Mandate (Begin. - End)	Position	Identification of Statutory Auditor Firm / Statutory Auditor			Designação			No. of years in function in the company	years of service in the company
		Name	SAO Registration No.	CMVM Registration No.	Form (1)	Date	Date of Contract		
2019-2020	SAF Full time	Grant Thornton & Associados, SROC, Lda. represented by Pedro Miguel Raposo Lisboa Nunes (*)	67	20161403	DUE	02/01/2019	02/01/2019	3	3
2019-2020	SAF Alternate	Carlos António Lisboa Nunes	427	20160131	DUE	02/01/2019	02/01/2019	3	3

(1) Indicate GA/DUE/Order (D).

(*) No. of registration with the Statutory Auditor Order 1202 and CMVM 20160813

Statutory Auditor Firm/ Statutory Auditor Name	Annual amount of service provision contract 2021 (EUR)			Annual amount of Additional Services - 2021 (EUR)			
	Amount (1)	Reductions (2)	Final Amount (3) = (1)-(2)	Identif. of Service	Amount (1)	Reductions (2)	Final Amount (3) = (1)-(2)
Grant Thornton, SROC, rep. Pedro Lisboa Nunes (*)	35 722.91	0.00	35 722.91	n.a.	0.00	0.00	0.00
Carlos António Lisboa Nunes	0.00	0.00	0.00	n.a.	0.00	0.00	0.00

(*) No. of registration with the Statutory Auditor Order 1202 and CMVM 20160813.

Nome ROC/FU	Annual amount of service provision contract 2020 (EUR)			Annual amount of Additional Services - 2021 (EUR)			
	Amount (1)	Reductions (2)	Final Amount (3) = (1)-(2)	Identif. of the Service	Amount (1)	Reductions (2)	Final amount (3) = (1)-(2)
Grant Thornton, SROC, rep. Pedro Lisboa Nunes (*)	35 722.91	0.00	35 722.91	n.a.	0.00	0.00	0.00
Carlos António Lisboa Nunes	0.00	0.00	0.00	n.a.	0.00	0.00	0.00

(*) No. of registration with the Statutory Auditor Order 1202 and CMVM 20160813.

4 - External Auditor

Identification of External Auditor			Date of Contracting	Duration of the Contract	No. of years in function in the Group	No. of years in function in the Company
External Auditor Name	SAO No.	CMVM No.				
Pricewaterhousecoopers, SROC, Lda rep. by José Alves Bizarro Duarte, ROC (ROC 183, CMVM n.º 20161485)		20161485	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)	Identif. of the Service	Amount (1)	Reductions (2)	Final Amount (3) = (1)-(2)
Pricewaterhousecoopers, SROC, Lda rep. by José Alves Bizarro Duarte, ROC (ROC 183, CMVM no. 20161485)	24 500.00	n.a.	24 500.00	n.a.	-	-	-

Appendix 2

Compliance with Legal Orientations - 2021	Compliance Y/N/N.A.	Quantification/ Identification	Justification / Report Reference
Management objectives			See point 1. a)
Manager efficiency	Y	-3.38p.p.	
Commercial debt of municipalities	Y	87.3%	
Debt limits	Y	-4.8%	
Respect for payment periods	Y	-10	
Profitability	Y	99.6%	
Maintenance Plan	Y	89.6%	
Quality of Water Supplied	Y	99.7%	
Quality Wastewater Treated	Y	96.7%	
Energy Neutrality	N.A.	-	
Sludge Plan	N.A.	-	
Water for Reutilisation	N.A.	-	
Agro-industrial and livestock effluents	N.A.	-	
Reorganisation of the Corporate Centre	Y	01/12/2020	
Innovation	N.A.	-	
Internationalisation	N.A.	-	
Targets to Achieve as stated in PAO 2021			
Financial investment	Y	93%	See point 1. b)
Level of debt	Y	100%	See point 1. b)
Level of budgetary implementation loaded onto SIGO/SOE	N.A.	-	
Financial Risk Management	Y	0.10%	See point 2
Limits to the Rise in Debt	Y	-3%	See point 3
Trend in PMP to Suppliers	Y	-10	See point 4
Publication of Payment in Arrears	Y	0	See point 4
Shareholder recommendations on last approval of accounts	N.A.	-	See point 5
Reservations issued in the last CLC	N.A.	-	See point 5
REMUNERATIONS/FEES			
For the attribution of management bonuses	Y		
Board – reductions in remunerations in force in 2021 (when applicable)	Y	€18 290	See Appendix I
Audit Inspection (CF/ROC/FU) - reductions in remunerations in force in 2021 (when applicable)	Y	€1 682	See Appendix I
External Auditor reductions in remunerations in force in 2021 (when applicable)	N.A.	-	
EGP – ARTICLE 32 AND 33			
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

Ban on making undocumented or confidential expenditure	Y		See point 8
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PROMOTING SALARY EQUALITY BETWEEN FEMALES AND MALES - NO. 2 OF RCM NO. 18/2014

Producing and publishing a report on the remunerations paid to female and male workers	Y	www.adp.pt	See point 9
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Producing and publishing an annual report on preventing corruption	Y	https://www.adp.pt/downloads/file6_pt.pdf	See point 10
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PUBLIC TENDERING

Application of norms for company public tendering	Y		See point 11
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Application of norms for holding company public tendering	Y		See point 11
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Contracts submitted for prior validation by the Court of Audit	N.A.		
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JOINING THE NATIONAL PUBLIC PURCHASING SYSTEM

Operating costs of state-owned enterprises	N	8%	See point 13
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Contracting of Studies, Opinions, Projects and Consultancy (Article 49 of DLEO 2019)	Y		See point 13
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PRINCIPLE OF TREASURY UNITY (ARTICLE 28 OF DL 133/2013)

Availabilities and applications centralised at IGCP	Y	93.1%	See point 15
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Availabilities and applications in Commercial Banking (c)	Y	240 090.80	See point 15
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Interest earned on UTE default and delivered as State Revenue	Y	-	See point 15
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Auditing by the Court of Audits ^(b)			See point 16
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Drafting of the Equality Plan, as required by Article 7 of Law 62/2017, of 1 August	Y	https://www.adp.pt/downloads/file453_pt.pdf	See point 17
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Presentation of the non-financial statement	N.A.		See point 18
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