

Annual Report

2021

Annual Report

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A man with grey hair, wearing a dark suit and a light-colored shirt, stands on a balcony. Behind him is a city skyline with several tall buildings under a cloudy sky. The image has a warm, slightly desaturated color palette.

Message

“This framework justifies the purpose that we all assume in the Águas de Portugal Group in making the difference in the lives of people through our commitment to providing a public service essential to human life, public health and the preservation of the environment.”

Water, sponsor of life! This is the simple and concise slogan that best defines the most precious of resources. Evidence that nevertheless still needs to be emphasised given how water is every bit as present in our daily lives as it is invisible. Hence, only in exceptional circumstances are we induced into rediscovering the value of water. It was thus, within the context of the concerns over both public health and climate change, that water emerged with such a high profile in 2021.

With a greater emphasis at the beginning of the year when we experienced some of the most dramatic periods of the pandemic, water took on its primordial role in contributing towards breaking chains of contagion. In contrast, in other regions of the world, the absence of treatment systems, water remains as a core vector for the transmission of diseases.

The differentiating factor consists precisely of the robustness of the infrastructures, processes and skills, the competences necessary to not only guaranteeing water safe for human consumption flows out of taps but also its subsequent return to the surrounding environment in conditions that help preserve and ensure the regularity of the prevailing ecosystems.

At the close of the year, whether via the global appeal for a reversal in policies and behaviours on the occasion of the Glasgow Climate Change Summit or due to the more immediate consequences of the hydrological year, the scarcity of water or its destructive excess again became a central focus of attention.

This framework justifies the purpose that we all assume in the Águas de Portugal Group in making the difference in the lives of people through our commitment to providing a public service essential to human life, public health and the preservation of the environment while also of great relevance to the local economy, regional cohesion and sustainable development.

We count on the knowledge and experience of over 3 500 professionals that integrate into a multipolar system of critical competences for the water sector anchored in nineteen companies located in Portugal and in other geographies. In partnership with the municipalities, we serve eight million consumers and contribute towards the wellbeing of all citizens.

We ensure the very highest standards across the functions of supplying water and treating wastewaters and correspondingly operating a network of infrastructures with a total length equivalent to double the perimeter of our planet.

Portugal ranks among the best performers in Europe in terms of water supply quality, wastewater service coverage and the positive externalities for public health, the environment and bathing waters.

Multilateral institutions have submitted a continued stream of requests for the national response capacity whether to help deal with emergency situations or to provide technical assistance for water service modernisation plans on various continents.

The Águas de Portugal Group displays a good economic and financial position that endows stability on the companies as they develop their activities and fundamentally empowers them to undertake the investment plans crucial to the efficient rehabilitation and expansion of infrastructures. This also enables an appropriate response to the new challenges facing the sector, inherent to the ecological and digital transitions.

In 2021, the volume of investment made advanced by 25% in relation to previous years to total 155 million euros. Given the consolidated business turnover of 725 million euros and deploying the capacity to generate gross cash flow in excess of 50%, the EBITDA corresponds to a debt multiple of lower than 4 (years), a clearly robust indicator in a capital intensive industry and with a relatively stable profile over the long timeframe of the concessions.

In the year ending, the consolidated net result rose to 83 million euros, which reflects a very positive development highlighted especially within a context of the substantial reduction in the market reference rate through fixing the shareholder remunerations of the managing entities of the multi-municipal systems. Furthermore, we may point to equally favourable progress in cost recovery deviations, totalling 59 million euros.

A special word of appreciation is owed to the members of staff at each of the companies in this Group, recognising their great sense of mission and untiring commitment in the complex and demanding circumstances prevailing throughout the pandemic.

Within the framework of uncertainties that defines our current times and given the societal challenges that we are facing, Portuguese citizens may continue to count on the Águas de Portugal Group as a reference for stability, increasingly cohesive, robust and of ever greater social utility.

This is our great responsibility and frames our commitment



José Furtado
President of the Board of Directors

The Group

“Within the framework of uncertainties that defines our current times and given the societal challenges that we are facing, Portuguese citizens may continue to count on the Águas de Portugal Group as a reference for stability, increasingly cohesive, robust and of ever greater social utility.”

in Message from the President





Summary of key indicators (consolidated)

Economic-financial figures

	2018	2019	2020	2021
Turnover ⁽¹⁾	657.9	691.5	715.3	725.2
Cost recovery deviation (CRD)	(15.5)	(38.1)	(55.4)	(58.9)
Turnover with CRD	642.4	653.4	660.0	666.3
Operating result ⁽²⁾ (OR)	165.3	160.9	142.7	141.3
EBITDA ⁽³⁾	343.0	365.7	374.1	378.9
Financial results	(26.8)	(30.4)	(23.4)	(18.0)
Net annual result ⁽⁴⁾	87.3	83.1	78.6	83.3

(1) Does not include the earnings of either construction (IFRIC 12) or CRD. | (2) Results before interest and tax.

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

(4) Attributable to the AdP SGPS holding company.

	2018	2019	2020	2021
Operating assets (net) ⁽¹⁾	4 568.5	4 542.3	4 470.6	4 413.8
Investment (increases) ⁽²⁾	133.8	144.2	128.9	155.8
Client debts ⁽³⁾	348.3	276.4	297.8	267.1
Total assets	6 141.9	6 137.0	6 138.6	6 120.0
Financial debt ⁽⁴⁾ Total	1 924.2	1 842.9	1 793.2	1 707.9
Financial debt – Net ⁽⁵⁾	1 797.4	1 671.9	1 514.0	1 363.4
Financial debt net/ EBITDA ⁽⁵⁾	5.2	4.6	4.0	3.6
Investment subsidies	1 563.3	1 523.1	1 484.0	1 445.3
Own capital ⁽⁶⁾	1 589.2	1 650.0	1 707.2	1 770.5
Non-controlled interests	312.8	316.6	321.8	327.6

(1) Intangible assets + Tangible assets + Right-of-use assets + Investment properties. | (2) Investment deduced from right-of-use assets.

(3) Refers only to the amounts billed for water and sanitation. | (4) Loans + Leasing liabilities with financial entities.

(5) Financial debt total – availabilities. | (6) Includes non-controlled interests.

	2018	2019	2020	2021
Financial structure ⁽¹⁾	1.2	1.1	1.0	1.0
Solvability ⁽²⁾	0.7	0.7	0.7	0.7
Financial autonomy ⁽³⁾	0.5	0.5	0.5	0.5
Growth in turnover ⁽⁴⁾	5.0%	5.1%	1.4%	1.4%
EBITDA Margin ⁽⁵⁾	52.1%	52.9%	52.3%	52.3%
Pre-tax ORCE ⁽⁶⁾⁽⁷⁾⁽⁸⁾	5.3%	5.8%	6.5%	6.5%

(1) Bank debt/ Own capital. | (2) (Own capital + Subsidies)/ Liability. | (3) (Own capital + Subsidies)/ Asset. | (4) Net of CRD and IFRIC 12.

(5) EBITDA/ Turnover net of CRD. | (6) EBIT ⁽⁷⁾/ Capital employed ⁽⁸⁾. | (7) OR – CRD.

(8) Net total asset - Short term liability - Investment subsidies - CRD – Deferred tax asset.

Activity data

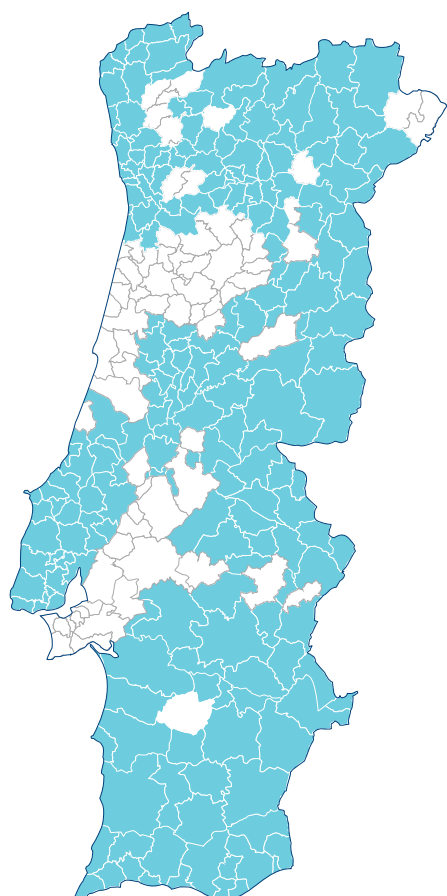
	Unid.	2018	2019	2020	2021
Volume of water produced	M m ³	578.8	597.3	597.2	599.4
Volume of water acquired	M m ³	14.6	22.3	25.8	15.5
Volume of water distributed ⁽¹⁾	M m ³	69.9	71.5	74.6	79.3
Volume of water invoiced	M m ³	592.4	613.9	618.6	620.3
Volume of wastewater treated	M m ³	514.1	498.1	518.5	512.6
Volume of wastewater invoiced ⁽²⁾	M m ³	484.3	491.0	503.2	507.8
Number of staff ⁽³⁾	n.º	3 290	3 308	3 499	3 589

(1) Includes water distributed by EPAL, AdSA, AdRA, AdNorte and AdAM

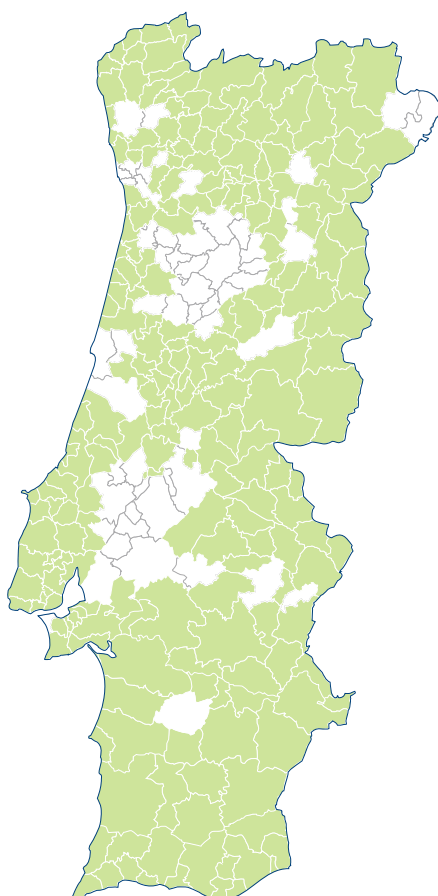
(2) Includes the effect of tariff income invoicing.

(3) Active employees + employees with suspended contracts (on 31/12).

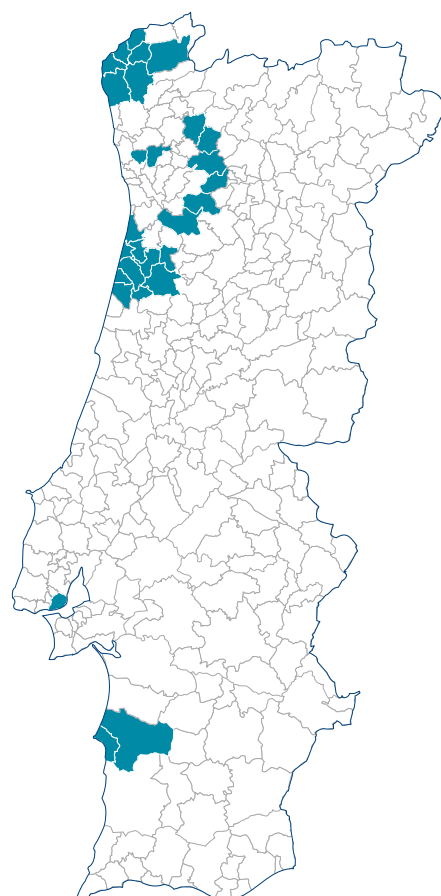
BULK WATER SUPPLY



BULK WASTEWATER TREATMENT



RETAIL WATER SUPPLY AND WASTEWATER TREATMENT





Who we are

AdP - Águas de Portugal. SGPS, S.A. (AdP as a group or AdP SGPS as a separate holding company) was set up in 1993 to respond effectively to the major challenges facing the environmental sector. It is a publicly-owned limited liability company, a holding company that, through its subsidiaries, manages the urban water cycle, operating a number of water supply and wastewater treatment systems, bulk and retail, in mainland Portugal, under concessions, partnerships or delegated management.

Our purpose is to “MAKE THE DIFFERENCE IN THE LIVES OF PEOPLE”.

Vision

To be one of the most efficient and sustainable international operators in water management through focusing on excellence in client service, innovation, resilience, energy and carbon neutrality and the circular economy.

Mission

To design, build, operate and manage water supply and wastewater treatment systems within a framework of economic, financial, technical, social and environmental sustainability with a high level of competence, capable of responding effectively and efficiently to the great challenges currently facing Portugal and the world in the environment sector.

Commitments

Due to the structural role played in the environment sector, contributing decisively to managing the resources available to the country and putting public policies into practice and striving for national objectives in the environmental field, with transversal impacts across every human activity, the AdP Group assumes the following commitments to society in striving to achieve its mission:

- Sustainability in the usage of natural resources and the preservation of water as a strategic resource essential to life,
- Balance and improvement of environmental quality,
- Equity in access to basic services,
- Promoting wellbeing by improving the quality of life of citizens.

History

Founding of CAL - Companhia de Águas de Lisboa, concession holder for the water supply to the city of Lisbon until 1974, then succeeded by EPAL - Empresa Pública das Águas de Lisboa. In 1991, EPAL became a public limited company with fully state-owned capital, and was renamed EPAL - Empresa Portuguesa das Águas Livres, S.A. (EPAL).



Founding of Águas de Portugal under the auspices of the IPE – the state investment and holdings institution, with responsibility for developing the multi-municipal water supply and wastewater sanitation systems and also awarded the entire equity capital of EPAL.

Creation of the first Multi-Municipal Water Supply Systems: for the North and South Greater Oporto Metropolitan Area, the Greater Lisbon Area, Eastern and Western Algarve [Decree Law no. 379/93, 5 November].

Creation of the Multi-Municipal Wastewater System of Costa do Estoril and creation of SANEST. EPAL was in charge of the Multi-Municipal Water Supply System of the Greater Lisbon Area.

Receipt of European Union funding following approval of the first applications to the Cohesion Fund, which enabled the Group to undertake the necessary investments in water supply and wastewater sanitation infrastructures.



Launch of Aquapor - Serviços, S.A. (Aquapor hereafter), a company formed to participate in the municipal systems market and to support the Group's intervention in international markets, prioritising Portuguese speaking countries such as Angola, Brazil, Cape Verde and Mozambique.

Completion of AdP's first European Investment Bank (EIB) financing operation.

Creation of the first Multi-Municipal Wastewater Management system of Ria de Aveiro.

First Aquapor holding, in consortium with private companies, in a municipal system concession for exploration and management of the municipal water and sanitation system (Figueira da Foz).

Intensification of activities in international markets, with the holding company investing in companies in Brazil (EBAL and Prolagos) and in Mozambique (Aquatec).

1868

1993

1995

1996

1997

1998

1999

Creation of the Multi-Municipal Sanitation System of the Lis River.

International consortium for the concession of the water supply to the five main cities of Mozambique, giving rise to the Águas de Moçambique concessionaire. Entry into the Cape Verdean market, with the acquisition, in a consortium with EDP, of the majority of the capital stock of Electra, an electricity and water company.

2000

Integration of Empresa Geral do Fomento, S.A. (EGF) into the AdP Group as a sub-holding for the waste area.

Creation of three more Multi-Municipal Sanitation Systems: Baixo Cávado and Ave, Algarve and Greater Oporto.

Merger of the companies Águas do Barlavento Algarvio and Águas do Sotavento Algarvio and founding of Águas do Algarve.

Creation of the first Integrated Multi-Municipal Water Supply and Wastewater Management: Zêzere e Côa, North Alentejo, West and Minho-Lima and the establishment of the three respective concessionaires (Águas do Zêzere e Côa, S.A., Águas do Minho, S.A. and Lima and Águas do Oeste, S.A.).

Beginning of the cooperation project in East Timor.



2001

Creation of AdP - Águas de Portugal Internacional - Environmental Services, SA, (AdP Internacional), with the mission of managing the AdP Group's businesses outside the national territory.

Creation of new Integrated Multi-Municipal Water Supply and Wastewater Management Systems (of Trás-os-Montes and Alto Douro and the Border Region, Zêzere and Nabão) and the Wastewater Multi-Municipal System of the Tagus and Trancão rivers.

Establishment of Águas de Santo André, SA, the concessionaire of the System for the Collection, Treatment and Distribution of Water for Public Consumption, the Collection, Treatment and Rejection of Effluents and the Collection, Treatment and Final Destination of Solid Waste of Santo André, formerly managed by Instituto da Água.

Acquisition of Luságua - Gestão de Águas, SA by Aquapor, which becomes the market leader for private concessions.



Completion of the decommissioning, closure and environmental recovery process of about 300 rubbish dumps by EGF.

Creation of the Multi-Municipal Water Supply and Wastewater Management System of Vale do Ave.

Acquisition of 55% of the capital of AQUASIS - Sistemas de Informação, SA (AQUASIS), an information systems company designed for the water sector.

Creation of the Multi-Municipal System of Water Supply and Wastewater Management for Central Alentejo.

Creation of the Multi-Municipal Water Supply and Wastewater Management System of the Setúbal Peninsula.

Creation of the Multi-Municipal Water Supply and Wastewater Management System of Baixo Mondego-Bairrada.

Publication of the Water Law, transposing the Water Framework Directive into Portuguese law. Portugal also experienced an unprecedented drought this year. AdP collaborated in the development and implementation of a wide-reaching awareness campaign on the rational usage of water and minimising the effects of the drought.



Restructuring of the AdP Group to ensure greater focus on the management of multi-municipal water supply and wastewater treatment systems. Beginning of the Aquapor disposal process alongside other companies with complementary activities in international markets.

Beginning of studies by the AdP Group related to the integration projects for a set of more than 150 municipalities, including the definition of the state of municipal systems, the investment plan, the associated schedule and the estimated business turnovers.

Internationalisation in the waste sector, through an EGF consortium with the Mozambican company Neoquímica, to win the tender for waste collection in the urban area of Maputo, Mozambique.

Sale of Aquapor and other companies in non-core activities (Recigroup and Electra).

2002

2003

2004

2005

2007

2008

2009

Launching of the new model for the integrated management of the urban water cycle based on the signing of partnership agreements between the State and municipalities, and the first partnerships established: in the region of Aveiro, involving 10 municipalities and having AdRA - Águas da Região of Aveiro, SA as the managing entity, and in the Alentejo region, involving 21 Municipalities and AgdA - Águas Públicas do Alentejo, SA as the managing entity.

Creation of the Multi-Municipal Water Supply and Wastewater Management System of Greater Oporto.



2010

Creation of the Multi-Municipal Water Supply and Wastewater Management System of the Northwest by merging the Multi-Municipal water supply systems in the north of the Greater Oporto area and supplying water and sanitation services to Minho-Lima and the Ave Valley.

Incorporation of the AdP Internacional subsidiary in Angola (AdP Angola).



2012

A set of territorial, organisational, regulatory and financing reforms of the water sector in general takes place to ensure continuity, universality, quality and sustainability in the delivery of these essential public services.

Launching of the Integrated Energy Efficiency Plan of the AdP Group (PEPE) by AdP Energias.

2013

The Public Partnership between the Portuguese State and eight Municipalities for the creation of the Water System of the Northwest Region and attributing its management to the Partnership thereby established.

2014

The new statutes of the Water and Waste Services Regulator (ERSAR) and the detailed bill for water and waste services are published. The Operational Program for Sustainability and Efficiency in the Use of Resources (PO SEUR) 2014-2020, an instrument of the Europe 2020 Strategy for Sustainability and the Efficient Use of Resources, is approved.



2015

The Strategic Plan for Water Supply and Wastewater Sanitation is approved (PENSAAR 2020).

The territorial reorganisation of the AdP Group's bulk water supply and sanitation systems is legislated through a process of aggregation into larger systems that leads to the creation of three companies, Águas do Norte, SA, Águas do Centro Litoral, SA and Águas de Lisboa and Vale do Tejo, SA.

Establishment of AdP Guiné-Bissau and AdP Cabo Verde.

Sale of 95% of EGF's share capital.

2016

Approval, at the general shareholders meeting, of the creation of four additional companies, through the spin-off of Águas do Norte and Águas de Lisboa and Vale do Tejo, based on criteria of efficiency, fairness and solidarity between systems.

2017

Operational launch of companies Águas do Douro e Paiva, SA, SIMDOURO - Saneamento do Porto Grande, SA, Águas do Tejo Atlântico, SA and SIMARSUL- Sanitation of the Setúbal Peninsula, SA.

2018

Sale of the remaining holding (5%) in EGF's share capital.

Signing of the Collective Working Agreement with the CGTPIN and UGT trade unions, establishing the terms and conditions relating to salaries, careers, fringe benefits and the organisation of work in the AdP Group company not yet covered by collective working agreements. Approval of the liquidation of MIESE - Vila Real/Alijó - Sistemas Energéticos a Biomassa, Lda.

Sale of the 55% stake in the equity capital of AQUASIS.

Commemorations of the 25th anniversary of AdP SGPS.

Celebrations of the 150th anniversary of EPAL

Inauguration of the Environment Education Centre "Water at 360°" by the AdP Group in Lisbon.

2019

AdP Group company bills for direct consumer services begin detailing the consumption of water in litres within the framework of fostering awareness about the consumption of water and raising awareness over its rational usage.

Establishing the partnership between the Portuguese state and seven municipalities for the founding of the Alto Minho Water System and attributing its operation and management to a new AdP Group company, AdAM - Águas do Alto Minho, S.A..

Awarding of the management of three dams (Azibo, Apartadura and Odeleite-Beliche) to AdP Group companies following the entrance into effect of Decree Law no. 160/2019, of 24 October.

2020

Definition of the Strategic Commitment Framework for the AdP Group for the triennial 2020 – 2022.

Launch of the ZERO Program seeking to obtain energy neutrality in AdP Group national and international operations through the production of 100% renewable energy by 2030.

Reorganisation of the AdP Group Corporate Centre and the reconversion of the shared service provider company to AdP Valor, which thereby assumes the mission to drive strategic innovation and the circular economy.



2021

Establishing the production and supply of Water for Reutilisation as a core activity essential to public service.

Conclusion of the COVIDetect pilot-project with the objective of producing an early warning system for the SARS-CoV-2 virus in wastewaters to contribute to improving responses towards any eventual new outbreaks of disease.

Launching the Innovation 360° Strategy, assuming innovation as a vector for accelerating and enabling the AdP Group commitment for the decade and defining the path of the AdP Group in evolving towards the paradigm necessary to meet the new societal challenges.

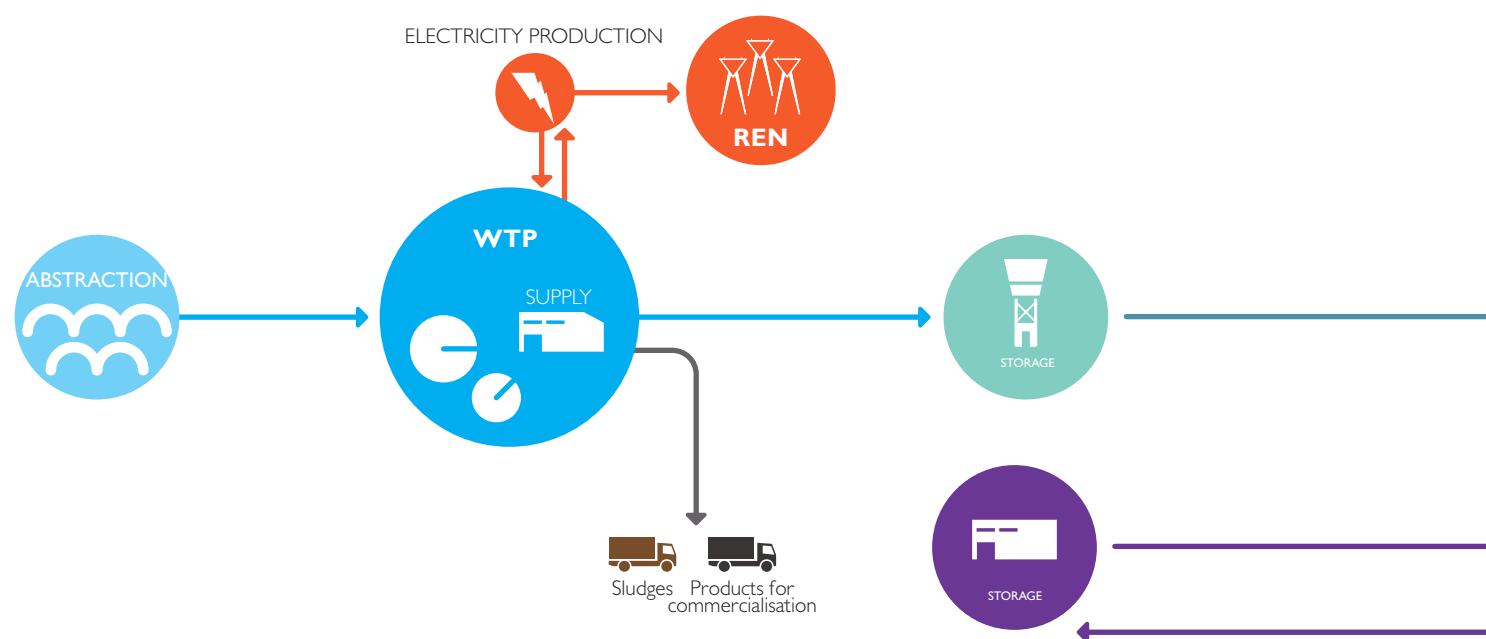
Systematising the Integrity Commitment of the AdP Group, strengthening the governance model based on the highest ethical standards, on transparency, responsibility and excellence in public management practices.



Managing the urban water cycle

The AdP Group, through its subsidiaries, deploys a widespread presence across mainland Portugal, from north to south, with its core activity the integrated management of the urban water cycle throughout all of its phases, ranging from capture through to recycling and reutilisation while passing through the treatment and distribution of water for public consumption, collection, transport, treatment and the rejection of urban and industrial wastewaters.

Water and energy efficiency are strategic Group objectives within the context of managing water scarcity and adapting to climate change and fostering the circular economy, highlighting the production of water for reutilisation (ApR) and valuing the sub-products resulting from water treatment processes, with examples including sludges and nutrients, and capitalising on the energy capacities of assets and endogenous resources, specifically biogas from anaerobic digestion and the installation of solar power production equipment at facilities and infrastructures.



Abstraction

Collection of water, both surface and subterranean, from the hydric environment. This may include pumping activities.



WTP - Water Treatment Plant

Treatment

Correction of the physical, chemical and bacteriological properties of water to render it fit for human consumption.

Supply

Transport of water upstream. May include pumping and storage activities.



Electricity production

Production of electricity from hydro, wind and solar sources.



Storage

Storage of water so as to enable the continual operation of the supply network.



Storage

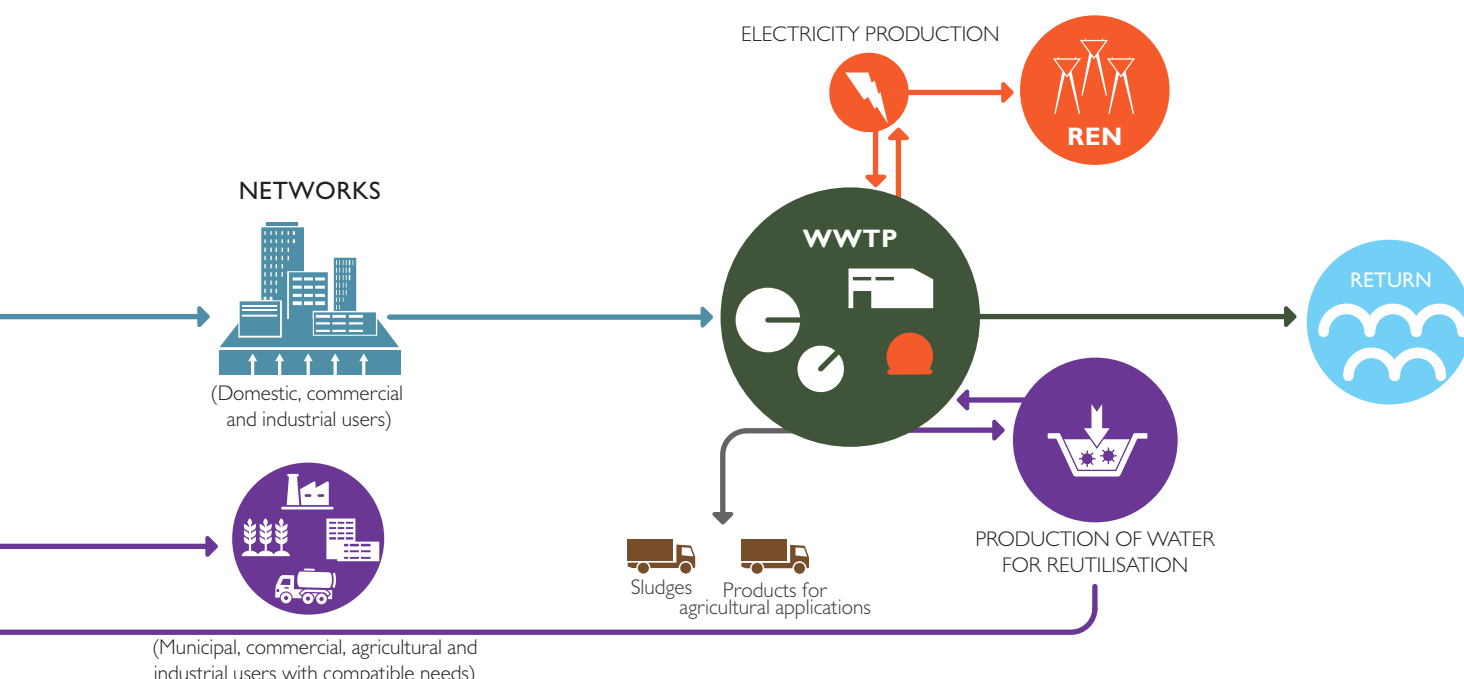
Storage of water for reutilisation.

UPSTREAM

DOWNSTREAM

These subsidiaries, when formed out of partnerships between the State and Municipalities, may take on concessionary company models for state owned systems (multi-municipal systems) or municipal system management companies under a public partnership regime, with the equity capital majority owned by AdP SGPS on behalf of the State.

The AdP Group also operates; **(i)** in the renewable energies sector with the objective of maximising the leveraged energy potential both of its assets and of endogenous resources, and **(ii)** in international markets, through the provision of services in association with local partners or Portuguese companies in this sector.



NETWORKS

Distribution

Distribution of water to consumers in the quantities and at the pressure required by their needs. May involve pumping activities.

Collection

Collection of the wastewater produced. May involve pumping activities

Transport

Transport of wastewater from their point of collection to the wastewater treatment plant units. May involve pumping activities.



WWTP - Wastewater Treatment Plant

Treatment and recovery

Correction of the physical, chemical and biological characteristics of the wastewater taking into consideration the final destination of the treated wastewater.

Recovery of the treatment process sub-products (energy value of the sludges, production of water for reutilisation, recycling of nutrients, etcetera).



Production of water for reutilisation

Production of water for reutilisation for internal and external usage.



Electricity production

Production of electricity through capturing the biogas produced by the anaerobic digestion of sludges, and from hydro, wind and solar sources.



Return

Return of treated waters that are not subject to reutilisation to the hydric environment.

DOWNSTREAM

UPSTREAM

AdP Group Organisation

Ownership structure

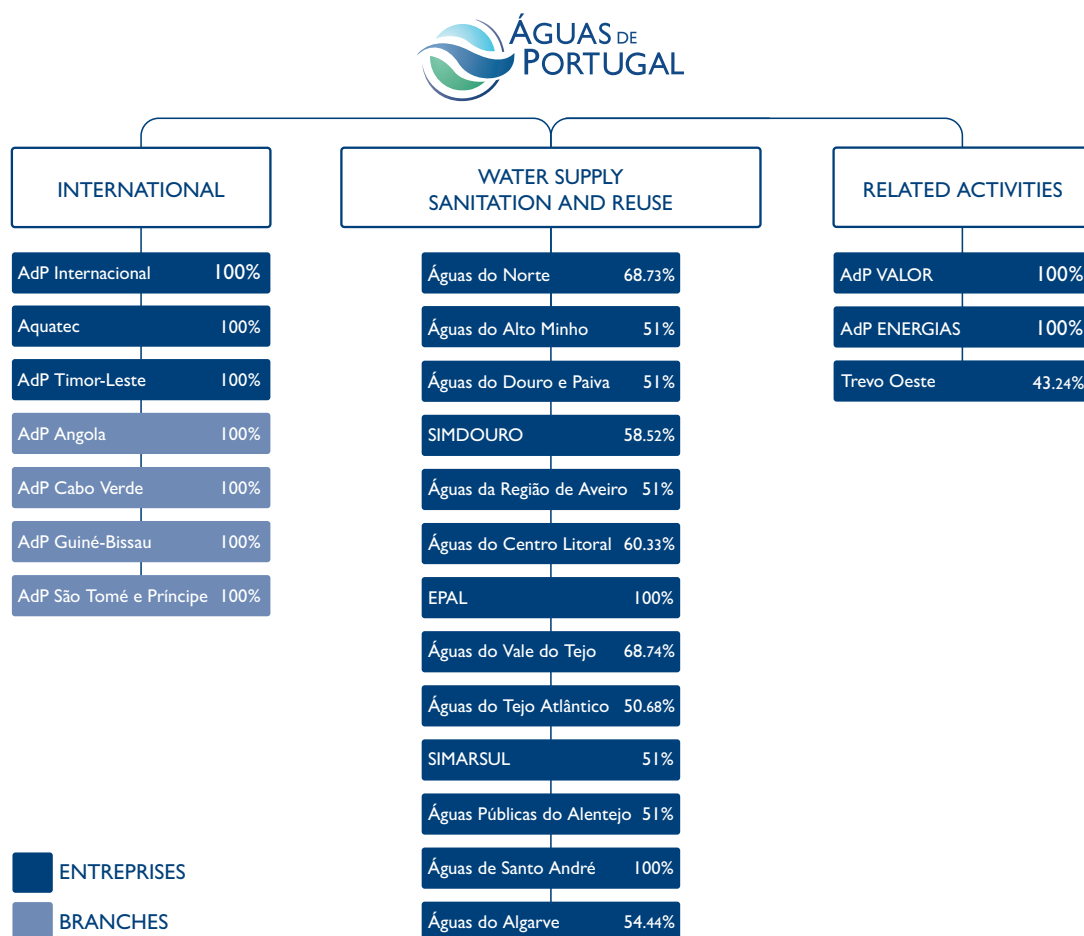
The shareholders structure of AdP – Águas de Portugal, SGPS, S.A. is the following:



The ownership structure is held by Parpública - Participações Públicas, SGPS, S.A. (81%) and by Caixa Geral de Depósitos (19%).

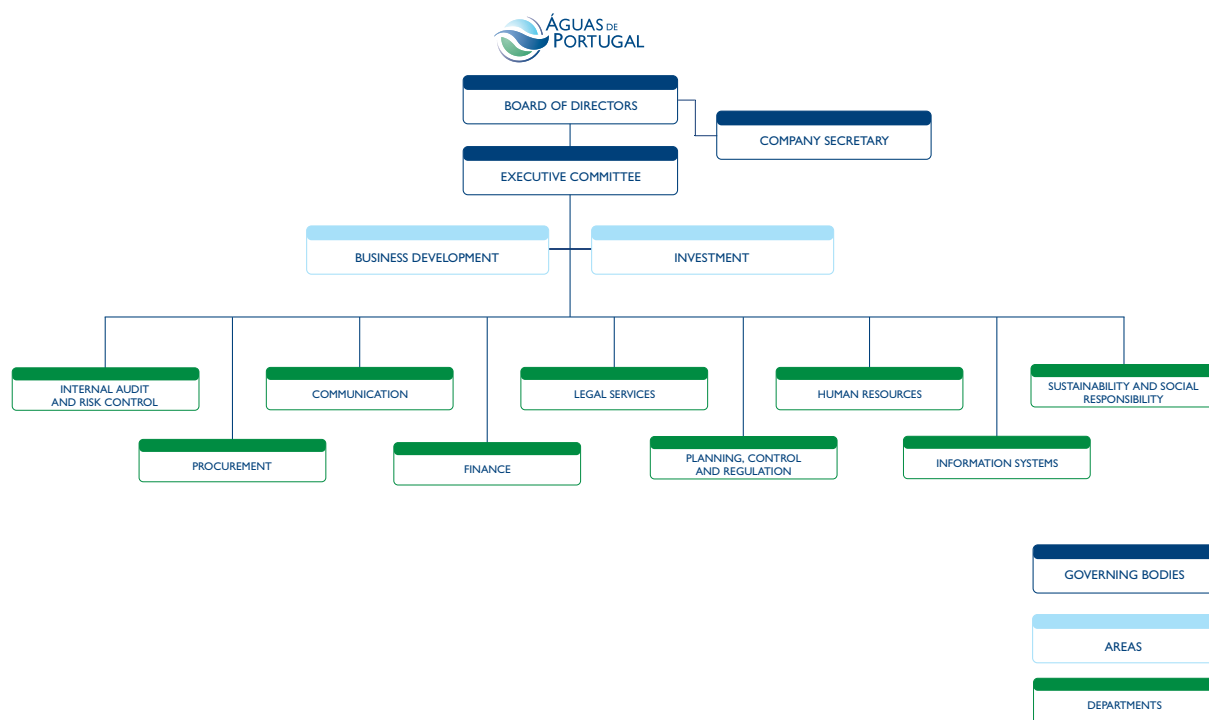
Corporate Organisational Structure

As at 31 December 2021, the AdP Group incorporated 19 subsidiaries, 13 of which managed water supply and wastewater treatment services in addition to four subsidiaries operating in international markets.



The AdP SGPS functional structure

AdP SGPS is structured into functional areas to support both the implementation of the regulatory and financial guidelines for the sector and Group management, focusing its actions on the social, environmental, technical and economic-financial sustainability of the Group; its relationships with its respective stakeholders, optimising capital and human resources and on excellence.



Governing bodies, supervisory bodies and the external auditor

Officers of the General Assembly

Chair Isabel Sofia Sousa Santos Albuquerque

Vice-Chair Maria Helena Dias Duarte

Secretary José Espírito Santo Menezes e Teles

Board of Directors

Chair José Carlos Athaíde dos Remédios Furtado

Vice-Chair José Manuel Leitão Sardinha

Director Catarina Isabel Clímaco Monteiro d'Oliveira

Director Carla da Conceição Afonso Correia

Director João Pedro Moura Castro Neves

Non-executive Director Jaime Serrão Andrez (representing Parpública)

Executive Committee

Chair José Carlos Athaíde dos Remédios Furtado

Vice-Chair José Manuel Leitão Sardinha

Director Catarina Isabel Clímaco Monteiro d'Oliveira

Director Carla da Conceição Afonso Correia

Director João Pedro Moura Castro Neves

Supervisory Board

Chair Carla Maria Lamego Ribeiro

Director Mário José Alveirinho Carrega

Director Rui Manuel Mendes Cabeças

The Chartered Accountant

Grant Thornton & Associados, SROC, Lda.,
represented by Pedro Miguel Raposo Lisboa Nunes, ROC

Company Secretary

Appointed Cristina Rebelo Pereira

Supplementary Ricardo Cortes Ribeiro

External Auditor

Pricewaterhousecoopers, SROC, Lda.



Shareholding portfolio at 31st december 2021

Management Entities

Company	Holding ⁽¹⁾	Headquarters	Activity
Águas de Santo André, S.A.	100.00%	V.N. Santo André	Bulk and retail water supply, sanitation and waste collection
EPAL - Empresa Portuguesa das Águas Livres, S.A.	100.00%	Lisbon	Bulk and retail water supply
Águas do Norte, S.A.	68.73%	Vila Real	Bulk and retail water supply and sanitation
Águas do Vale do Tejo, S.A.	68.74%	Guarda	Bulk water supply and sanitation
Águas do Centro Litoral, S.A.	60.33%	Coimbra	Bulk water supply and sanitation
SIMDOURO - Saneamento do Grande Porto, S.A.	58.52%	Vila Nova de Gaia	Bulk sanitation
Águas do Algarve, S.A.	54.44%	Faro	Bulk water supply and sanitation
AdRA - Águas da Região de Aveiro, S.A.	51.00%	Aveiro	Retail water supply and sanitation
AgdA - Águas Públicas do Alentejo, S.A.	51.00%	Beja	Bulk water supply and sanitation
Águas do Douro e Paiva, S.A.	51.00%	Oporto	Bulk water supply
SIMARSUL - Saneamento da Península de Setúbal, S.A.	51.00%	Quinta do Conde	Bulk sanitation
Águas do Tejo Atlântico, S.A.	50.68%	Lisbon	Bulk sanitation
AdAM - Águas do Alto Minho, S.A.	51.00%	Viana do Castelo	Retail water supply and sanitation

(1) Percentage of capital subscribed

Other Subsidiaries

Company	Holding ⁽¹⁾	Headquarters	Activity
AdP – Águas de Portugal Internacional – Serviços Ambientais, S.A.	100.00%	Lisbon	International commercialisation of the IT and management systems and the provision of technical services in the water sector and to international sub-holdings
AdP Valor – Serviços Ambientais, S.A.	100.00%	Lisbon	Provision of shared services to the AdP Group
AdP Energias – Energias Renováveis e Serviços Ambientais, S.A.	100.00%	Lisbon	Development of activities within the field of environmental management
AdP Timor-Leste, Unipessoal Lda.*	100.00%	Díli, East Timor	Provision of technical services to the water sector
Águas do Brasil, S.A.	100.00%	Rio Janeiro, Brazil	Sub-holding for Brazil
Aquatec, Lda.*	100.00%	Maputo, Mozambique	Provision of technical services to the water sector
Trevo Oeste - Tratamento e Valorização de Resíduos Pecuários, S.A.	43.20%	Alcobaça	Treatment and valuation of livestock residues

(1) Percentage of capital subscribed

* Indirect holding of AdP SGPS, via AdP Internacional (in the cases of Aquatec and AdP Timor-Leste)

Offices

AdP Internacional, office in Angola (headquartered in Luanda, Angola).

AdP Internacional, office in Cape Verde (headquartered in Cidade da Praia, Cape Verde).

AdP Internacional, office in Guinea Bissau (headquartered in Bissau, Guinea Bissau).

AdP Internacional, office in Sao Tome and Principe (headquartered in Vila Maria, São Tomé).



Key events

Of particular relevance to the AdP Group, there was the enactment of key legislation for the water sector, specifically Decree Law no. 16/21, of 24 February, to establish the grounding for the production and supply of Water for Reutilisation as a core activity of the essential public service, complementary to Decree Law no. 119/2019, which had established the juridical regime for the production of water for reutilisation.

In parallel, the AdP Group drafted its Reutilisation Action Plan alongside regional plans for studying the viability of water reutilisation within the context of each operating company and defining concrete measures for each region with various reutilisation project already developed and in effect across different scales and regional contexts – for example, irrigating crops, golf courses and urban green areas, industrial washing and utilisations, and among others -, which has also contributed to boosting awareness, creating synergies among stakeholders, overcoming barriers and developing secure and appropriate solutions.

March saw the public presentation of the Innovation 360° Strategy, which reflects the adoption of innovation as a vector for flexibility and acceleration of the AdP Group commitments for the decade, defining the path towards the paradigm necessary to respond to the new societal challenges. Within this framework, over the next three years, the AdP Group is to allocate over a million euros to a fund specifically designed to finance new projects and accelerate strategic innovation.

In May, there was the release of the results for COVIDetect, the research project launched in 2020 and developed by a consortium including various AdP Group companies, the University of Lisbon Faculty of Science and the Analysis Laboratory of the Higher Technical Institute seeking to establish an early warning system for the presence of the SARS-CoV-2 virus in wastewaters and thereby contribute to improving responses to any eventual new outbreak of disease.

Through collaboration with the European Commission within the scope of a pan-European initiative for the application of wastewaters as a sentinel for the presence of SARS-CoV-2 in the population, the consortium responsible for the COVIDetect pilot project made a significant contribution towards the final draft Recommendation (EU) 2021/472 issued by the Commission as regards a common approach to establishing a surveillance system for SARS-CoV-2 and its variants in the wastewaters of the EU, published on 17 March 2021.

Within this context, the Humberto Delgado airport in Lisbon was one of the sites selected by the European Commission's Joint Research Center for staging a preliminary study on the identification of SARS-CoV-2 virus variants, including the participation of the AdP Group through Águas do Tejo Atlântico.

Deepening the partnership with Global Compact Network Portugal, an organisational member for over a decade, and seeking to boost the contribution towards obtaining the Sustainable Development Goals, the AdP Group signed up to SDG Ambition in Portugal, a program set up with the objective of accelerating the implementation of the United Nations Agenda 2030.

In June, the AdP Group was invited to participate in two sessions within the United Nations framework, specifically:

- a session of the thematic ministerial forum "Enabling SDGs through inclusive, just energy transitions" in preparation for the High Level Dialogue on Energy that took place in September at the 76th session of the United Nations General Assembly, when there was the presentation of the work undertaken by the Group within the scope of the water-energy nexus, the strategy for energy neutrality, the production of green energy and promoting the circular economy.
- At the event organised by the European Union Delegation, the Permanent United Nations Missions of Portugal, Mozambique and Antigua and Barbuda and the Alliance of Small Island States, on the theme of "Accelerating Adaptation in the Decade of Action for SDGs - Scaling up Planning and Mobilizing Finance for Adaptation Actions", which saw the presentation of examples of strategies for adaptation to climate changes, specifically two projects carried out in developing countries with a particular focus on the AdP Group mission to Mozambique in 2019 in the wake of the devastation caused by cyclones Idai and Kenneth, and the assistance provided to the East Timor government within the scope of drafting the Masterplan for the Drainage and Sanitation of Díli.

The AdP Group has subscribed to the Manifesto of the BCSD Portugal "On Track for COP26", which includes a set of objectives of great relevance to the debate at the 26th United Nations Conference on Climate Change

(COP26), which took place between 31 October and 12 November in Glasgow, the United Kingdom.

Dedicated to the theme "From local knowledge to global value – on track for sustainability", the 13th AdP Group Engineering Days, which were held in a virtual format in 2021, confirmed their role as a privileged stage for sharing knowledge and experience and promoting our new projects among the Group's engineering professionals as well as staging sessions open to the general public.

As regards the commitment towards an energy transition for a more sustainable and decarbonised economy, highlights include the renovation of the energy certification of the AdP Group operating fleet, which includes vehicles powered by conventional fuels as well as 100% electric vehicle under the auspices of the ADENE Move+ program. This certificate provides information on the energy and environmental efficiency of the fleet while simultaneously identifying opportunities for energy savings, cost reductions and the minimisation of greenhouse gas emissions, all objectives of the ZERO energy neutral program.

The targets set by the ZERO Program, especially in terms of energy self-sufficiency are global to the AdP Group and are not evaluated on an individual company basis. This also involves the management companies of the multi-municipal systems in state-local government partnerships, the support services and the international operations. This reflects how some companies will produce a surplus of energy while others shall continue to operate with energy deficits while leveraging the best energy resources in their respective locations and avoiding investments in less profitable locations according to the currently market available technology.

In addition, we would state that the development of the ZERO Program equally considered the energy consumed by all AdP Group installations (operational and non-operational), both in Portugal and internationally, and as well as the energy consumption incurred by its operating vehicle fleet.

The AdP Group ZERO Program foresees the establishing of a Renewable Energy Community, vital to the energy balance between the production and consumption units and designed to reach the national scale and involving every company and all the territories they serve.

The founding of this Renewable Energy Community at the heart of the AdP Group, whether acting in isolation or eventually in partnership with its stakeholders, will enable energy transactions between points of consumption among community members, in addition to plans for support mechanisms for more disadvantaged populations, thus combating energy asymmetries. It makes every sense that Group energy production constitutes a factor for cohesion, valuing the territory, which has been at the core of our DNA from the outset.

We may also highlight the signing of a cooperation protocol with EDM – a Mining Development Company and ADENE – the State Agency for Energy with a view to taking advantage of former mining zones subject to environmental restoration for the production of electricity based on renewable sources.

The signing of two contracts with the Ministry of Energy and Waters of the Republic of Angola, for a total amount of 10.5 million dollars, with financing from the World Bank and the European Investment Bank, for technical assistance for the development of water supply and wastewater sanitation services, will serve to benefit 2.5 million people in various different provinces, was a key development in the international activities ongoing in 2021.

Furthermore, in Cape Verde, within the scope of a new environmental agenda for the next four years signed with Portugal, the AdP Group holds responsibility for implementing two projects, one focused on the circular economy for the reutilisation of water and recovery of sludges for agriculture on the island of Santiago and with the other involving the design of a Sanitation Plan for Fogo island.

In the international sector, other leading developments include the co-organisation of the financiers conference for the investment program in the urban water supply of Mozambique for the 2022-2032 period, backed by FIPAG – the Investment Fund for Water Patrimony in Mozambique, which took place in Maputo in September 2021.

Subsequently, and within the scope of cooperation with FIPAG, there was the organisation of the first Water Days bringing together specialists from Mozambique and Portugal for a technical working session focused on regulation, the institutional and management framework of

the sector, investment management and the challenges of operational management.

The AdP Group also features among the eight Portuguese Flagship Companies leading the objective of obtaining 40% of women in decision-making positions by 2030, having subscribed to the National Goal for Gender Equality, an act that reiterates the objective of fostering equality of treatment and opportunities and the balanced participation of men and women in professional activities.

Our commitment to active and sustainable corporate citizenship was strengthened in 2021, especially through signing up to the GRACE business association and the #EmpresasResponsáveis movement in Portugal, dedicated to promoting corporate responsibility and the development of sustainable business cultures.

An event of major relevance in 2021 reflects in the review of the integrity model of the AdP Group with the systematic definition of an Integrity Policy, which identifies the different internal entities and instruments that undertake the implementation of the commitments made in terms of ethics, compliance and other interrelated legal obligations – Code of Ethics and Conduct; Risk Prevention Plan for Corruption and Similar Infractions; Regulations for the Voluntary Reporting of Irregularities; Manual for the General Procurement Regime and Purchase Manual – with some of the instruments and procedures hitherto in effect subject to updating and articulating with the European directive on the protection of individuals reporting infringements of European Union law (Whistle Blowing).

The governance structure of organisational ethics was also strengthened with the establishing of an Ethics Council as a consultative organ in conjunction with expanding the Ethics Commission, the executive body with powers in terms of analysing reports, questions and ethical issues reported through confidential and safe means of communications set up for this purpose, particularly as regards the reporting of irregularities.

The AdP Group integrity commitment, which was publicly presented in December, stems from a governance model incorporating the highest ethical standards, transparency, responsibility and excellence in the public management practices subscribed to by every Group company.

Awards and achievements

- AdP Internacional received an Honourable Mention in the Pedro Cudell Internationalisation Award, in the Large Company category. This award is an initiative by SOFID, S.A. to award and raise the profiles of projects of excellence carried out by Portuguese companies that focus on African countries and impact on the Sustainable Development Goals through their activities.
- The CSAGOM – the Service Contract for the Management, Operation and Maintenance of Water Supply Systems for Huíla Province in Angola, implemented by AdP Internacional through EPASHuíla, in Angola, was the winner in the “Services” category of the PT Global Water Awards 2020-21, awards that distinguish and celebrate leading international projects by entities in the Portuguese water cluster and attributed by the Água & Ambiente journal and PPA – the Portuguese Partnership for Water.
- ERSAR highlighted the best practices for management entities in the water and waste sectors in Portugal, in 2020 and 2021, with the attribution of Seals of Quality and Excellence Awards. These distinctions reflect the commitment and dedication of all Group members of staff even within the extremely difficult context brought about by the COVID-19 pandemic, placing excellence of service first and foremost. The following AdP Group members received awards:
 - EPAL picked up the Excellence Award for Public Service in the Supply of Water (to consumers), for the Efficient Usage of Water and the Quality of the Public Water Supply Service (to the consumer),
 - Águas de Santo André, S.A. and Águas da Região de Aveiro with Seals of Quality for their Exemplary Quality of Water for Human Consumption, and
 - Águas do Algarve, with two Seals of Quality in the categories of Efficient Water Usage and the Public Water Supply Service (for entities) and with the Award of Excellence in the latter category.
- The APDA – Pipes of Gold Awards, attributed during the National Meeting of Water and Sanitation Management Entities (ENEG 2021), distinguished the following Group companies in 2021:
 - Águas do Norte won in the “Best Climate Change Adaptation Project”, for its project “Climate change strategy of Águas do Norte – Pretarouca Dam”.
 - EPAL was an award winner in two categories: “Best Action for Sustainability” for the work “Educating for the Protection of Ecosystems and Biodiversity” and “Best Value Action for Water” for the inclusive project “Communicating with Everybody – Partnerships for implementing multiformat communications”.

- The “Environmental Education in Action” project by EPAL/ AdVT was distinguished with an Honourable Mention under axis SDG 4 – Quality Education by the APEE – the Portuguese Association of Business Ethics at the 7th Ceremony of Recognition for Socially Responsible and Sustainable Practices. This distinction recognises the importance of this project, designed for a school age population ranging from pre-school to secondary and in conjunction with their families across the geographic extent covered by these companies, approximately a third of Portugal.
- Águas do Tejo Atlântico received a Diploma for Best Business Responsibility Practices from APCE – the Portuguese Association of Communications Companies. In 2021, the company also received an Honourable Mention (2nd place) in the Safeguard Rivers Awards attributed by GEOTA for the Indigenous Fish project stemming from a partnership with ISPA university with the objective of annually monitoring, throughout the dry season, the threatened indigenous freshwater species in the intermittent rivers of central Portugal.
- AdRA – Águas da Região de Aveiro received the LAC AC (Leadership in Client Service – Safe & Care) certificate from the Portuguese Institute of Client Relations in recognition of the “excellence quality” of its in-store attendance services and their safety even when faced with the pandemic while Águas do Norte renewed its COVID SAFE certification across every client attendance point from APCER – the Portuguese Certification Association.
- Águas do Norte picked up an Honourable Mention in the European competition “Top European Award on Industrial Excellence”, promoted by COTEC PORTUGAL, the IESE Business School and the AESE Business School, which distinguished its respective digital transformation process.
- Águas do Norte also received the Openness Award 2021 for the “AdN4.0+: Increasing service efficiency through re-engineering and dematerialising processes”, awarded by ESOP – the Portuguese Association of Open Source Software Companies

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 Consultative 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.

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.



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.

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.

EPAL

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.

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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 I, 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.

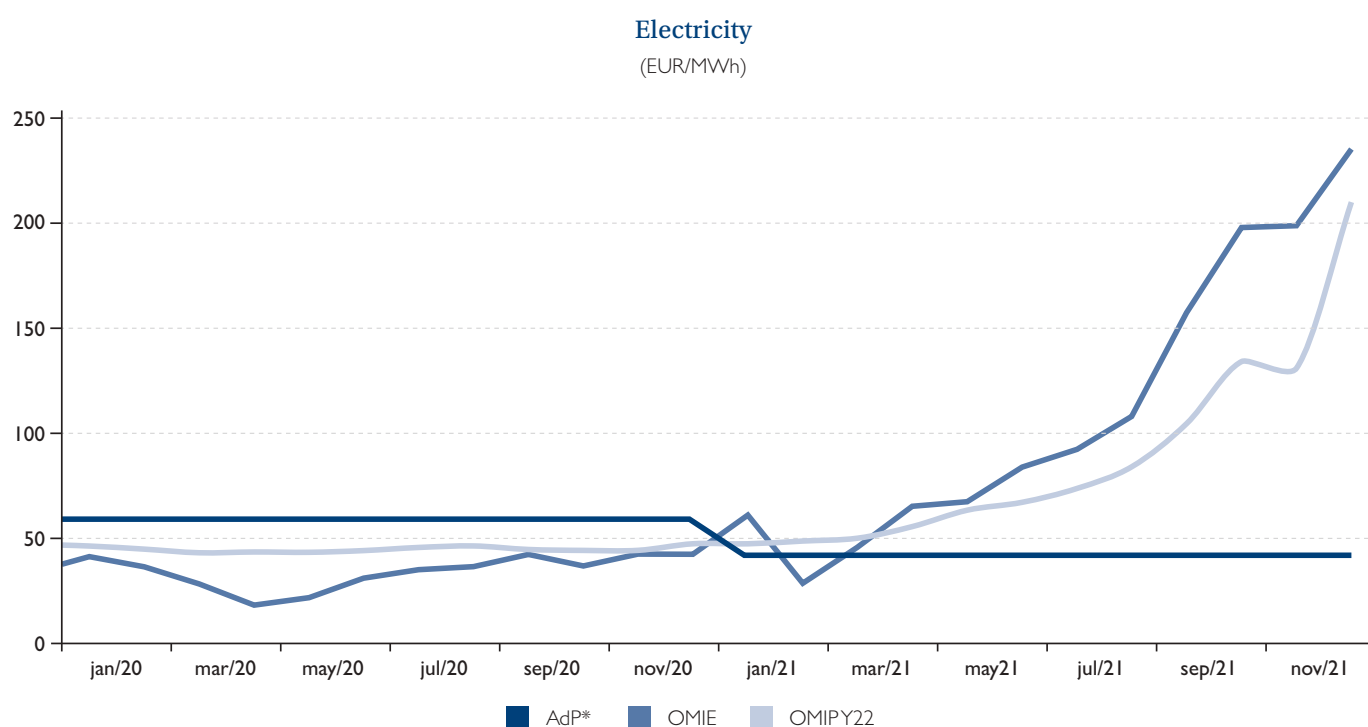
Requests for information and the complaints submitted by water service users are analysed by the Regulator. To this end, the managing entities provide a physical book of complaints. This also extends to their respective Internet sites that provide an e-book of complaints.

Energy in the AdP Group

The price of electricity in Portugal

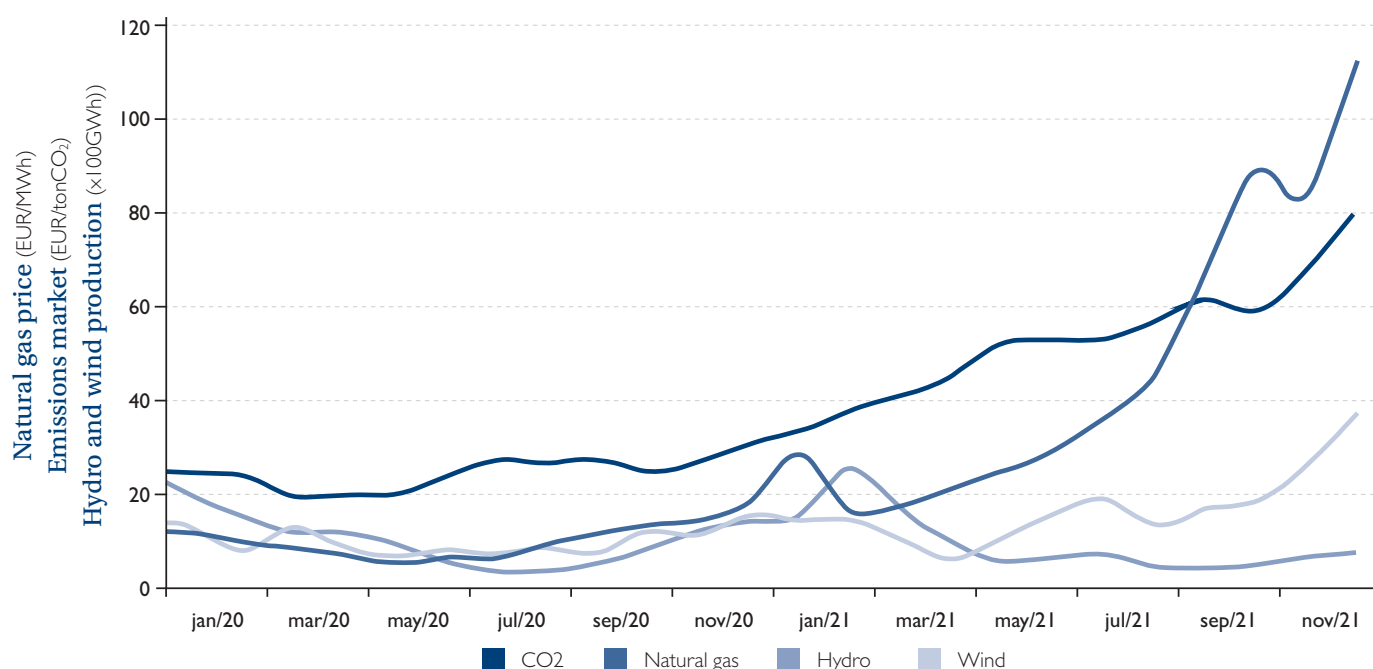
In 2021, the average price of electricity in Portugal, within the scope of the Iberian wholesale electricity market (OMIE), stood at 111.99 €/MWh (33.99 €/MWh in 2020) with OMIE wholesale prices having reached all-time highs, particularly during the second half of the year.

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%).

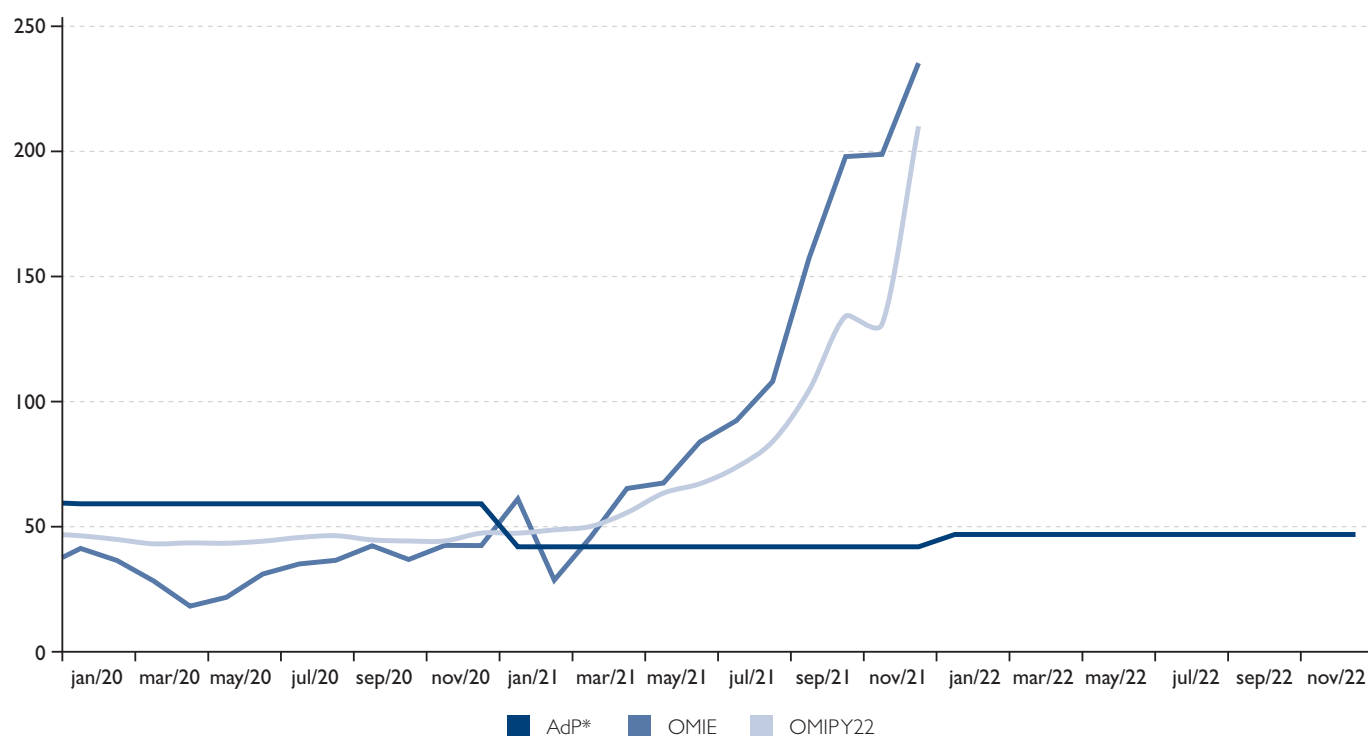
Electricity consumption in the AdP Group

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)



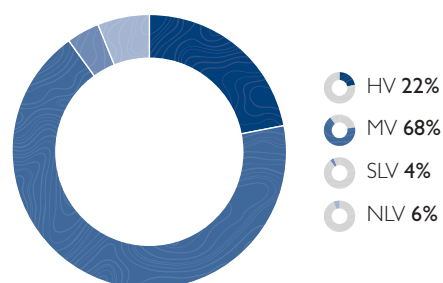
* Contractual average value, discounted from network losses.

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.

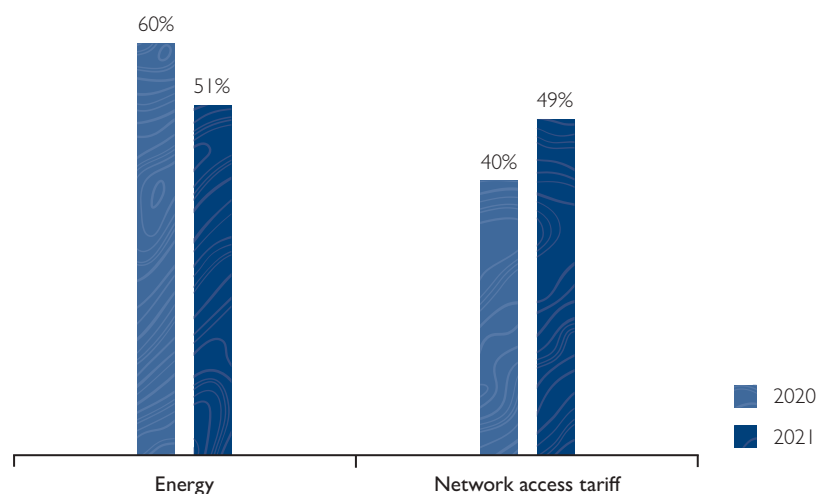
In terms of the State sector, AdP Group is the largest national public consumer, in terms of both connection points and electricity consumption.

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.

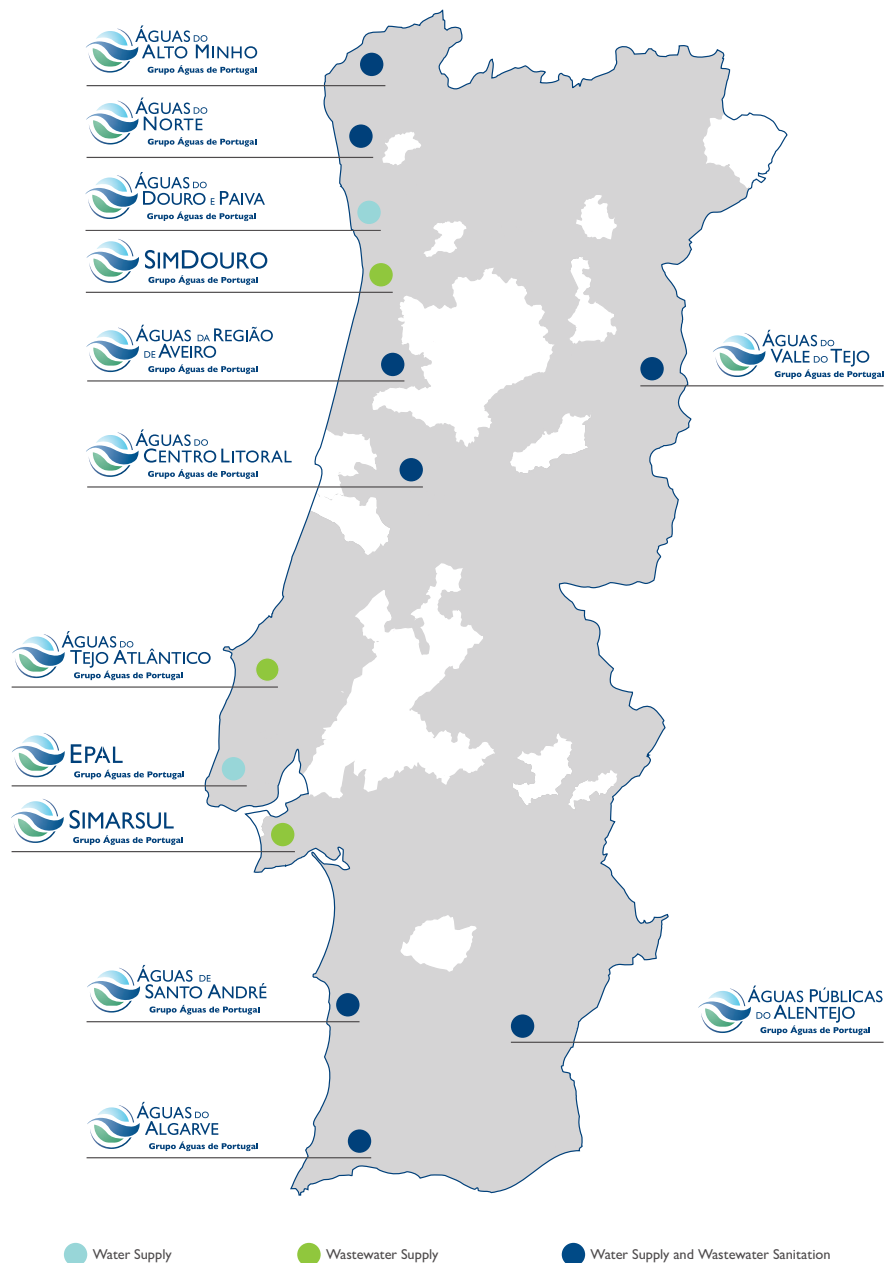
In parallel with developing the ZERO Program, the Águas de Portugal Group has the NEUTRO Program underway, aimed at quantifying and reducing the Águas de Portugal Group's GHG emissions. One of the goals of this program is to develop a tool to guide and support the periodic preparation of an inventory 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

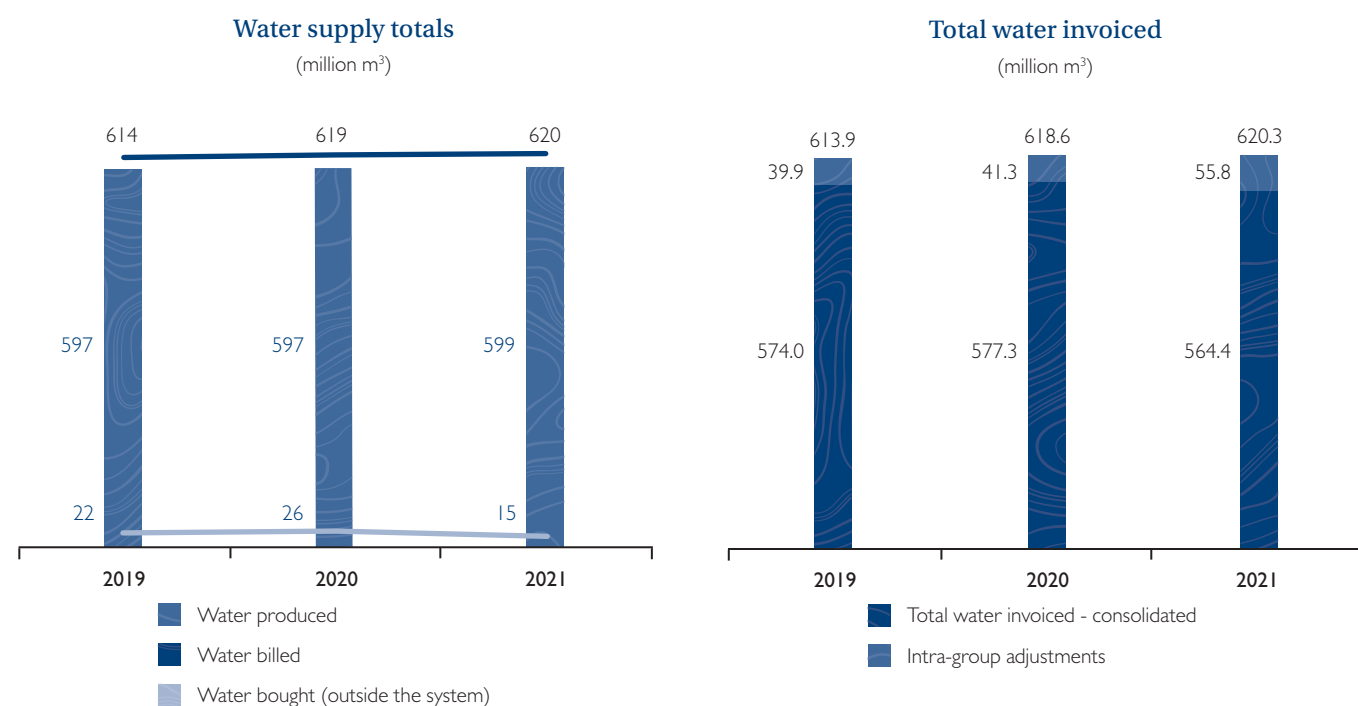
At the end of 2021, the AdP Group integrated 13 management entities that provided public water supply services to 219 municipalities and wastewater sanitation services to 222 municipalities. This duly considers both the bulk and the retail services rendered. The supply services provided by the AdP Group cover a population of over 8 million inhabitants.

Volumes

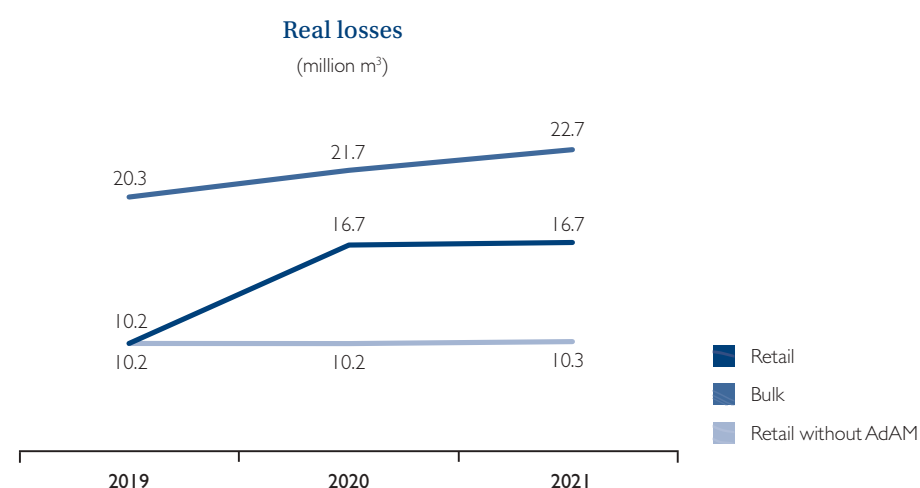
Water supply

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).

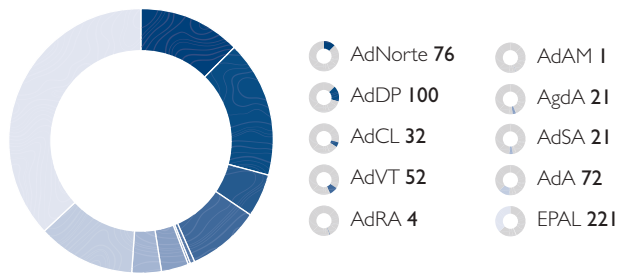


The graphic above sets out the trajectory for water losses excluding AdAM given that 2020 represented this company's first year in operation and to enable comparable analysis with previous years.

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.

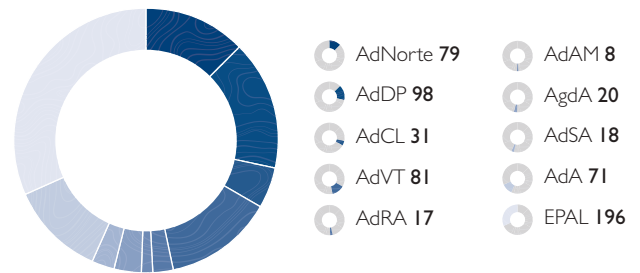
Water produced in 2021

(million m³)



Water billed in 2021

(million m³)

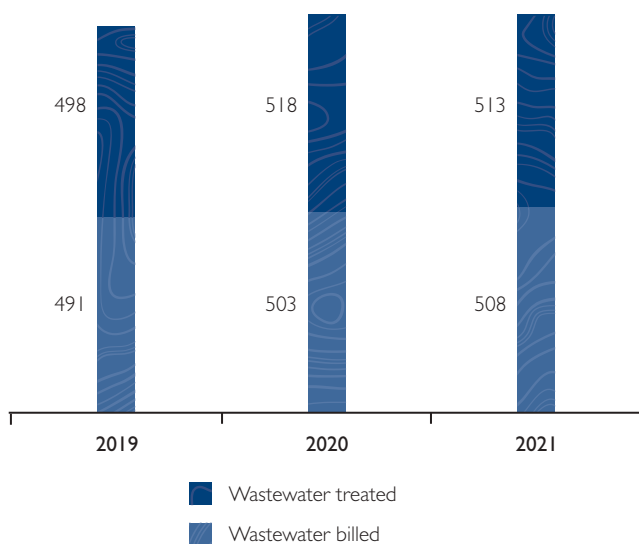


In the case of sanitation, the 513 million m³ volume of effluent treated reflects a 1.1% year-on-year reduction. The volume invoiced increased by 0.9%. It should be noted that billing in this segment is conditioned by the minimum yields in practice at some Group companies.

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

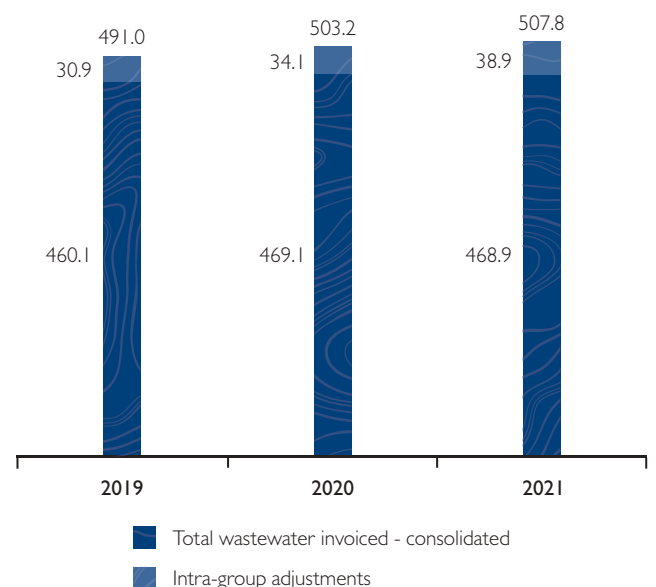
Wastewater total

(million m³)



Total wastewater billed

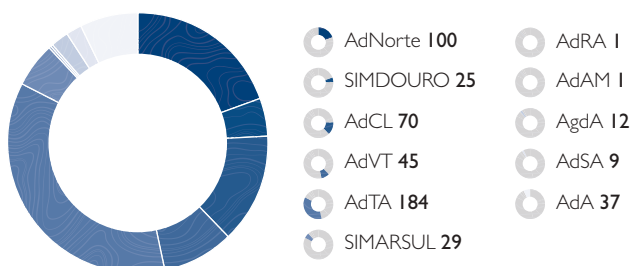
(million m³)



Average wastewater flow rates in the already served municipalities stand at around 22l litres per day per inhabitant, which represents an annualised decrease of 2.6% resulting from the drop in the annualised volume of treated wastewater.

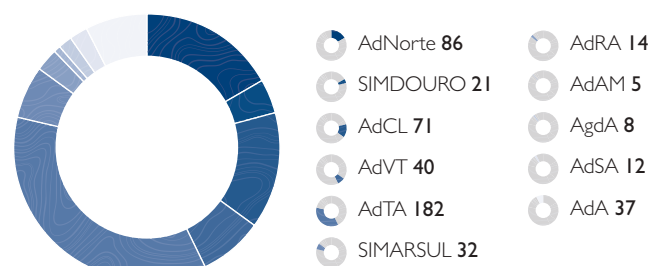
Wastewater treated in 2021

(million m³)



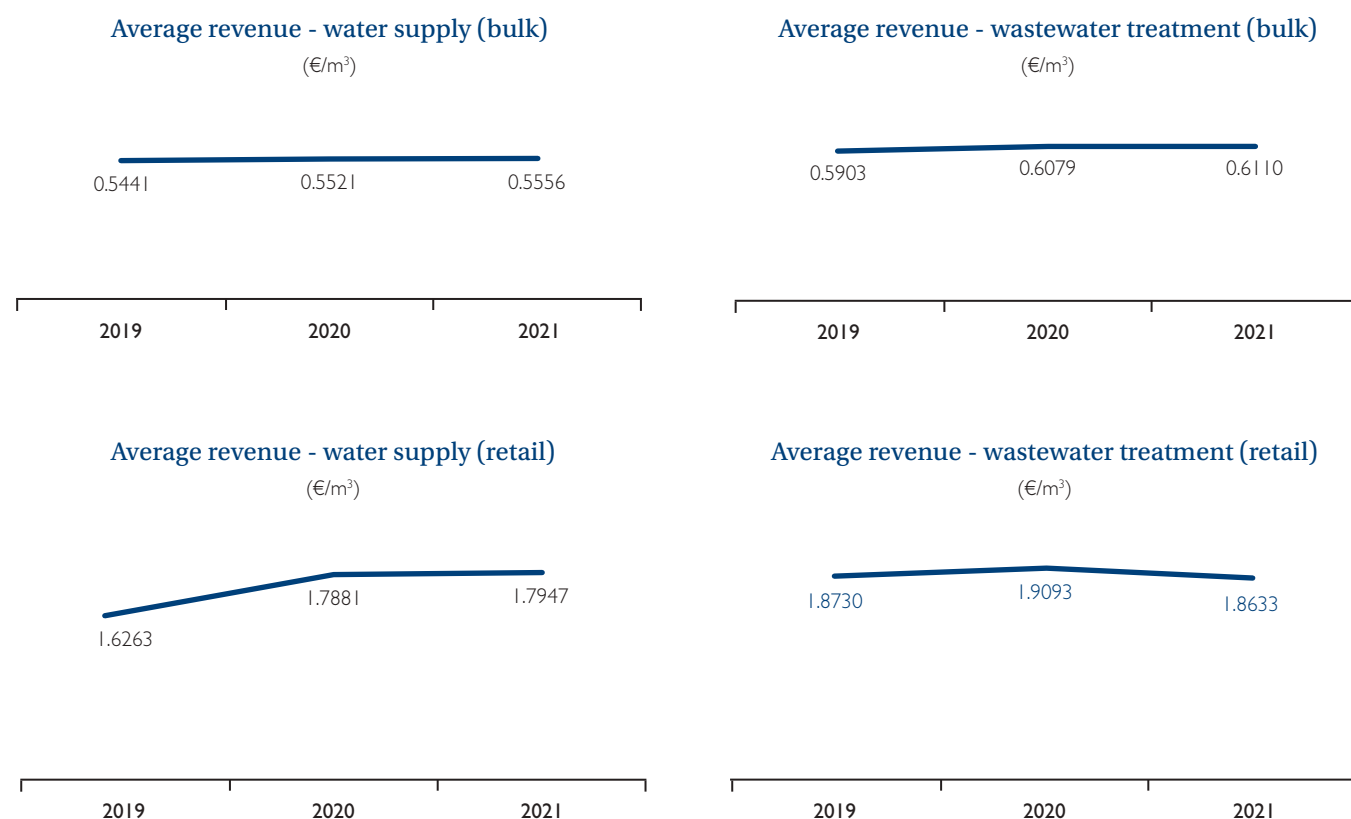
Wastewater billed in 2021

(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 on to 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:

Types of investment	MEUR						
	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.

	2019	2020	MEUR 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)

	2019	2020	MEUR 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.

	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)

	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.

	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)

	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.

	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)

	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.

	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)

	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	2021
€ thousands			
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	2021
€ thousands			
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 Valorizacao de Residuos Pecuarios, 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.dgtf.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.

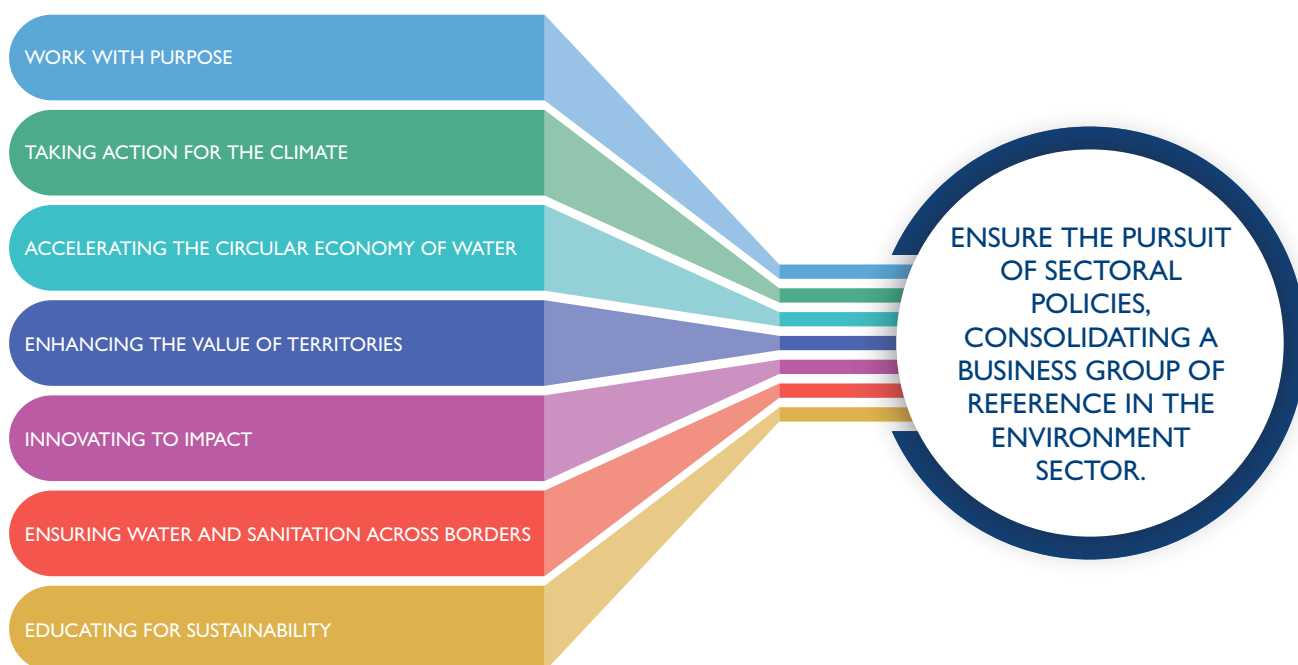
Sustainability Strategy 2022- 2025

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.

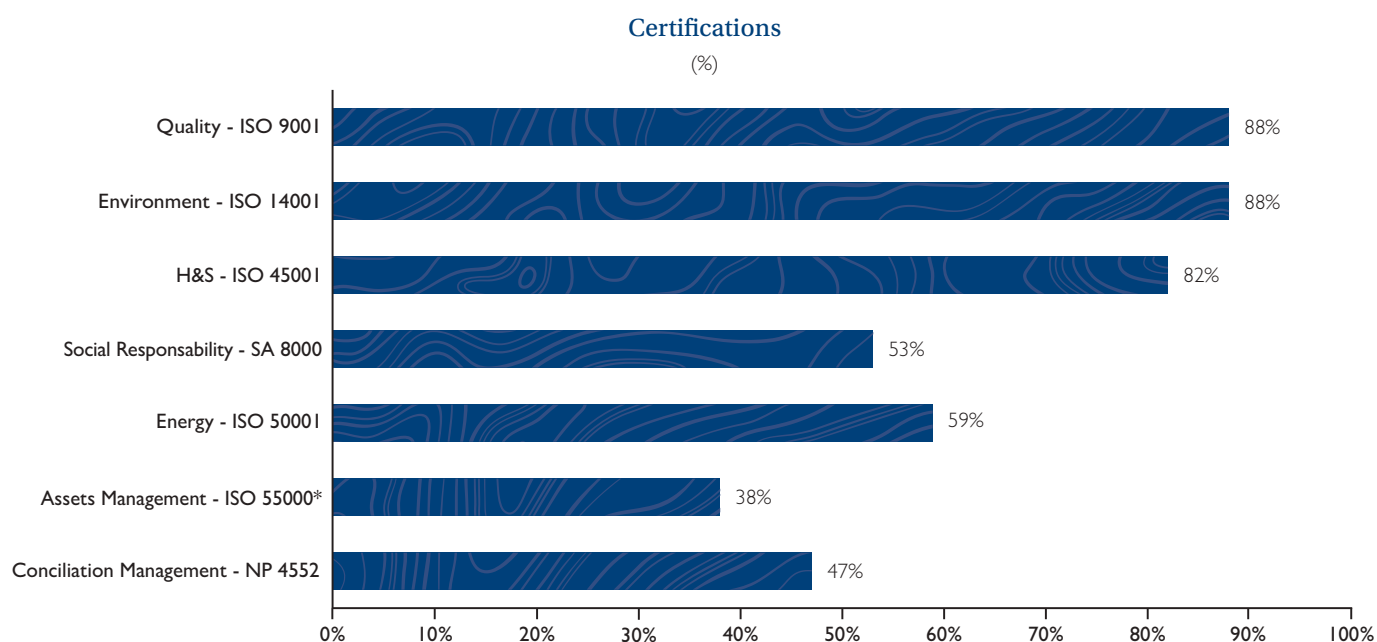
The Águas de Portugal Group, with its experience and accumulated knowledge, has carried out its commitment to provide critical and essential services in an uninterrupted manner with the commitment and spirit of mission of our employees, who are always on the front line ensuring the continuity of operations.

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 - ISO 55000 and 35% in Reconciliation Management - NP 4552:2016.



- 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.

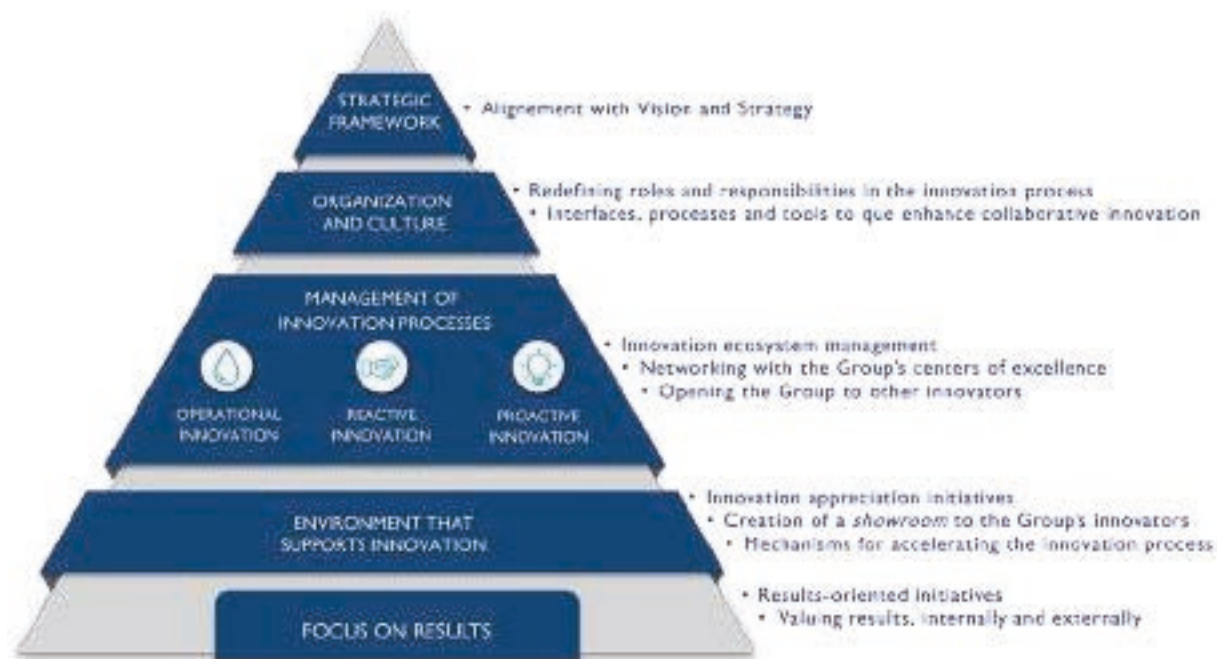


Figure - Summary table of the 360° Innovation strategy

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 O_3/O_2 separation in order to obtain an O_3 -enriched stream, significantly reducing O_2 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.

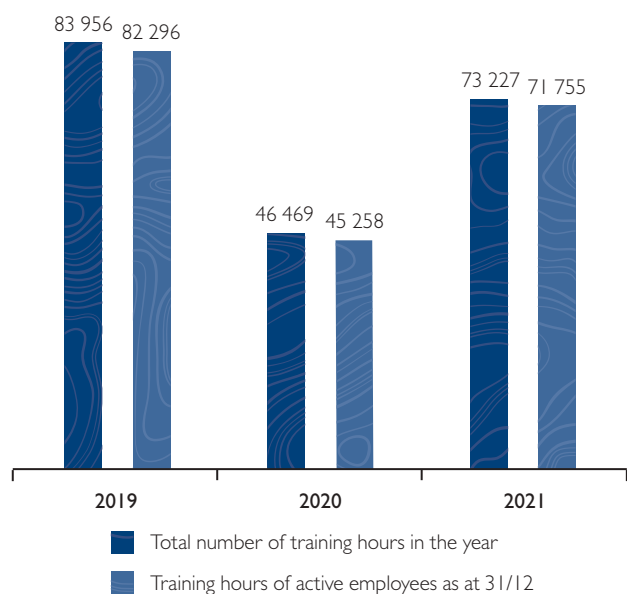
The processes of planning, management and evaluation of training aim to meet the identified training needs and ensure their quality, effectiveness and appropriateness.

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.

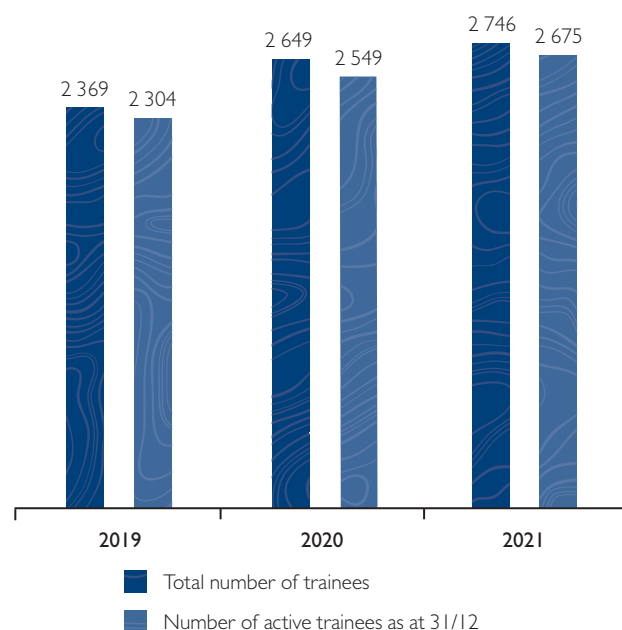
In 2021, we implemented our internal fortnightly webinar model, called AdP T@lks, which were held in a digital format and open to all AdP Group employees. With the aim of inspiring and promoting new ways of thinking and being, we held 22 sessions throughout 2021, with internal and external guests, who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

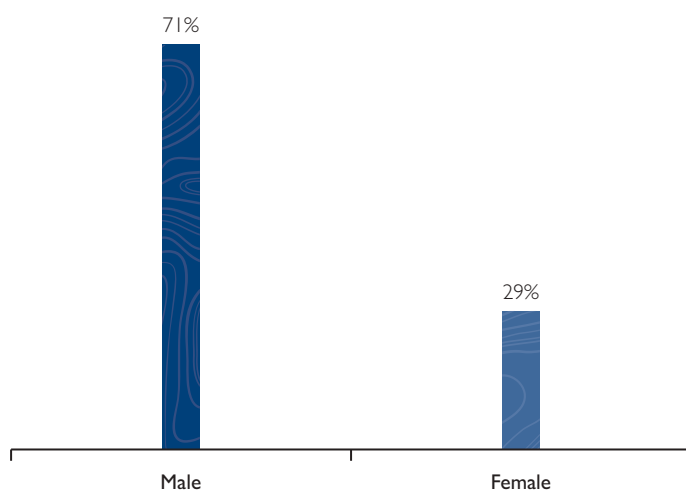
The number of training hours increased significantly, showing a clear recovery from the values recorded in 2020, a year marked by the outbreak of the pandemic situation. This recovery was possible thanks to the great ability to adapt of those involved, training entities and trainees, who easily incorporated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

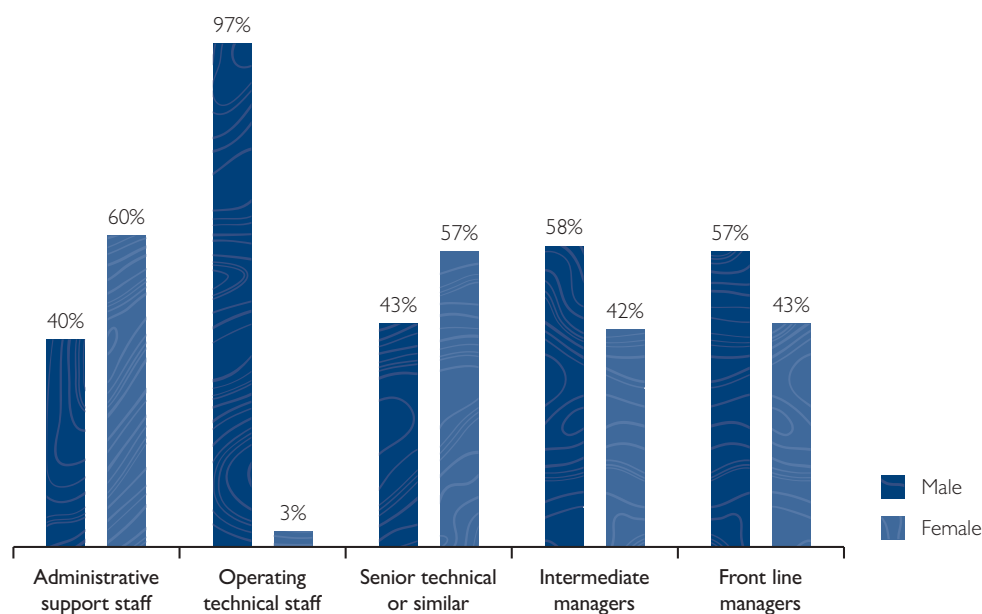
Gender equality

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



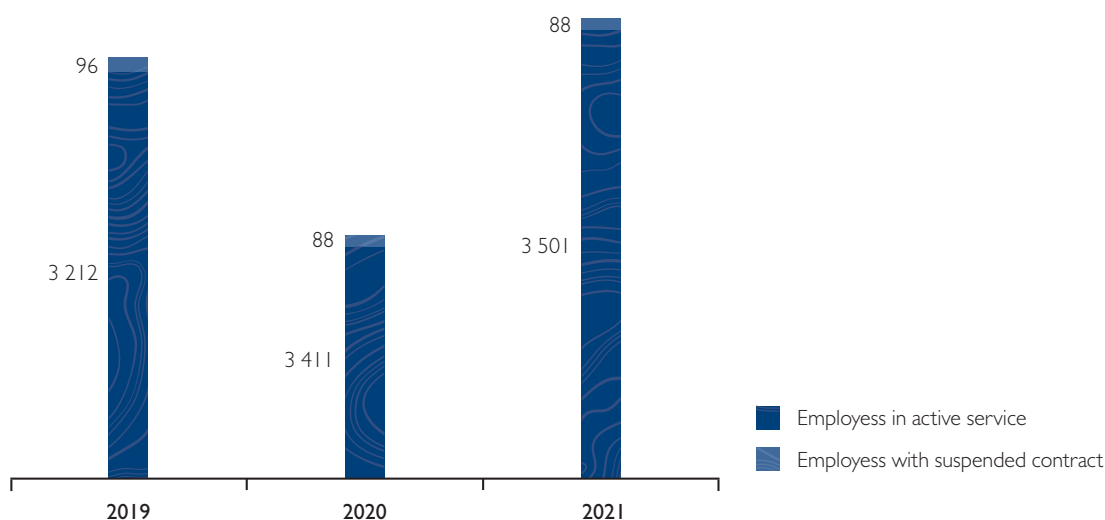
In compliance with paragraph 2 of Council of Ministers Resolution 18/2014 of 7 March and the procedures in place in the AdP Group, AdP SGPS, S.A. promotes, disseminates and publishes online information about the remuneration paid to women and men in its annual sustainability report.

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

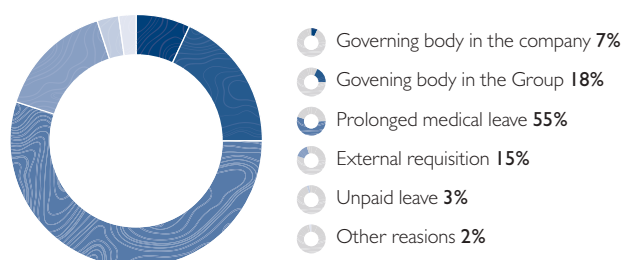
At 31 December 2021, the Group had 3,501 active employees, up 2.6% on the end of 2020. The number of employees on suspended contracts remained at 88.

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.

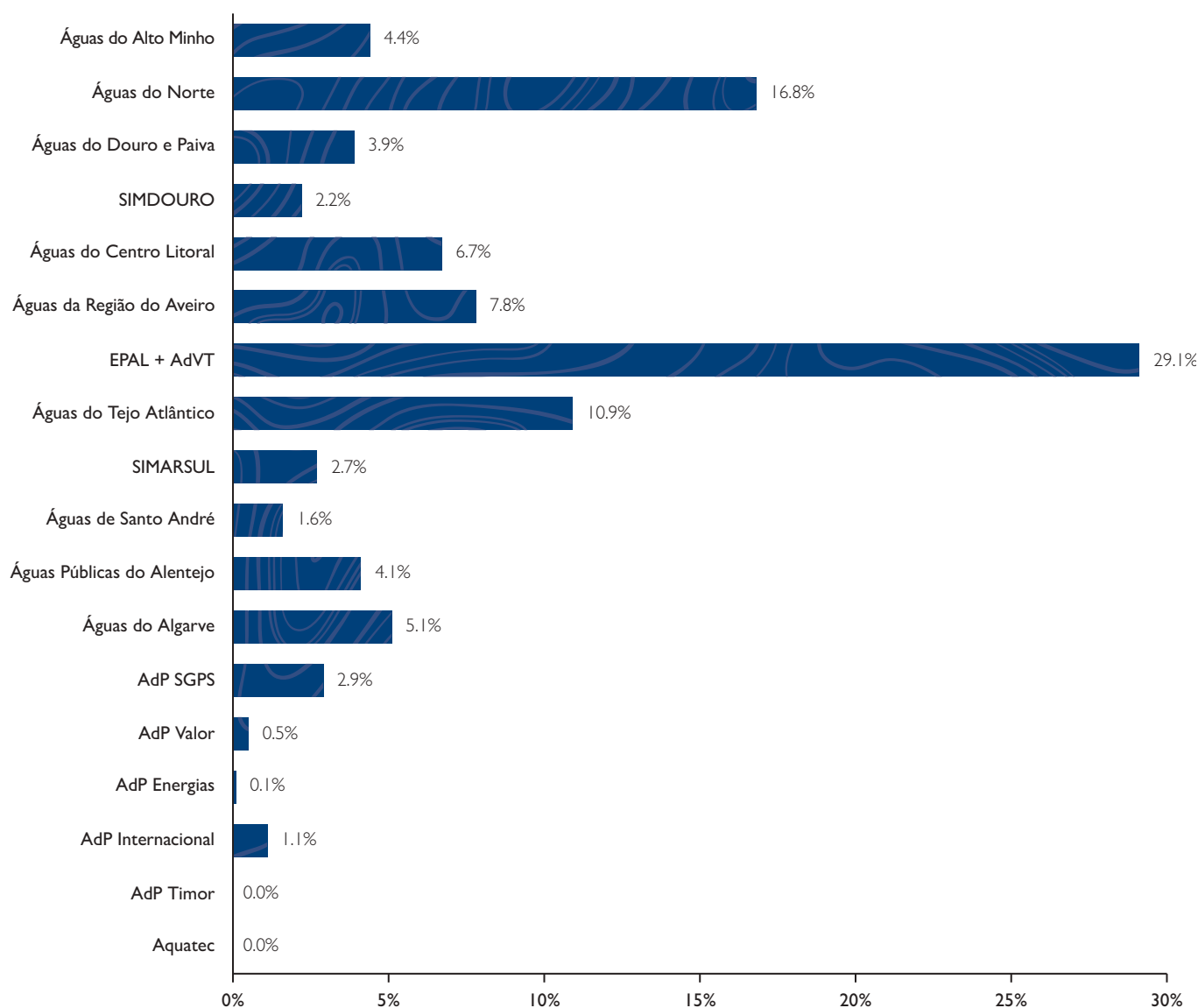
Employees with suspended contracts



Characterisation of the active workers

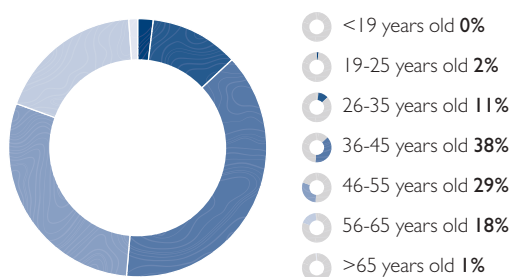
The companies employing the largest number of workers are EPAL (which includes AdVT workers) with 29.1%, Águas do Norte with 17.3% and Águas do Tejo Atlântico with 16.8% and Águas do Tejo Atlântico with 10.9%. The remaining companies concentrate the remaining 43.2% of active workers.

Active employees by company

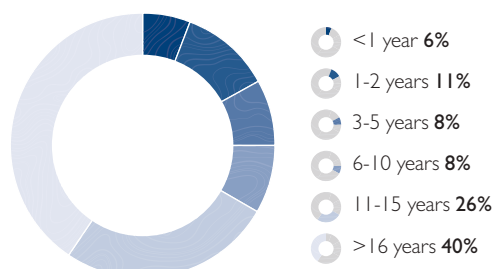


The average age of members of staff is 46, with 38% aged 36-45 and 29% aged 46-55. The active workers aged over 56 total around 19%.

Age distribution



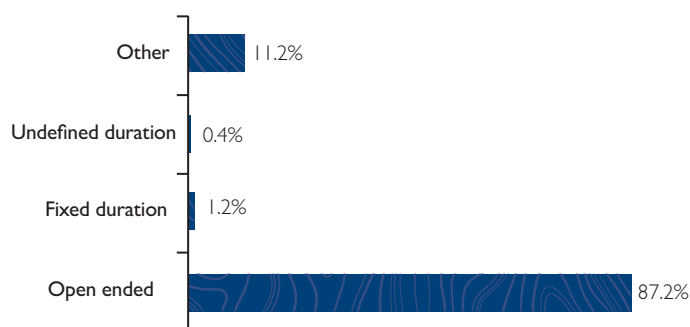
Years worked per active employees



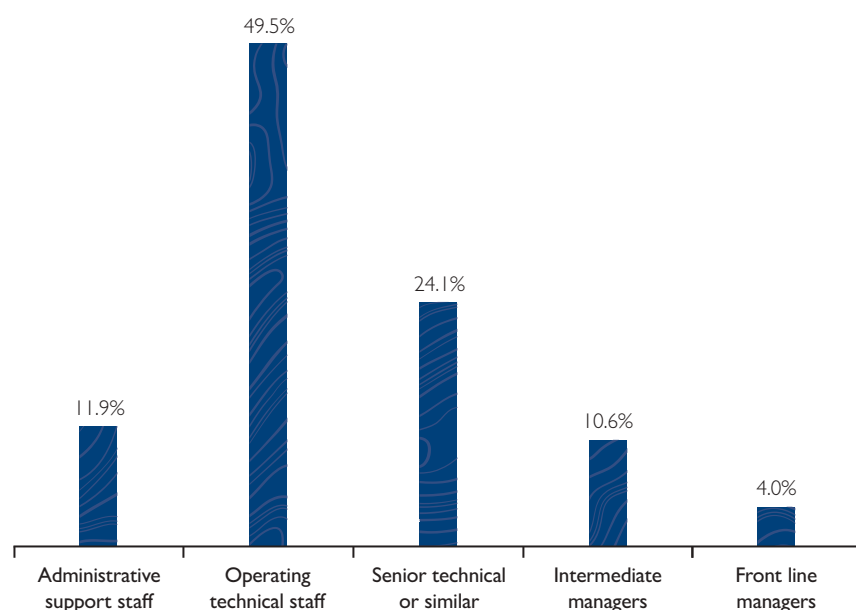
The average length of service of AdP Group employees is 13 years, with 66% having been with the Group for more than 10 years.

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.

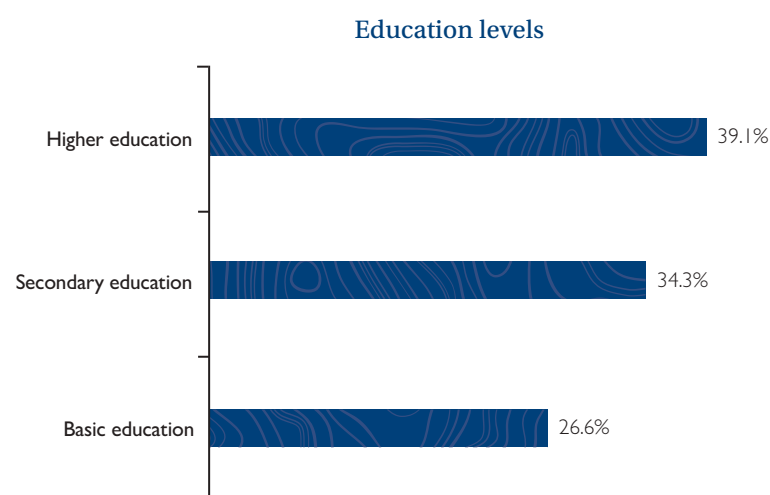
Types of contracts



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



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 SCl 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.

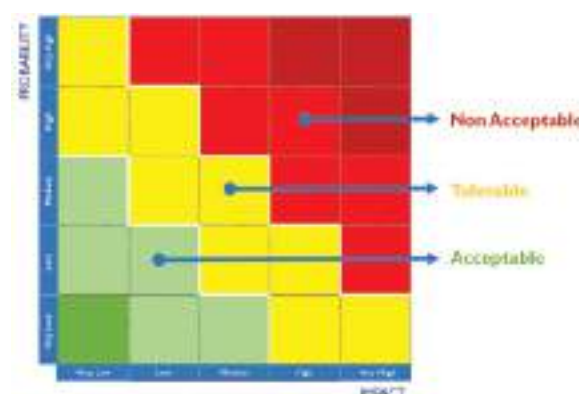
The corporate risk management model currently implemented in the AdP Group, also defined according to the COSO methodology, presents the risks organised according to a structure of defined classes and categories, as set out below:

Classes	Governance	Strategy	Operational	Compliance	Reporting
Categories	Corporate Governance	Environmental	Assets	Compliance	Reporting
	Strategic planning	Context	Financial Management		
		Technological/ Digital	Human Resources		
			Supply Chain		
			Contractual relations		

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 SCl 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)
Client type	Municipalities	Others	Total	Municipalities	State and Public Sector	Others	Total		
Risk	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			
Age of debt	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)

INVESTMENT

155.8
EUR million

up EUR 25.1 million (+19.2%)

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

46 %

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

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.

EBITDA (adjusted)

378.9
million EUR

improvement of EUR 8.4 million (+1.3%)

NET RESULT

83.3
EUR million

up EUR 4.7 million (+6.0%)

BUSINESS TURNOVER

725.2
EUR million

improvement of EUR 9.9 million (+1.4%)

GROSS DEBT

1 707.9
EUR million

Reduction of EUR 85.3 million (-4.8%)

NET DEBT

1 363.4
EUR million

reduction of EUR 150.6 million (-9.9%)

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).

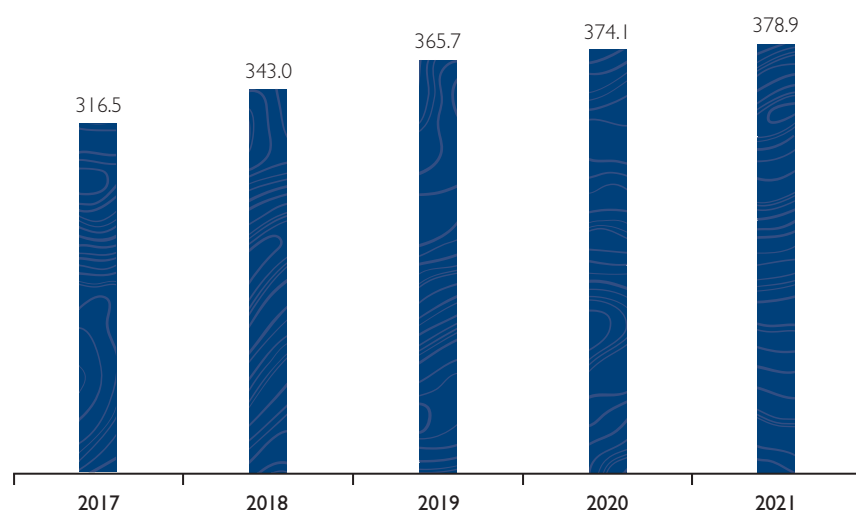
The growth in Net Profit was conditioned by several factors, namely: **i)** reduction in financial expenses, directly related to the decrease in the volume of debt; **ii)** reduction in sales due to the effect of the COVID-19 pandemic, with particular reflection on the results of EPAL and Águas do Douro 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.

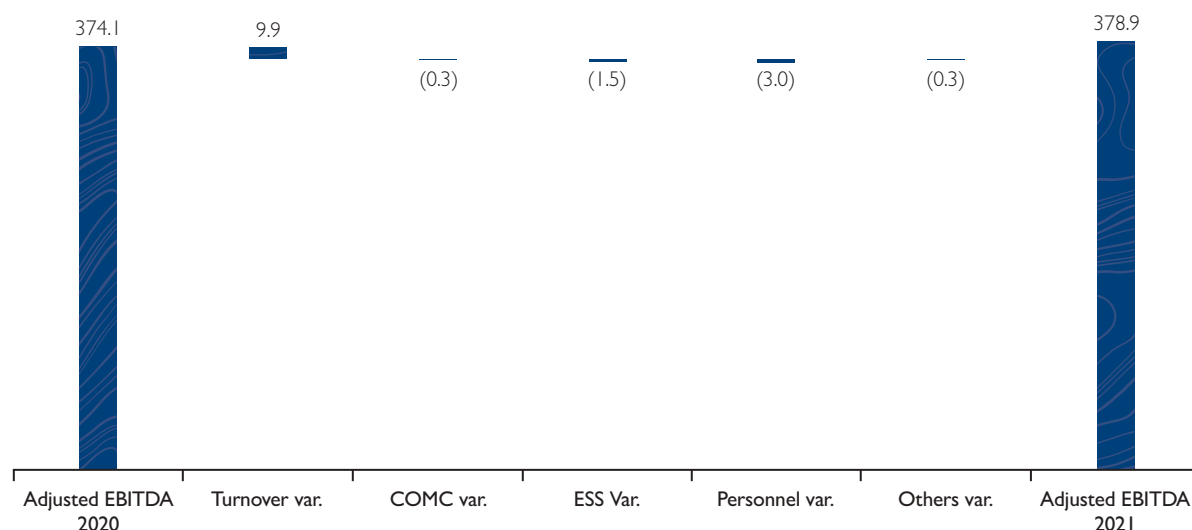
Adjusted EBITDA

(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.

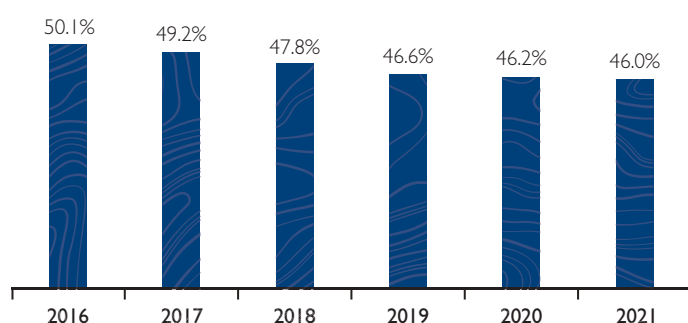
While falling within the scope of the consolidated accounts, in order to comply with the guidelines issued by the DGTF (Directorate General for the Treasury and Finance) for application to companies belonging to the Public Business Sector, the OC/BT ratio should

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).

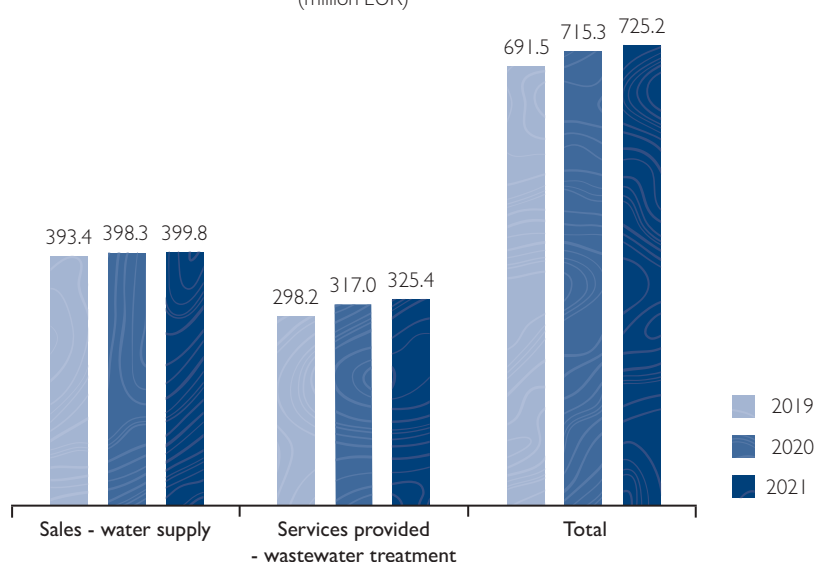
Operation costs/ Turnover



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.

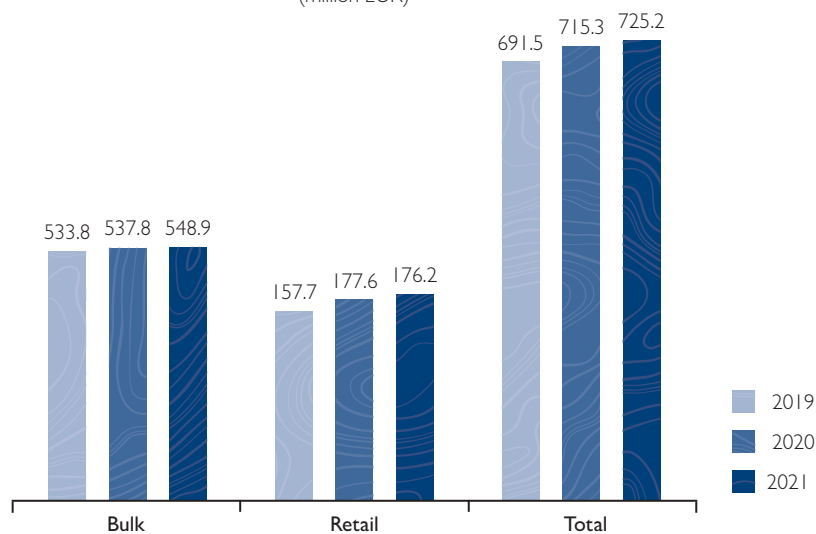
Turnover by business area

(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.

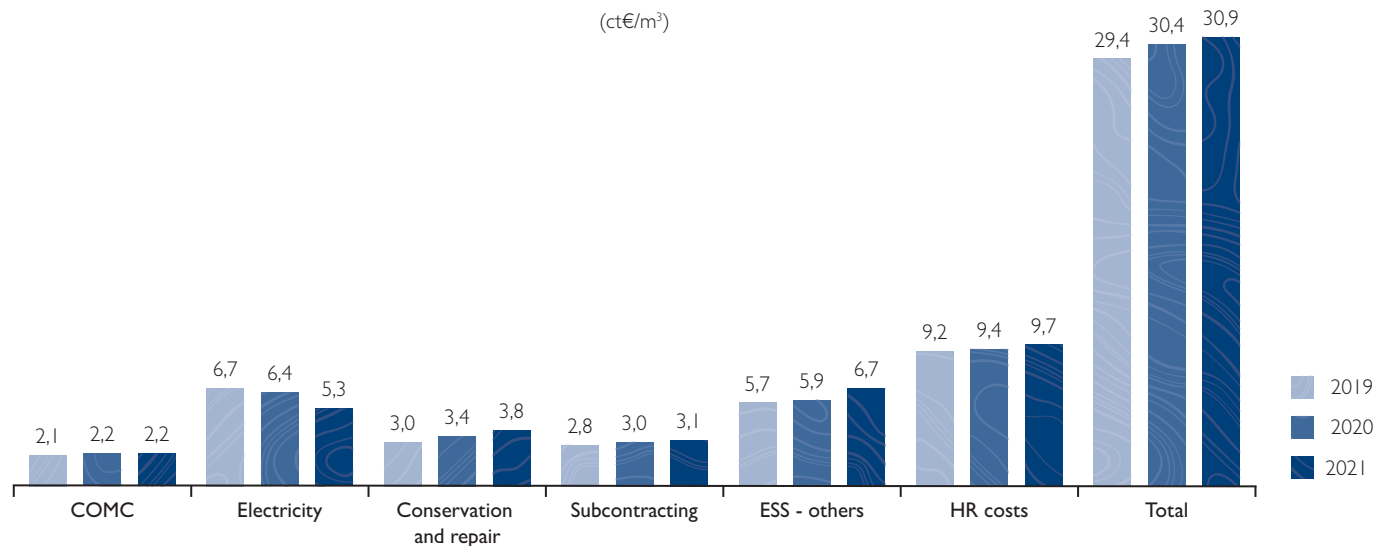
- In the wastewater treatment sector, there was an increase (+2.7%) in the provision of services.

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

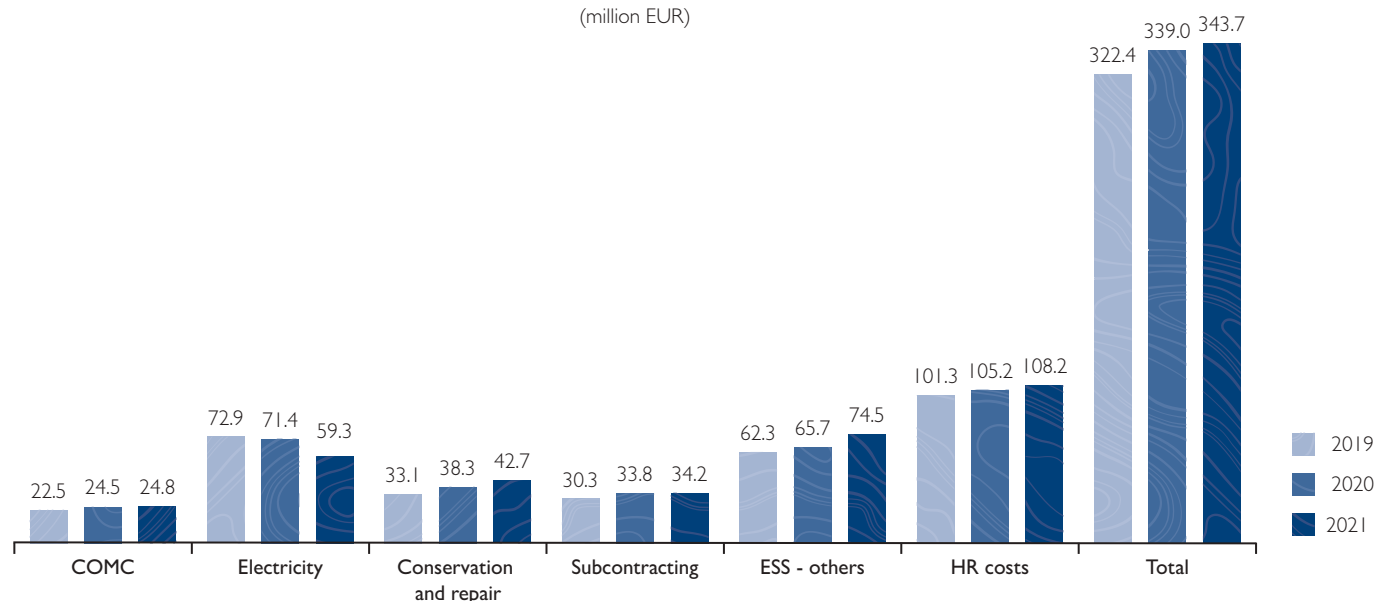
Cash-cost

(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.

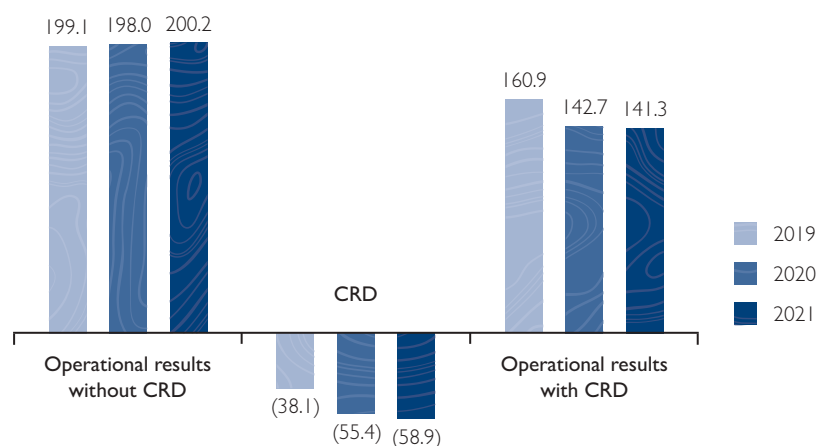
This effort has historically returned efficiency gains. However, in 2021, there is a very substantial reduction in energy costs as a result of the contracting made at the beginning of the year and for the years 2021 and 2022, which enables a very significant reduction in annual costs. As a result, and 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)



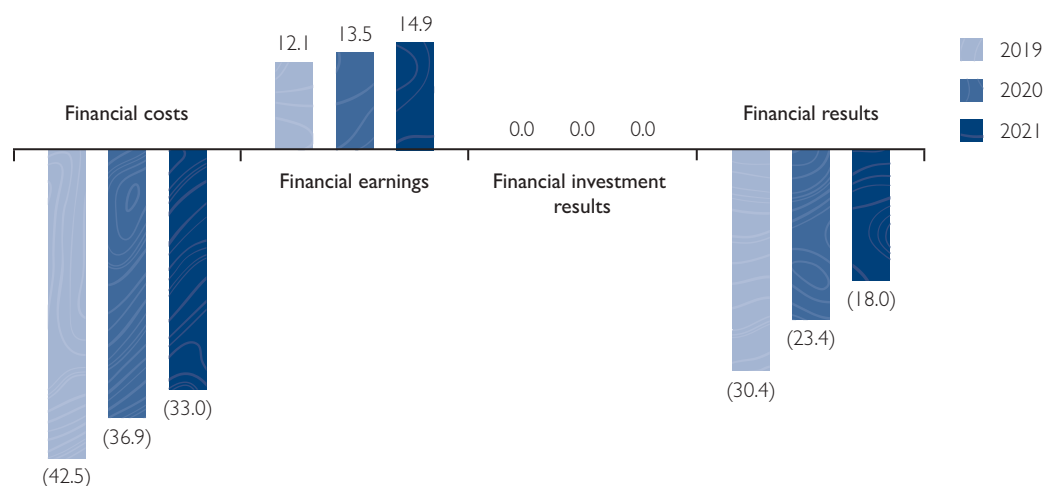
The cost recovery deviation corresponds to the difference between shareholder remuneration for the contractually defined and regulated activities and the net result generated by the respective activities, which in 2021, was a surplus of EUR 58.9 million (only SIMARSUL still did not register surpluses).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

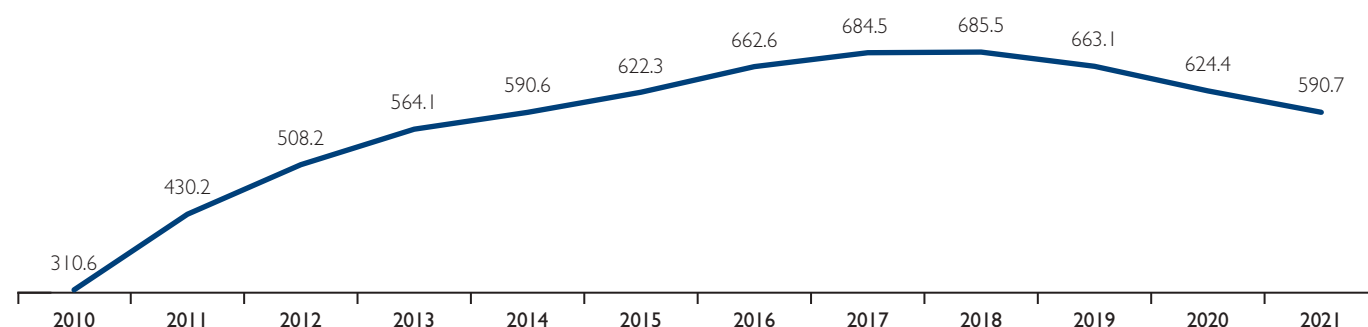
The reduction in tangible assets and intangible assets arises from their continued amortisation during the concession period, which amounted to EUR 237.8 million in the year, which compares with the realised value of the investment, which amounted to EUR 155.8 million). The contractual obligation of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

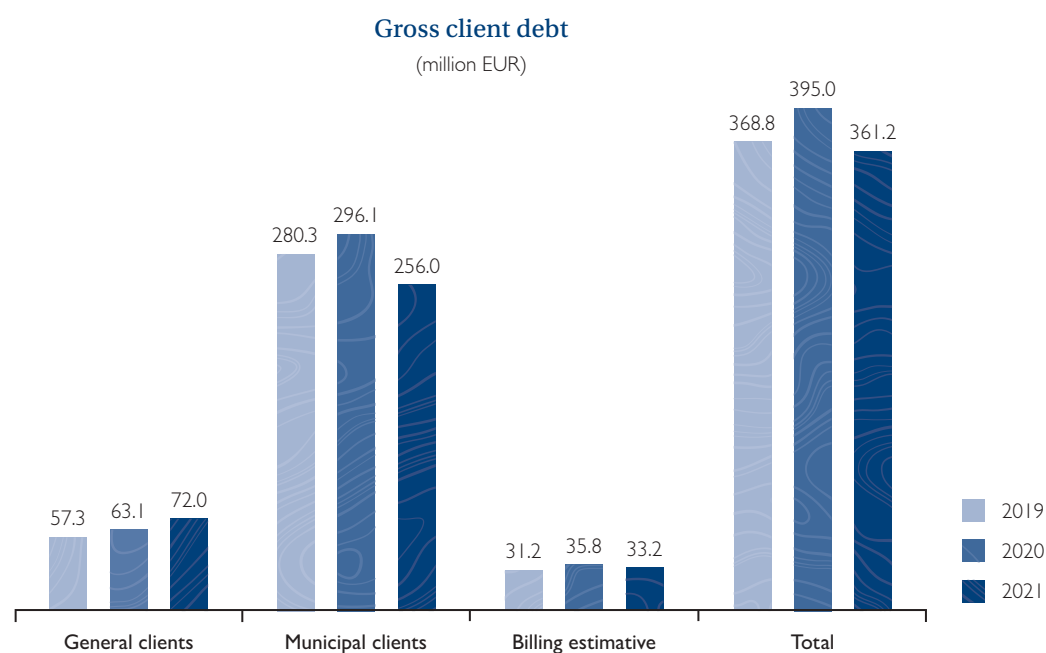
(million EUR)



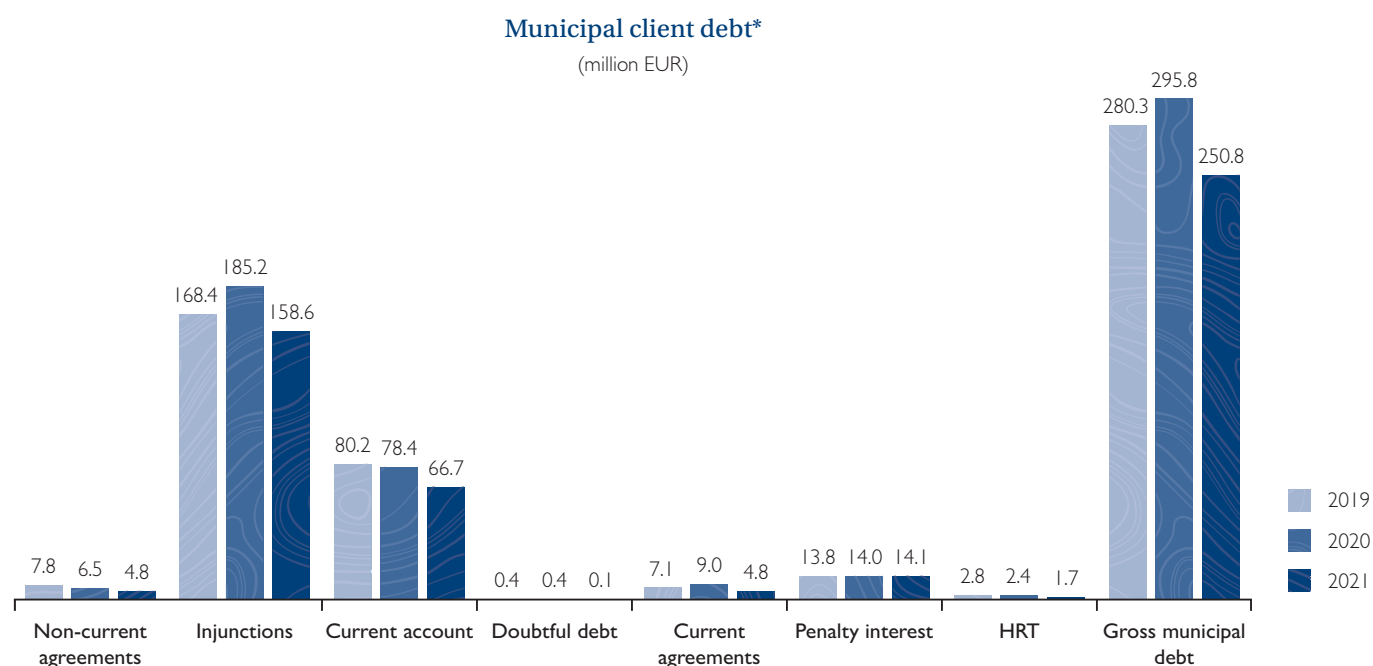
Clients

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:

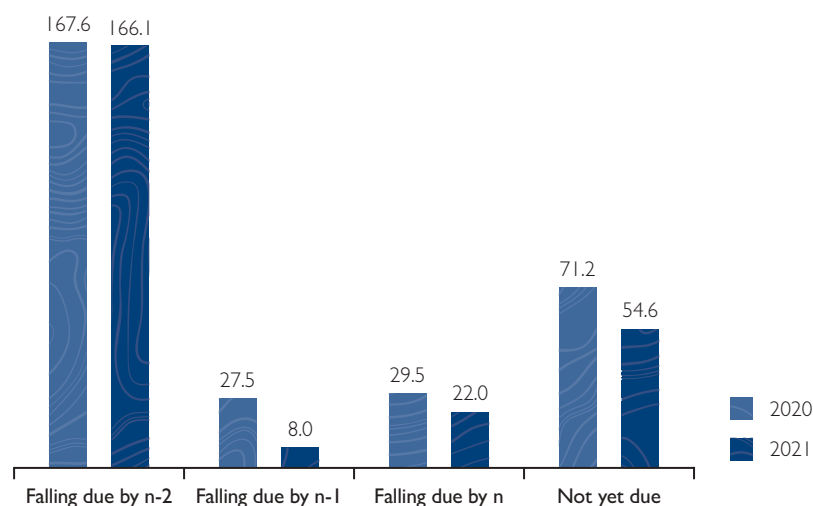


* This does not include the amounts relating to an accrual basis/billing estimate

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.

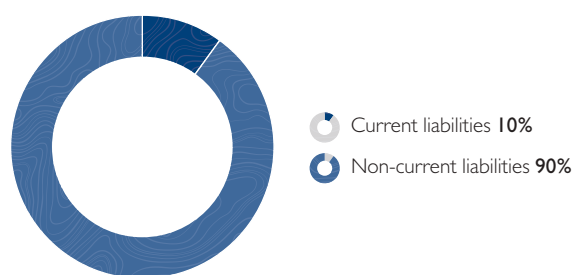
Liabilities

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.

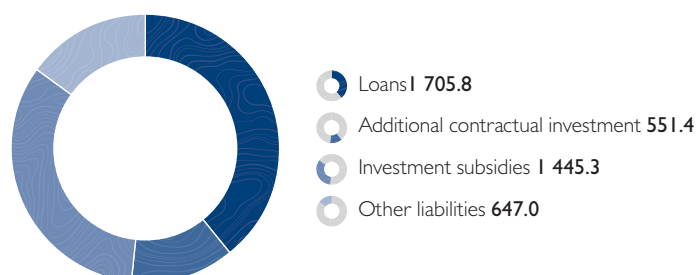
The non-current liabilities, EUR 3 920.6 million, represent 90% of total liabilities and are composed essentially of: **(i)** shareholder bonds (with a total value of EUR 544.3 million) and investments loans contracted from the European Investment Bank (amounting to EUR 1 161.5 million); **(ii)** investment 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



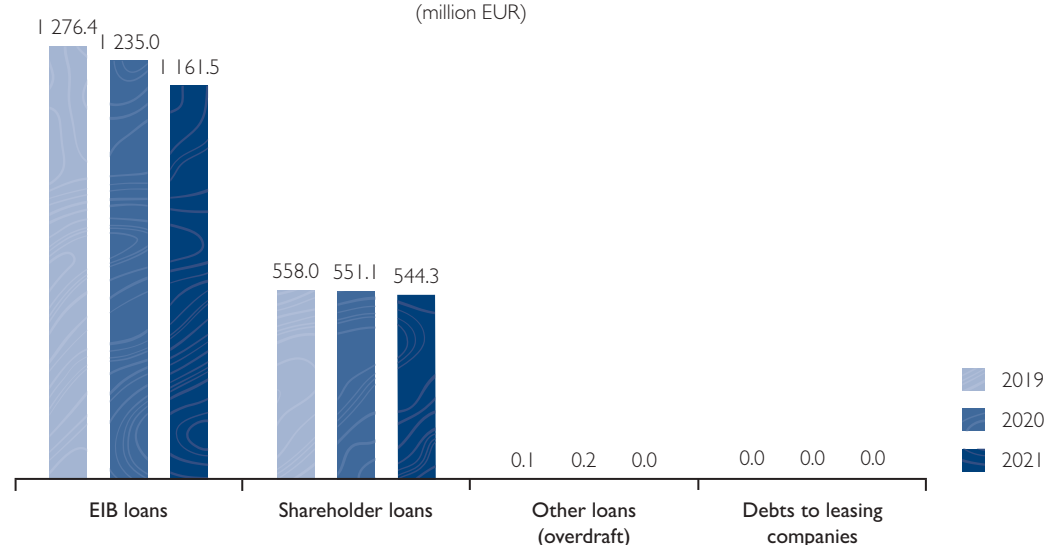
Composition of the liabilities 2021



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)

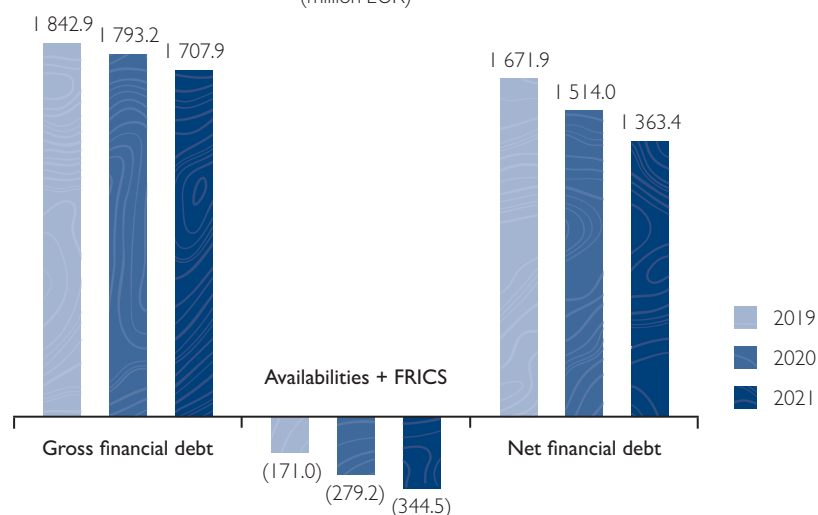


The net financial debt indicator also reflects the Group's continued efforts to reduce it. The items availabilities and financial applications contribute to this indicator which, in 2021, achieved a total value of EUR 344.5 million.

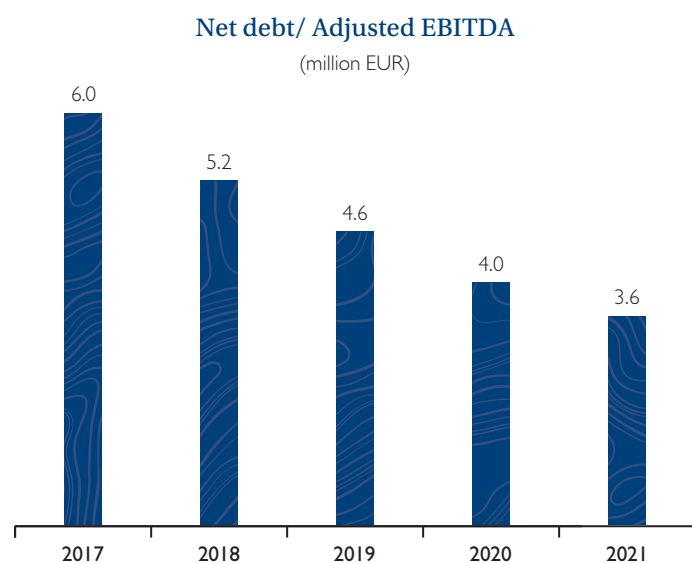
Furthermore, in the context of indebtedness, IFRS 16 was adopted with effect from 1 January 2019, which recognises debts to leasing companies as amounts to be reported under the liability heading "Lease Liabilities".

Financial debt

(million EUR)

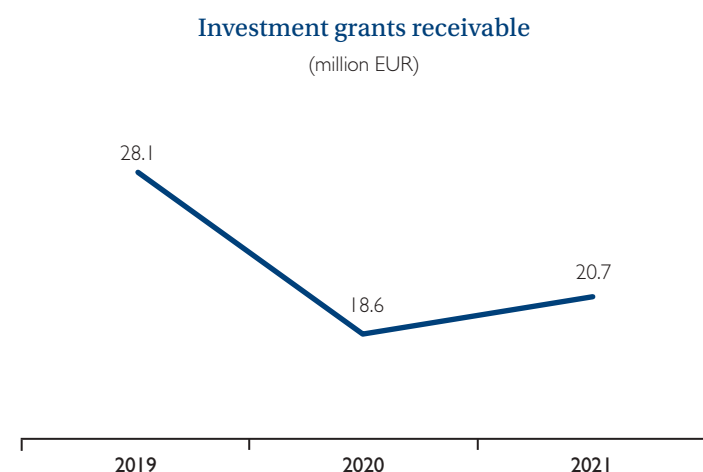


The centralised financial management has focused its activities on Group financial consolidation, and has been continuously and sustainably reducing the ratio of net debt to adjusted EBITDA in consolidated terms. The trend in this indicator is indicative of the Group's growing capacity to generate operating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

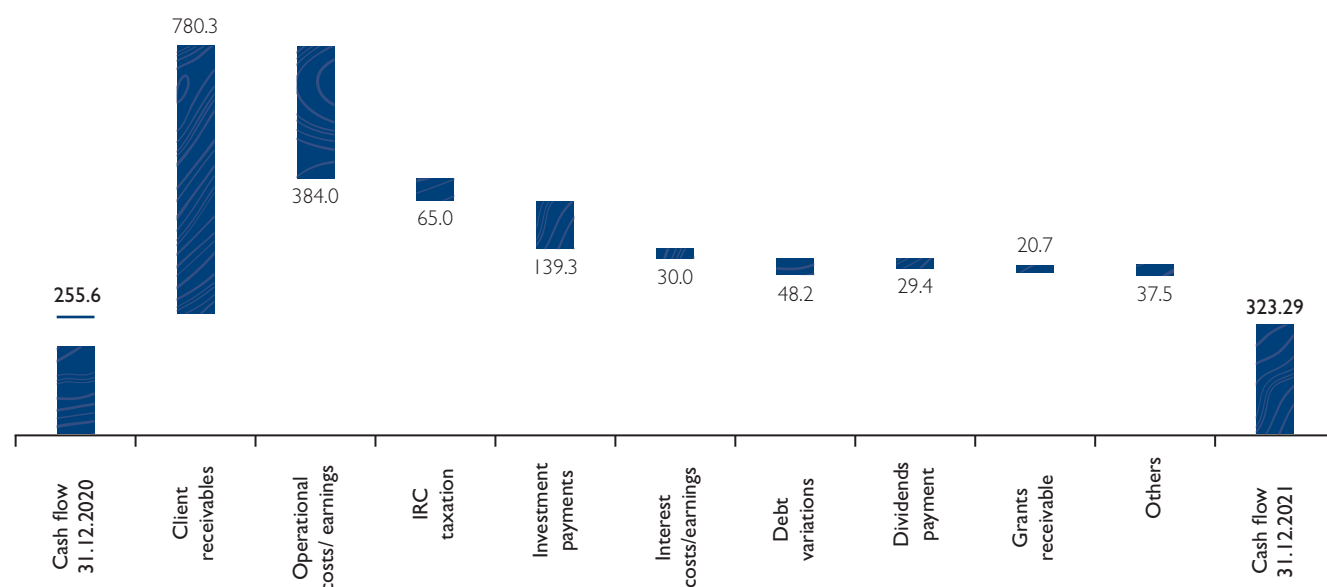
During the 2021 financial year, around EUR 20.7 million were received in non-repayable subsidies. The reduction in comparison with previous years reflects the end of AdP Group works that could be eligible for co-financing. The AdP Group will continue to make all necessary efforts so that its investment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



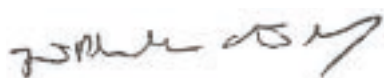
Carla da Conceição Afonso Correia

(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.

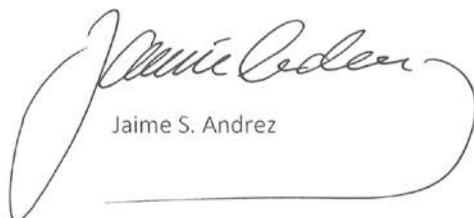
Também o reporte apresentado relativo aos impactos e expetativas sobre a evolução da empresa no contexto de pandemia COVID-19 reflete a melhor informação disponível à data e um esforço grande da empresa, e dos seus órgãos de gestão, na manutenção de uma situação de funcionamento da empresa, tão regular 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	-3,38p.p.	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 accesory 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 accesory and complementary activity authorization request after 03.31.2022 2. Delivery of accesory and complementary activity authorization application until 03.31.2022 3. Delivery of accesory 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 EWE'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	Amounts (€)	
Remunerated financing (current and non-current)	544 318 182	573 136 364		
Social capital / Statutory capital	434 500 000	434 500 000		
New Investments in 2020 (with material expression)				
VARIATION IN DEBT			-2.9%	

	2021	2020	Variation 21/20	
			Valor	%
Gross debt (1)	544 318 182	573 136 364	(28 818 182)	-5.0%
Intragroup loans (2)	0	22 000 000	(22 000 000)	-100.0%
Gross debt without intragroup (1)-(2)	544 318 182	551 136 364	(6 818 182)	-1.2%

Consolidated accounts

Remunerated liabilities	2021	2020	Amounts (€)	
Remunerated financing (current and non-current)	1 707 909 555	1 793 165 197		
Social capital / Statutory capital	0	0		
New Investments in 2020 (with material expression)				
VARIATION IN DEBT			-4.8%	

	2021	2020	Variation 21/20	
			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 Athaide 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 (€)			
		Fuels	Tolls	Total	Observations
José Carlos Athaide 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%
(11) 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. 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.	--	<i>vide note</i>
Company characteristics	N.A.	--	<i>vide note</i>
Governance and shareholder structure	N.A.	--	<i>vide note</i>
Model of governance / Members of the Governing Bodies	N.A.	--	<i>vide note</i>
- Identification of the management bodies	N.A.	--	<i>vide note</i>
- Fixed remunerations statute	N.A.	--	<i>vide note</i>
- Publication of remunerations paid to the management bodies	N.A.	--	<i>vide note</i>
- Identification of the functions and responsibilities of Board of Director members	N.A.	--	<i>vide note</i>
- Presentation of brief CVs of management body members	N.A.	--	<i>vide note</i>
Public financial investment	N.A.	--	<i>vide note</i>
Summary file	N.A.	--	<i>vide note</i>
Historical and current financial information	N.A.	--	<i>vide note</i>
Principles of Good Governance	N.A.	--	<i>vide note</i>
- Internal and external regulations complied with by the Company	N.A.	--	<i>vide note</i>
- Relevant transactions with related entities	N.A.	--	<i>vide note</i>
- Other transactions	N.A.	--	<i>vide note</i>
- Analysing Company sustainability in terms of:	N.A.	--	<i>vide note</i>
Economic	N.A.	--	<i>vide note</i>
Social	N.A.	--	<i>vide note</i>
Environmental	N.A.	--	<i>vide note</i>
- Evaluation of compliance with the Principles of Good Governance	N.A.	--	<i>vide note</i>
- Code of Ethics	N.A.	--	<i>vide note</i>

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
				1 575.00

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	Paying Entity (O/D)	
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)
	Circuito do Estoril	Chair of the Board of Directors	Public	06/08/2020 (DUE)
Jaime Serrão Andrez in rep. of Parpública, SGPS, S.A.	Águas de Portugal, SGPS, S.A.	Non-executive Director of the Board of Directors	Public	04/08/2020 (DUE)
	EPS - Efaced 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.

Annual Remuneration (EUR)

BD Member (name)	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	
				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		Identification of Statutory Auditor Firm / Statutory Auditor			Designação			No. of years in function in the company	years of service in the company
(Begin. - End)	Position	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

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

Producing and publishing an annual report on preventing corruption

Y

https://www.adp.pt/downloads/file6_pt.pdf

See point 10

PUBLIC TENDERING

Application of norms for company public tendering

Y

See point 11

Application of norms for holding company public tendering

Y

See point 11

Contracts submitted for prior validation by the Court of Audit

N.A.

JOINING THE NATIONAL PUBLIC PURCHASING SYSTEM

Operating costs of state-owned enterprises

N

8%

See point 13

Contracting of Studies, Opinions, Projects and Consultancy (Article 49 of DLEO 2019)

Y

See point 13

PRINCIPLE OF TREASURY UNITY (ARTICLE 28 OF DL 133/2013)

Availabilities and applications centralised at IGCP

Y

93.1%

See point 15

Availabilities and applications in Commercial Banking (c)

Y

240 090.80

See point 15

Interest earned on UTE default and delivered as State Revenue

Y

-

See point 15

Auditing by the Court of Audits ^(b)

See point 16

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

Presentation of the non-financial statement

N.A.

See point 18

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The Accounts



Consolidated financial statements

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Consolidated statement of financial position

	note	31.12.2021	31.12.2020
Non-current assets			
Intangible assets	6	3 723 527 668	3 763 653 082
Tangible fixed assets	7	661 913 622	659 001 071
Right-of-use assets	8	15 195 724	34 704 870
Investment properties	9	13 163 816	13 241 854
Financial investments in associated companies	10	47 107	47 107
Other financial assets	11	21 617 202	21 834 325
Deferred tax assets	37	279 776 096	259 543 731
Cost recovery deviation (tariff deficit)	12	590 688 411	624 414 185
Trade receivables	13	9 962 825	6 680 864
Other non-current assets	14	27 001 901	24 244 700
Total non-current assets		5 342 894 372	5 407 365 789
Current assets			
Inventories	15	13 968 355	12 922 162
Financial assets at fair value through other comprehensive income	16	27 598 721	17 551 801
Trade receivables	13	290 374 793	326 835 549
Other current assets	14	121 182 203	115 979 685
Other financial assets	11	560 632	2 177 301
Cash and cash equivalents	17	323 290 474	255 790 943
Total current assets		776 975 178	731 257 440
Total assets		6 119 869 550	6 138 623 229
Own capital			
Share capital	18	434 500 000	434 500 000
Reserves and other adjustments	18	45 505 239	42 712 480
Retained earnings		879 550 002	829 557 871
Net annual result	18	83 284 856	78 552 489
		1 442 840 097	1 385 322 840
Non-controlling interest	18	327 632 836	321 832 916
Total own capital		1 770 472 933	1 707 155 756
Non-current liabilities			
Provisions	19	17 883 834	17 442 438
Accrued expenses for contractual investment	21	551 410 275	526 118 375
Investment subsidies	22	1 445 287 330	1 484 046 405
Loans	23	1 468 847 965	1 705 786 127
Lease liabilities	8	8 861 057	12 629 517
Trade payables and other non-current liabilities	24	92 373 597	91 249 514
Deferred tax liabilities	37	244 125 518	254 449 162
Cost recovery deviation (tariff surplus)	12	91 842 426	66 680 208
Total non-current liabilities		3 920 632 002	4 158 401 746
Current liabilities			
Loans	23	240 487 187	80 579 663
Lease liabilities	8	4 372 249	10 234 039
Trade payables and other current liabilities	24	175 207 743	172 279 816
Income tax for the year	37	8 697 436	9 972 210
Total current liabilities		428 764 615	273 065 737
Total Liabilities		4 349 396 617	4 431 467 473
Total liabilities and own capital		6 119 869 550	6 138 623 229

The Board of Directors

José Carlos Athaíde dos Remédios Furtado (Executive Chair)
 José Manuel Leitão Sardinha (Executive Vice-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)

The Chartered Accountant

Carla Isabel Costa Pinto Ribeiro

Consolidated income statement by type

	note	31.12.2021	31.12.2020
Revenue from contracts with customers	26	725 189 772	715 303 240
Income from concession asset construction (IFRIC 12)	26	122 604 895	107 823 223
Cost recovery deviation (tariff surplus)	12 and 26	(58 887 992)	(55 351 557)
Expenditure on goods and consumables	27	(24 800 086)	(24 472 547)
Costs of construction of concession assets (IFRIC 12)	27	(122 604 895)	(107 823 223)
Supplies and external services	28	(210 775 446)	(209 302 663)
Personnel costs	29	(108 153 508)	(105 198 055)
Financial year amortisations, depreciations and reversals	30	(237 825 284)	(234 851 210)
Financial year provisions and reversals	31	646 745	(992 779)
Financial year impairment losses and reversals	32	(6 545 753)	(4 011 776)
Investment subsidies	22	64 998 721	63 783 190
Other operating expenses and losses	33	(16 446 252)	(11 809 112)
Other operating income and gains	34	13 917 616	9 588 762
Operating income		141 318 533	142 685 493
Financial costs	35	(32 983 474)	(36 916 837)
Financial income	36	14 940 253	13 539 180
Financial results		(18 043 221)	(23 377 657)
Profit before tax		123 275 312	119 307 836
Tax for the year	37	(64 079 570)	(64 520 412)
Deferred tax	37	31 366 080	30 663 565
Net annual result		90 561 822	85 450 989
Net profit allocable to AdP SGPS shareholders		83 284 856	78 552 489
Net profit allocable to non-controlling interests	18	7 276 966	6 898 500
		90 561 822	85 450 989
Earnings per share (basic and diluted)	18	0.96	0.90

The Board of Directors

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 José Manuel Leitão Sardinha (Executive Vice-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)

The Chartered Accountant

Carla Isabel Costa Pinto Ribeiro

Consolidated statement of comprehensive income

	note	31.12.2021	31.12.2020
Net annual result		90 561 822	85 450 989
Foreign exchange gains/losses	18.5	(235 527)	329 793
Fair value of hedging instruments	35	-	350 431
Gains/losses to be reclassified through profit or loss		(235 527)	680 224
Remuneration of post-employment benefit liabilities	20.3	1 967 928	180 030
Gains/losses to be reclassified through profit or loss		1 967 928	180 030
Comprehensive income		92 294 223	86 311 243
Comprehensive income allocable to AdP SGPS shareholders		85 017 257	79 412 743
Comprehensive income allocable to non-controlling interests		7 276 966	6 898 500
		92 294 223	86 311 243
			-
Average number of shares		86 900 000	86 900 000
Earnings per share (basic and diluted)		0.98	0.91

The Board of Directors

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Consolidated statement of changes in own capital

	Share capital	Foreign exchange reserve	Legal reserve	Reserves- Fair value of financing negative hedging	Other reserves	Retained earnings	Annual result	Total	Non-controlling interest	Total own capital
Balance as at 12.2019	434 500 000	770 859	35 922 364	(350 431)	2 431 884	777 010 089	83 116 158	1 333 400 923	316 561 908	1 649 962 831
Appropriation of results for 2019			3 257 580			79 858 578	(83 116 158)	-	-	-
Dividend paid						(27 500 000)		(27 500 000)	(2 778 228)	(30 278 228)
Paid-in capital - Águas do Alto Minho, S.A.								-	352 800	352 800
Paid-in capital - Águas do Norte, S.A.									195 488	195 488
Paid-in capital - AgdA - Águas Públicas do Alentejo, S.A.									593 635	593 635
Previous year result (Águas do Alto Minho, S.A.)						9 174		9 174	8 813	17 987
Comprehensive income		329 793		350 431		180 030		860 254	-	860 254
Net profit in December 2020							78 552 489	78 552 489	6 898 500	85 450 989
Balance as at 12.2020	434 500 000	1 100 652	39 179 944	-	2 431 884	829 557 871	78 552 489	1 385 322 840	321 832 916	1 707 155 756
Appropriation of results for 2020			3 028 286			75 524 203	(78 552 489)	-	-	-
Dividend paid						(27 500 000)		(27 500 000)	(2 359 046)	(29 859 046)
Paid-in capital (Águas do Alto Minho, S.A.)								-	882 000	882 000
Comprehensive income		(235 527)		-		1 967 928		1 732 401	-	1 732 401
Net profit in December 2021							83 284 856	83 284 856	7 276 966	90 561 822
Balance as at 12.2021	434 500 000	865 125	42 208 230	-	2 431 884	879 550 002	83 284 856	1 442 840 097	327 632 836	1 770 472 933

The Board of Directors

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Consolidated cash flow statement

	note	31.12.2021	31.12.2020
Operating activities			
Flows generated by operations			
Trade receivables		780 302 861	786 531 312
Trade payables		(280 840 046)	(287 259 068)
Payments to personnel		(115 420 987)	(109 673 880)
Flows generated by operations		384 041 828	389 598 364
Other operating flows			
Corporate income tax (Payable)/ Receivable		(65 006 048)	(66 239 227)
Other receiv/(pay) of operating act.		10 762 684	10 746 169
Other operating flows		(54 243 364)	(55 493 058)
Total operating activities (1)		329 798 464	334 105 306
Investment activities			
Receivables from:			
Financial assets		2 288 384	9 449 390
Tangible fixed assets		2 941	-
Intangible assets		51 540	179 414
Investment subsidies		20 690 139	18 617 784
Interest and similar income		1 399 274	2 210 141
Dividends			
Sub-total		24 432 278	30 456 729
Payments for:			
Financial assets		(150 500)	-
Tangible fixed assets		(15 015 377)	(9 500 211)
Intangible assets		(124 135 163)	(114 359 222)
Sub-total		(139 301 040)	(123 859 433)
Total Investment activities (2)		(114 868 762)	(93 402 704)
Financing activities			
Receivables from:			
Loans obtained	23	-	30 000 000
Paid-in capital, additional capital contributions		882 001	1 141 923
Other financing operations		853	
Sub-total		882 854	31 141 923
Payments for:			
Loans obtained	23	(80 347 368)	(78 182 933)
Leasing capital		(6 935 613)	(7 184 105)
Interest and similar expenses		(31 403 852)	(36 975 114)
Dividends		(29 393 714)	(32 025 311)
Sub-total		(148 080 547)	(154 367 463)
Total financing activities (3)		(147 197 693)	(123 225 540)
Changes in cash and cash equivalents (1 + 2 + 3)		67 732 009	117 477 062
Effects of exchange rate differences			101
Cash and cash equivalents at the start of the period	17.2	255 558 465	138 081 302
Cash and cash equivalents at the end of the period	17.2	323 290 474	255 558 465

The Board of Directors

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Notes to the consolidated financial statements

1. General information

1.1 Company Identification

AdP - Águas de Portugal, SGPS, S.A. (hereinafter also referred to as AdP, or the Group), with its head office at Rua Visconde Seabra, no. 3, in Lisbon, was incorporated on September 29, 1993, with its main activity as the management of shareholdings in companies that provide public drinking water supply and urban wastewater sanitation services.

The following are AdP shareholders:

Shareholders on 31 December 2021	% Capital	Subscribed amount	No of shares	Type of shares
Parpública, SGPS, S.A.	81%	351 945 000	70 389 000	Nominativas
Caixa Geral de Depósitos, S.A.	19%	82 555 000	16 511 000	Nominativas
	100%	434 500 000	86 900 000	

AdP was entrusted with developing multi-municipal systems for the abstraction, treatment and distribution of water for public consumption in Portugal and for the collection, treatment and disposal of urban wastewaters. In 1998, the company's mission was expanded, beginning a process of diversifying its business segments and geographies, extending its intervention to water distribution systems and effluent collection directly from the populations served in both domestic and international markets.

1.2 Economic activities

AdP was incorporated 28 years ago and entrusted with developing multi-municipal systems for the abstraction, treatment and distribution of water for public consumption in Portugal and for the collection, treatment and disposal of urban wastewaters. In 1996, the company's mission took on greater breadth, extending its area of intervention to the segments of water distribution systems and effluent collection directly from the populations served.

The prevailing business is based on three management models:

- (i) delegated or concessionary management for the state-owned systems (respectively, EPAL and Águas de Santo André);
- (ii) concession for multi-municipal systems, consisting of the State and municipalities (Águas do Norte, Águas do Douro e Paiva, Simdouro, Águas do Vale do Tejo, Águas do Centro Litoral, Águas do Tejo Atlântico, Simarsul and Águas do Algarve); and
- (iii) the management of systems established in partnerships between the state and municipalities (Águas do Noroeste - which was integrated in Águas do Norte, Águas da Região de Aveiro, Águas Públicas do Alentejo and Águas do Alto Minho).

1.2.1 Regulated activities (licensed, in partnership and delegated)

The standard concession agreement created for multi-municipal systems applies the following features:

- (i) the infrastructure and equipment of the concession are constructed or acquired by the concession holding company;
- (ii) these acquisitions/ constructions are partially funded by non-repayable grants from the European Union and long-term loans from the European Investment Bank;
- (iii) the sale prices (tariffs) charged are set by the concession Grantor, endorsed by the regulatory authority (ERSAR) and include a return on the invested capital component, corresponding to an index (Treasury Bill issues) plus three percentage points as a risk premium. The AdP Group has ensured its remuneration through rebalancing clauses in concession and partnership contracts. These concessions and partnerships generally have a duration of 30 to 50 years.

The MMSs (multi-municipal systems) management companies operate in a regulated sector and are subject to the intervention of ERSAR (Law 10/2014 of 6 March, which approves the new statutes of ERSAR, within the framework of the new attributes for regulating entities stipulated by Law 67/2013 of 28 August). The main regulatory effects on company activities involve scrutiny by the Regulator of the tariff charged for the services provided to users and its annual budgeted amount. With the amendment to the ERSAR stated by Law 10/2014, of 6 March, the tariffs charged for services provided to users are now approved by the Regulator, having ceased to be subject to any intervention by the Grantor. Following the change in the ERSAR statutes enacted by Law 10/2014, of 6 March, and by article 428 of Law no. 75-B/2020, of 31 December, the powers of the Regulatory Entity as regards tariffs are now exercised by the Grantor.

Via the concession contract, the Regulator now has the power to approve the amount of the cost recovery deviation that Águas do Norte (bulk activities), Águas do Centro Litoral, Águas do Vale do Tejo, Águas do Tejo Atlântico, SIMARSUL, Águas do Douro e Paiva, SIMDOURO and Águas do Algarve can record in their annual accounts. This endows the Regulator with the power to determine the costs recoverable by means of tariffs.

The MMS management companies are also subject to intervention by the Regulator on matters of quality of service, measured by a set of annually assessed indicators and with issues relating to drinking water quality falling under the auspices of ERSAR as the national drinking water authority.

Water – production and purification – bulk licenses and partnerships

The companies in this segment either operate exclusive concessions granted by the state for the provision of water supply and wastewater sanitation services or they participate in a state-local government partnership to deliver the same type of service. These concession agreements are characterised by the high levels of investment made by the concession holder. Funding is obtained through EU funds, bank loans, own capital and the resources generated by business operations. The majority of the municipalities to which the company provides services are also its shareholders. The service provided is paid for through the tariff established by the regulating entity (ERSAR) and billed to the municipalities served by each of the concessions. One of the features of the concession agreement is the guaranteed return on invested capital.

The partnership agreements signed by the state and local government to which the services are delivered are characterised by the high levels of investment made by the concession holder. Funding is obtained through EU funds, bank loans, own capital and the resources generated by business operations. The municipalities to which the company provides services are also its shareholders. The service is paid for through the tariff established by the partnership committee.

Water – distribution and collection – retail partnerships

The companies in this segment are the result of a partnership agreement between the state and the municipalities whose areas are covered by the agreement. The municipalities delegate responsibility for managing the integrated system to the state in this agreement. The integrated system results from the aggregation of the individual systems, including infrastructures and resources in accordance with the adopted technical solutions. Thus, the partnership has exclusive rights to drinking water distribution and, when applicable, the abstraction and treatment of water for this purpose, and to the collection of urban wastewaters and, when applicable, its treatment and disposal, in the areas covered by the system. It also includes the construction, renewal, repair, maintenance and improvement of the infrastructure, equipment and facilities that make up the partnership, primarily funded by loans, grants and own capital. The partnership is obliged to pay rent to the municipalities, which is indexed to business turnover. The service provided is paid for through the tariff established and billed to the customers (those residing in the municipality) of each partnership. One of the features of the partnership agreement is to guarantee the return on invested capital and its infrastructures.

EPAL

EPAL is responsible for the abstraction, transport, treatment and distribution of drinking water within the scope of securing the provision of a quality service while respecting essential social and environmental criteria. This spans distribution to the city of Lisbon (retail distribution) and bulk supply to 23 municipalities in the Greater Lisbon region. EPAL operates according to a delegated management mandate, embodied in Decree-Law 230/91 of 21 June, which approves its articles of association. The mandate stipulates no time limitation, investment obligation or return on investment clauses. The tariffs are regulated administratively and duly established by Decree Law.

In summary, the AdP Group is the operator of the following Concessions and Partnerships:

Water and wastewater treatment	Concession/ Partnership	Term	Period	Shareholder remuneration	Shareholder remuneration
				Remuneration – rate	Basis of incidence ⁽¹⁾
Águas do Algarve	Concession	30 years	2019-2048	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Alto Minho ⁽²⁾	Partnership	30 years	2019-2048	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Norte	Concession	30 years	2015-2045	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Norte	Partnership	50 years	2015-2064	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Douro e Paiva ⁽³⁾	Concession	20 years	2017-2036	OT 10 years + 3%	Share Capital+ Legal Res.
SIMDOURO	Concession	50 years	2017-2066	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Centro Litoral	Concession	30 years	2015-2045	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Vale do Tejo	Concession	30 years	2015-2045	OT 10 years + 3%	Share Capital+ Legal Res.
Águas da Região de Aveiro	Partnership	50 years	2009-2059	OT 10 years + 3%	Share Capital+ Legal Res.
Águas de Santo André	Concession	30 years	2001-2030	OT 10 years + 3%	Share Capital+ Legal Res.
Águas Públicas do Alentejo	Partnership	50 years	2009-2059	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Tejo Atlântico	Concession	30 years	2017-2046	OT 10 years+ 3%	Share Capital+ Legal Res.
SIMARSUL	Concession	30 years	2017-2046	OT 10 years + 3%	Share Capital+ Legal Res.

(1) The remuneration OT 10 years + 3% levied on the share capital. In addition, the outstanding dividends are remunerated in the same way as the 10-year OT.

(2) Partnership and Management Contract signed in 2019 (11 July and 22 June respectively). Activity starting in 2020.

(3) According to paragraph 2 of Clause 5 of the Concession Contract, the concession term may be extended for a further period of 10 years.

1.2.2 Non-regulated activities

International

This seeks to develop international business segments and comprises of operations undertaken abroad. This currently spans technical assistance agreements in Angola, Cape Verde, East Timor, Guinea Bissau, Mozambique and Sao Tome and Principe.

Corporate services

These are the shared services provided both by the holding company AdP SGPS and by AdP Serviços and AdP Energias in order to optimise resources and achieve synergies throughout the Group.

1.3 Approval of financial statements

These consolidated financial statements were approved and authorised for publication by the Board of Directors on 26 April 2022. It is the opinion of the Board of Directors that they reliably reflect the Company's operations as well as their financial position and performance and their cash flows.

2. Relevant accounting policies, judgements and estimates

2.1 Basis for presentation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC) which preceded it, adopted by the European Union (EU), and in force for the financial years starting 1 January 2021.

The most important accounting policies used in the preparation of these financial statements are set forth in the respective notes related to the financial statements. These policies have been applied consistently in comparable periods, unless otherwise specified.

The amounts presented are expressed in euros (EUR), unless otherwise specified.

AdP's consolidated financial statements have been prepared according to the going concern and historical cost principle, except with respect to derivatives and financial investments held for trading which are recorded at their fair value (market value).

The preparation of financial statements in accordance with the IAS/IFRS requires estimates and assumptions that influence the reported amounts of assets and liabilities, and the reported amounts of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge in relation to current events and actions, actual results may ultimately differ from those estimates. The management nonetheless believes that the adopted estimates and assumptions do not incorporate any significant risks that might require material adjustments to the value of assets and liabilities in the next financial year.

2.2 Consolidation

2.2.1. Consolidation perimeter

The companies included in the Consolidation perimeter (full consolidation method) are detailed below:

Company	Head office	% of subscribed capital	% of effective capital	% of paid-up capital	Share capital	Own capital	Net profit for the period
Water and wastewater treatment							
Águas do Algarve, S.A.	Faro	54.44%	54.44%	54.44%	EUR	29 825 000	365 764
Águas do Centro Litoral, S.A.	Coimbra	60.33%	62.77%	60.71%	EUR	39 974 969	1 548 134
Águas do Douro e Paiva, S.A.	Porto	51.00%	51.00%	51.00%	EUR	20 902 500	30 558 371
Águas do Norte, S.A.	Vila Real	68.73%	72.50%	70.61%	EUR	108 095 468	273 448 103
Águas de Santo André, S.A.	Vila Nova de Santo André	100.00%	100.00%	100.00%	EUR	1 000 000	29 691 248
AgdA - Águas Públicas do Alentejo, S.A.	Beja	51.00%	51.00%	51.00%	EUR	9 053 000	10 775 163
Águas do Alto Minho, S.A.	Viana do Castelo	51.00%	51.00%	51.00%	EUR	3 600 000	3 874 308
Águas do Tejo Atlântico, S.A.	Lisbon	50.68%	51.61%	51.83%	EUR	113 527 680	115 776 448
Águas do Vale do Tejo S.A.	Guarda	68.74%	68.27%	68.74%	EUR	83 759 578	211 138 070
SIMARSUL, S.A.	Quinta do Conde	51.00%	51.43%	51.00%	EUR	25 000 000	67 845 701
SIMDOURO, S.A.	Vila Nova de Gaia	58.52%	58.61%	58.52%	EUR	20 046 075	32 692 570
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	51.00%	51.00%	51.00%	EUR	17 500 000	18 745 081
EPAL, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	150 000 000	654 147 671
International							
AdP Internacional, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	175 000	238 429
AdP Timor-Leste, Lda.	East Timor	100.00%	100.00%	100.00%	USD	5 000	(502 712)
Águas do Brasil, S.A.	Rio de Janeiro - Brazil	100.00%	100.00%	100.00%	BRL	2 050 100	(1 331 794)
Aquatec, Lda.	Maputo - Mozambique	100.00%	100.00%	100.00%	MZN	2 476 580	(67 796 195)
Corporate							
AdP Valor S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	50 000	16 437 820
AdP Energias, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	1 250 000	798 848

The “% of Effective Capital” column represents the effective participation rate in keeping with the date of paying up the capital, with this the rate applied in the Financial Consolidation process for the AdP Group for the financial year ending on 31 December 2021.

2.2.2. Financial statements reference date

The consolidated financial statements reflect the assets, liabilities, results and cash flows of AdP and its subsidiaries, as well as the proportional results of financial holdings in associated companies, for the year ended 31 December 2021 (and comparative to 31 December 2020).

2.2.3. Shareholdings in subsidiaries

Subsidiaries are all those entities over which AdP holds control. The Group controls an entity whenever it is exposed to or has rights over the variable returns of its involvement with that entity and holds the capacity to affect these returns through its powers over the entity. The subsidiaries are fully consolidated as from the date when the control is transferred to the Group. This Consolidation is broken off on the date when that control comes to an end.

The Group applies the acquisition method to account for its business takeovers. The amount transferred for the acquisition of the subsidiary is the fair value for the assets acquired, the liabilities assumed towards the former owners and the capital instruments issued by the Group. The amount transferred includes the fair value of any assets and liability that results from any contingent agreements. The identifiable assets and liabilities and the contingent liabilities assumed in any business takeover are initially measured by their fair value on the date of acquisition, irrespective of the existence of non-controlled interest. The costs directly attributable to the acquisition are recognised in the results whenever incurred.

In cases when the Group does not hold 100% of the capital of the subsidiaries, there is recognition of a non-controlled interest relative to the proportion of the results and the net values of the assets attributable to third parties.

The accounting policies applied by subsidiaries in compliance with their legal and statutory obligations are corrected in the consolidation process, whenever so necessary, by means of ensuring their consistency with the policies adopted by the Group.

Acquisitions subsequent to 2010:

In the acquisition method, the difference between: (i) the consideration transferred together with the non-controlling interests and the fair value of the own capital interests previously held and (ii) the net amount of identifiable assets acquired and liabilities taken on, is recognised at the date of acquisition as goodwill, if positive, or as a gain, if negative. The transferred consideration is measured at fair value calculated as the aggregate of the fair values, at the date of acquisition of the transferred assets, the liabilities incurred and own capital instruments issued by the Group. For the purpose of calculating the goodwill/gain from the combination, the transferred consideration is purged of any considerations relating to any other transactions (e.g., payment for the provision of future services or the settlement of pre-existing relations) and the margin is recognised separately in the profit or loss item. The transferred consideration includes the fair value of any contingent considerations at the acquisition date. Subsequent changes in this value are recognised: (i) as own capital if the contingent consideration is classified as own capital; (ii) as expense or income in the profit or loss item or as other comprehensive income when the respective contingent consideration is classified as an asset or liability under IFRS9; and (iii) as an expense in accordance with IAS 37 or other applicable standards, in all other cases. The expenses related to the acquisition are not part of the consideration transferred and thus do not impact on calculating the goodwill/gain from the acquisition. They are recognised as expenses in the year they occur. On the date of acquisition, the classification and designation of all assets acquired and liabilities transferred are reassessed in accordance with the IFRS, except for leases and insurance contracts, which are classified and designated based on the contractual terms and conditions on the contract start date. Assets arising from contractual indemnities from the seller regarding the outcome of contingencies wholly or partly related to a specific liability of the combined entity, now have to be recognised and measured according to the same principles and assumptions as the related liabilities. Calculating the fair value of the assets and liabilities acquired takes into account the fair value of contingent liabilities resulting from a present obligation caused by a past event (when the fair value can reliably be measured), regardless of a probable outflow being expected. The Group can choose to measure "non-controlling interests" for each acquisition at their fair value or the respective proportional share of the transferred assets and liabilities of the acquired company. The choice of one method or the other influences the calculation of the amount of goodwill for recognition. When the business combination is undertaken in stages, the fair value at the preceding date of acquisition of the interests held is re-measured according to the fair value on the date control is obtained, against profit or loss in the period in which control is achieved, which impacts on calculating goodwill. Goodwill is considered to have an indefinite useful life and is therefore not amortised. It undergoes annual impairment tests regardless of whether or not there are signs of it being impaired. Whenever a combination is not completed at the reporting date, the provisional amounts are recognised on the acquisition date and/or additional assets and liabilities are recognised whenever new information is obtained about facts and circumstances existing on the acquisition date and, had they been known, this would have resulted in the recognition of these assets and liabilities at that date, and to be adjusted retrospectively for a maximum period of one year from the date of acquisition.

Acquisitions prior to 2010:

Main differences:

- the cost of an acquisition includes the costs directly attributable to the acquisition, thus impacting on the calculation of goodwill; non-controlling interests in the acquired company (formerly known as "minority interests") were measured only according to their share of the identifiable net assets of the acquired company but not included in the calculation of goodwill/gain of the combination;
- when the business combination is undertaken in stages, the fair value on the acquisition date preceding the interests held is not measured on the date control is obtained and so the previously recognised goodwill remains unchanged;
- any contingent acquisition value is only recognised when the Group holds a present obligation, the outflow is considered probable and the estimate is reliably determinable with subsequent changes in this value recognised against goodwill.

Intragroup balances and transactions, and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction shows proof of impairment of a transferred asset. Subsidiary accounting policies are changed whenever necessary to ensuring consistency with the policies adopted by the Group. In situations where the Group holds, in substance, control of entities created for a specific purpose, even when having no direct shareholding in these entities, they are consolidated by the full consolidation method.

2.2.4 Balances and transactions

Intragroup transactions, dividends distributed between Group companies, balances and unrealised gains on transactions between Group companies are eliminated.

2.2.5 Non-controlling interest

Non-controlling interest corresponds to the proportion of the fair value of the assets, liabilities and contingent liabilities of the subsidiaries acquired that are not directly or indirectly attributable to AdP.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as capital transactions - thus, as transactions with the owners in their quality as owners. The difference between the fair value of any amount paid and the relevant proportion acquired of the accounting value of the net assets of the subsidiary is recorded under the own capital item. The gains or losses from sales to non-controlling interests are also registered as own capital.

The negative results generated in each period by subsidiaries with non-controlling interests are allocated in the percentage held by these, regardless of whether they report a negative balance.

2.2.6 Loss of control or significant influence

When the Group no longer holds control or significant influence, the assets and liabilities of the subsidiary, and any non-controlling interests and other equity components, are derecognised and any residual interest in the equity is re-measured by its fair value, with the changes then recognised in the income statement. The fair value is the initial carrying amount for the purposes of the subsequent accounting treatment of this holding as a financial asset.

2.3 Foreign Exchange

2.3.1 Functional and presentation currency

The financial statements of the AdP Group and notes thereto are presented in euros (EUR), unless otherwise stated.

2.3.2 Transactions and balances in foreign currencies

Transactions in currencies other than euros are converted into the functional currency using the exchange rates prevailing on the date of the respective transaction. Foreign exchange gains or losses resulting from the settlement of transactions and conversion of monetary assets and liabilities denominated in foreign currencies at the rate of the balance sheet date are recognised in the income statement, except when relating to extending investments in foreign operations in which case they are deferred in own capital in accordance with IAS 21. Non-monetary items measured at fair value are adjusted at the exchange rate on the date of their calculation. The exchange rate effect is recorded together with the change observed in the fair value of those items. Exchange rate differences are recognised in profit or loss or in "Other reserves", according to the registration appropriate to recognising gains or losses on the non-monetary item in question. The conversion of non-monetary items measured at historical cost into the AdP Group functional currency takes place according to the exchange rate in effect on the transaction date.

2.3.3 Group companies

The results and financial positions of all AdP Group entities that operate a functional currency other than the presentation currency and that is not the currency of a hyper inflated economy are converted into the presentation currency as follows: **(i)** the assets and liabilities of each balance sheet are converted at the exchange rate on the date of the consolidated balance sheet; **(ii)** the income and expenses of each income statement are converted at the average exchange rates (unless the average rate is not a reasonable approximation of the cumulative impact of the rates in force on the transaction dates, in which case the income and expenses are converted at the exchange rates prevailing on those transaction dates); and **(iii)** the resulting exchange rate differences are recognised as a separate component of the consolidated statement of comprehensive income.

On consolidation, any exchange differences arising from the conversion of a monetary item under the auspices of net investment in foreign entities are reclassified as own capital. When a foreign operation is sold, the exchange differences are recognised in the consolidated income statement as part of the gain or loss on the sale. Goodwill and fair value adjustments resulting from the

acquisition of a foreign entity are handled as subsidiary assets or liabilities and converted at the exchange rate prevailing on the consolidated balance sheet date.

2.3.4 Exchange rates used

The foreign currency quotations used to convert transactions expressed in currencies other than the euro or to update foreign currency balances were as follows:

Country	Currency	31.12.2021		31.12.2020	
		average	final	average	final
Angola	Kwanza	734.97	635.75	665.13	797.13
Brazil	Reais	6.38	6.31	6.27	6.37
Cape Verde	Escudo C.V.	110.27	110.27	110.27	110.27
Mozambique	Meticais	76.35	71.58	79.87	91.05
USA	USD	1.13	1.13	1.22	1.23

Source: Bank of Portugal

2.4 Rights to Use Infrastructures (“DUI”) – Concessions and Partnerships

2.4.1 Infrastructure classification

IFRIC 12 defines the rules on accounting for concession contracts in keeping with the services provided and the power of control over the concession assets. In accordance with this standard, group concession holding companies provide two kinds of services: construction, modernisation and renewal of system infrastructures and the operation and management (operate and maintain) of the systems composed by the infrastructures necessary for service delivery to users.

When the operator (or concession holder) builds or modernises the infrastructure, the value (tariff) received or receivable by the operator must be recognised at fair value, and this corresponds to a value embodied in a right corresponding to: **(a)** a financial asset, or **(b)** an intangible asset.

Moreover, this establishes that infrastructure under IFRIC 12 must not be recognised as operator (or concession holder) owned tangible assets because the concession contract does not attribute rights of control. The operator has access to and operates the infrastructure to deliver a public service on behalf of the Grantor in accordance with the terms of the contract. Pursuant to the concession contract, the operator (or concession holder) acts as a service provider for the purposes of interpretations under this standard. The operator (or concession holder) builds or modernises the infrastructure (construction or modernisation of services) used to provide the public services and operates and maintains them (operation) over a specific period of time.

The operator (or concession holder) must recognise a financial asset to the extent that it has a contractual right to receive cash or another financial asset from the Grantor for services provided, which correspond to specific or determinable amounts. In this model, the Grantor has few or no discretionary powers to avoid payment because the agreement is generally legally binding. The operator (or concession holder) has unconditional entitlement to receive cash whenever the Concession Grantor contractually guarantees this payment to the operator; corresponding to **(a)** a specific sum, or **(b)** to the difference, if such exists, between the sums received from the public service users and another specific amount even when the payment is contingent on the operator (or concession holder) ensuring the infrastructure meets quality and efficiency requirements.

The operator (or concession holder) must recognise an intangible asset as it receives a right (permission) to charge users for a public service. The right to charge public service users does not amount to an unconditional right to collection because the amounts remain dependent on the extent users actually use the service.

In view of the type and legal framework (right to charge users for a public service inherent to the fact of consumption) of the MMS management company concession contracts, it was decided that the intangible model is that best suited to company realities. MMS management companies as concession holders thus classify the system infrastructures that they operate as intangible assets - Right to use infrastructures.

2.4.2 Recognition and measurement

The intangible assets (operation rights) are recorded at purchase or production cost, including costs and earnings (net) directly and indirectly related to the investment projects, which are capitalised under fixed assets in progress. The expenses eligible for capitalisation are those related to investments. Operating costs are assigned to fixed assets in progress as a percentage calculated in accordance with the allocation of staff to projects. Financial costs related to loans obtained for financing investments in progress are totally capitalised until the system goes into operation, that is, when available for use.

Costs of major repairs and improvements (including replacements) through economic regulation of the concession, are specifically remunerated as they are a component in the tariff calculation (i.e., their recovery is implicit in the approval of the amortisation by the Regulator). They are therefore reported in the accounts as fixed assets and amortised on the same terms as other fixed assets. Current upkeep and maintenance costs are recognised in the results of the financial year in which they occur.

2.4.3 Amortisations

The intangible assets, right-to-use infrastructures, are amortised on a systematic basis according to the standard for obtaining economic benefits associated thereto, determined by economic regulation and by the approval of amortisation expenses in the annual tariff calculation undertaken by the Regulator.

Amortisation in water and wastewater treatment concession companies and partnerships is calculated by the sum of units method, i.e., by the amortisation of the contracted investments established in the economic and financial feasibility study. This is based on the flow of effluent billed in that year and the effluent to be billed until the end of the concession period, as set out in the economic and financial feasibility study attached to the concession contract.

The rates of amortisation in 2021 of the right to use the infrastructures and the respective flows were as follows:

	Amortisation rate December 2021		Remaining flow December 2021 (m³)		Flow December 2021 (m³)	
	Water supply	Wastewater treatment	Water supply	Wastewater treatment	Water supply	Wastewater treatment
Águas do Algarve, S.A.	4.02%	3.72%	1 699 201 432	1 110 601 304	71 058 591	37 398 066
Águas do Centro Litoral, S.A.	4.52%	4.13%	686 697 556	1 718 863 718	31 059 236	70 970 370
Águas do Douro e Paiva, S.A.	6.37%	0.00%	1 448 117 822	-	98 015 414	-
AdRA - Águas da Região de Aveiro, S.A.	2.22%	1.96%	774 470 887	721 809 160	159 704 402	127 033 175
AgdA - Águas Públicas do Alentejo, S.A.	2.99%	2.63%	649 097 995	293 324 349	218 246 249	35 391 837
Águas do Alto Minho, S.A.	3.24%	2.79%	268 527 078	194 665 304	8 694 902	5 433 590
Águas do Tejo Atlântico, S.A.	0.00%	3.89%	-	4 643 673 606	-	181 076 658
Águas do Vale do Tejo S.A.	5.49%	4.77%	1 429 494 823	819 072 749	80 868 232	40 095 827
SIMARSUL, S.A.	0.00%	3.26%	-	946 777 677	-	31 934 122
SIMDOURO, S.A.	0.00%	2.02%	-	1 066 662 881	-	20 774 345
Águas do Norte, S.A. - Alta	4.34%	3.82%	1 681 218 194	2 044 406 275	76 341 960	81 182 996
Águas do Norte, S.A. - Baixa	1.69%	2.09%	177 510 205	221 873 725	3 057 651	4 731 171

	Amortisation rate December 2020		Remaining flow December (m ³)		Flow December 2020 (m ³)	
	Water supply	Wastewater treatment	Water supply	Wastewater treatment	Water supply	Wastewater treatment
AgdA - Águas Públicas do Alentejo, S.A.	2.88%	2.31%	686 153 074	306 478 737	19 822 054	7 068 945
Águas do Centro Litoral, S.A.	4.26%	3.94%	685 951 619	1 741 869 334	30 448 818	70 524 700
Águas do Tejo Atlântico, S.A.	-	3.39%		4 737 089 975		178 943 460
Águas de Santo André, S.A.	8.33%	8.33%	N/A	N/A	N/A	N/A
Águas do Vale do Tejo S.A.	5.17%	4.72%	1 510 363 055	859 168 576	80 305 852	41 608 407
SIMARSUL, S.A.	-	3.02%		981 242 872		30 466 181
AdRA - Águas da Região de Aveiro, S.A.	2.16%	1.87%	779 794 174	636 153 213	16 966 298	13 695 176
Águas do Alto Minho, S.A.	3.01%	2.38%	268 925 891	194 116 401	8 356 967	5 298 140
Águas do Douro e Paiva, S.A.	-	6.15%		1 536 080 667		100 589 014
Águas do Norte, S.A. - Alta	4.15%	3.59%	1 827 586 411	2 202 059 810	75 735 631	79 153 331
Águas do Norte, S.A. - Baixa	1.50%	1.61%	206 109 341	306 568 620	3 088 964	4 937 572
SIMDOURO, S.A.	-	1.94%		1 029 769 835		20 355 098
Águas do Algarve, S.A.	3.73%	3.15%	1 764 448 965	1 153 643 619	68 208 781	37 389 396

2.4.4 Accrued expenses for contractual investment

In compliance with the provisions of the concession and partnership management contracts and regulatory rules, and where applicable, there is the annual sharing of the estimated costs needed to cover contractual investments (regulated) or investments in expansion (regulated) of the concession or partnership. These accruals are calculated according to the economic benefits standard associated with the contractual investment defined in the supporting concession contract economic model.

In the AdP Group concession companies, the economic benefits obtained are determined by economic regulation. Accrued costs for contractual investments aim to guarantee the principle of accounting on an accruals basis and balancing of income (tariffs) and expenses (incurred and to be incurred) that form the basis of calculation. These accruals correspond, in practice, to accountability for reimbursement by future tariffs, allowing for their stabilisation, as well as the balancing, of the above-mentioned income (tariffs) and expenses (incurred and to be incurred), for the duration of the concession agreements concluded with the state.

The accruals are recognised as costs in the amortisations item for the financial year and under liabilities (non-current). The liabilities are then transferred to accumulated amortisations on completion of the underlying investment.

2.4.5 Cost recovery deviation (tariff deficit/surplus)

Cost recovery deviations are considered to be: (i) the existing difference, at the date of the concessionary companies of the systems abolished in 2015, between the net results of the companies participating in the system operation and management and the compensation to which the company is contractually entitled in relation to the invested capital; and (ii) until the end of the second 5-year the annual existent difference between the net results the companies participating in the system operation and management and the compensation to which the company is entitled as a result of the application of the rules established when determining the tariffs.

Deviations in the recovery of costs may be debits or credits pursuant to the concession contract, and are recorded at amortised cost. The Águas do Norte, Águas do Centro Litoral, Águas do Vale do Tejo, Águas do Tejo Atlântico, Simarsul, Águas do Douro e Paiva, Simdouro and Águas do Algarve managing companies record the annually occurring cost recovery deviations in their accounts until the end of the second five-year period. Simultaneous to the concession contract terminating so do the cost recovery deviations determined on the date of concession companies closing the aggregated systems, including the shareholder remuneration owed capitalised at the rate of Portuguese 10-year Treasury Bonds plus three percentage points from the date when the concession contract comes into effect, based on the individual accounts of the companies closed.

The cost recovery deviations to be debited and credited existing on the date of closure of the concession companies, corresponding to the date of closure of the systems aggregated in 2015 and those generated during the concession up to the end of the second five-year period, capitalised according to the terms of the concession contract, must be recovered via tariffs or reflected in the tariffs, such as the case may be, by the end of the fifth five-year period of the concession.

Thus, the calculation of the difference between the earnings generated from operations and guaranteed remuneration on invested shareholder capital is performed annually. The gross value is recorded in an income account - "Deficit/expense recovery tariff surplus" - and the tax generated by this in a deferred tax account, offset against the balance in keeping with the recognition of regulatory assets and liabilities.

The value of the tariff deviation corresponds to the correction (credit or debit) to make to the revenue from regulated activities so that the income of such activities is that required to comply with contractual provisions relating to the full recovery of costs, including income taxes (IRC) and guaranteed annual remuneration.

2.4.6 Revenue – construction services

According to IFRIC 12 - Concession arrangements, the construction of infrastructures by the operator constitutes a service that is provided to the Grantor and is different from operation and maintenance services and, as such, must be remunerated by the Grantor. Revenue from construction services must be recognised in accordance with IFRS 15 – Revenue of contracts with customers. Nonetheless, when IFRIC 12 is applied, we assume that there is no margin in the construction as this work is subcontracted to specialised companies. The risks and returns are transferred to a third party (the constructor) and so the revenues and costs associated with construction are the same. In spite of the above, any income from construction and associated costs are recorded in the income statement for the year in accordance with IFRIC 12.

2.5 Estimates and judgments

The estimates and judgments with an impact on the financial statements of AdP Group are continuously evaluated, representing at the date of each report the Management's best estimate, taking into account historical performance, accumulated experience and expectations about future events that, under the circumstances, are perceived as duly reasonable. The intrinsic nature of the estimates may mean that the actual reflection of the situations which have been estimated may, for the purpose of financial reporting, differ from the estimated amounts.

Estimates and judgments that present a significant risk of giving rise to a material adjustment to the book value of assets and liabilities in the following year are described in the Annex to the disclosures in association with the respective items:

- Note 6.2 - useful life and impairment of intangible assets
- Note 7.2 - useful life and impairment of tangible fixed assets
- Note 12.2 - estimated cost recovery deviation
- Note 13.2 - financial asset impairment
- Note 16.2 - fair value of financial assets at fair value through other comprehensive income
- Note 19.2 - provisions, contingent assets and liabilities
- Note 20.3 - employee benefits

2.6 Subsequent events

Events occurring after the balance sheet date that convey additional information on conditions prevailing at the balance sheet date are reflected in the financial statements. Post-balance sheet date events that convey information on conditions occurring after the balance sheet date are, whenever material, disclosed in the notes to the financial statements.

3. New standards and changes in policies

3.1 Voluntary changes in accounting policies

No voluntary policy changes to accounting policies were made in the financial year that ended on 31 December 2021, with respect to those considered in the preparation of the financial information relating to the financial year ending on 31 December 2020 as demonstrated in the comparative reporting.

3.2 New standards, interpretations and changes in effect as of 1 January 2021

These standards and amendments are effective for annual periods beginning on or after 1 January 2020 and have been applied in the preparation of these financial statements.

Description	Amendment	Effective date
IFRS 16 – Rental subsidies related to COVID-19	Application of exemption in the accounting of subsidies granted by lessors related to COVID-19 as modifications	1 June 2020
IFRS 4 – deferral of the application of IFRS 9	End of the deferral of the start of application of IFRS 9 for entities with insurance activities, postponed to 1 January 2023	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of key interest rates - Stage 2	Additional exemptions related to the impacts of the reform of the reference interest rates ("IBOR"), and especially the replacement of a reference interest rate by an alternative in traded financial instruments	1 January 2021

The application of these changes to standards, new standards and interpretations produced no material impacts on the AdP Group's consolidated financial statements.

3.3 New standards and interpretations already issued but not yet mandatory

The recently issued IASB standards and interpretations whose application is mandatory only in periods beginning on or after 1 January 2022 and which the Company has not pre-adopted are the following:

Already endorsed by the EU

Description	Amendment	Effective date
IAS 16 – Income before commissioning	Prohibition of deducting income obtained from the sale of items produced during the testing phase from the acquisition cost of tangible assets.	1 January 2022
IAS 37 – Onerous contracts - costs of fulfilling a contract	Clarification on the nature of the costs to be considered when determining whether a contract has become onerous.	1 January 2022
IFRS 3 – References to the conceptual framework	Update to the references to the Conceptual Framework and clarification on the recording of provisions and contingent liabilities in a business combination.	1 January 2022
IFRS 16 – Rental subsidies related to COVID-19 after 30 June 2021	Extension of the period for the accounting exemption covering subsidies granted by lessors related to COVID-19, as modifications, until 30 June 2022.	1 April 2021
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.	1 January 2023
IFRS 17 – Insurance contracts (amendments)	Inclusion of amendments to IFRS 17 in areas such as: i) scope of application; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income Statement; and viii) disclosures.	1 January 2023
Improvements 2018 – 2020	Specific and one-off changes to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

Not yet endorsed by the EU

Description	Amendment	Effective date
IAS 1 – Presentation of financial statements - Classification of liabilities	Classification of a liability as current or non-current, depending on the right that an entity has to defer its payment. New definition for "settlement" of a liability	1 January 2023
IAS 1 – Disclosure of accounting policies	Requirement to disclose material accounting policies, rather than significant accounting policies	1 January 2023
IAS 8 – Disclosure of accounting policies	Definition of accounting estimates. Clarification on the distinction between changes in accounting policies and changes in accounting estimates	1 January 2023
IAS 12 - Deferred tax related to assets and liabilities associated with a single transaction	Requirement of recognition of deferred tax on the recording of right-of-use assets/lease liabilities and provisions for dismantling/related assets, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences as these are not relevant for taxation purposes	1 January 2023
IFRS 17 - Initial application of IFRS 17 and IFRS 9 - Comparative information	This amendment allows for avoiding temporary accounting discrepancies between financial assets and insurance contract liabilities in the comparative information presented by applying IFRS 17 for the first time. This amendment provides for the application of an overlay in the classification of a financial asset for which the entity does not update the comparative information under IFRS 9.	1 January 2023

The application of these changes to standards, new standards and interpretations is not expected to have any significant impacts on AdP Group's financial statements after 1 January 2022.

3.4 Standards under review

IFRS 14 Deferral accounts related to regulated activities

This standard enables an entity with its activities subject to regulated tariffs to continue to apply the greatest proportion of the accountancy policies from the previous normative accounting framework to deferral accounts related with regulated activities when adopting IFRS for the first time.

Ineligible for applying this norm are: **(i)** entities that have already prepared their financial reporting according to IFRS, **(ii)** entities with current normative accounting frameworks that do not allow for the recognition of regulatory assets and liabilities and **(iii)** entities with current normative accounting frameworks that allow for the recognition of regulatory assets and liabilities but that have not adopted this accounting policy prior to IFRS adoption.

The deferral accounts related with regulatory activities require presentation in a line separate to the financial position item and the movements in these accounts require presentation in separate lines in the results and the full result balance sheets. This should detail the nature and the risks associated with the regulated tariff of the entity and the effects this regulation incurs on financial reporting.

These alterations are applicable prospectively for the financial years beginning on or after 1 January 2016. Pre-emptive adoption is allowed for whenever duly disclosed. The European Union (EU) decided not to advance with its approval of this intermediate norm and shall await the final standard.

In January 2021, the IASB presented the Public Draft of the new standard IFRS 14 - Regulatory assets and liabilities, with the period for receiving comments ending on 30 July 2021. The new version of IFRS 14 proposes that regulatory assets and liabilities are measured by estimating all future cash flows discounted to the reporting date. The discount rate should correspond to the regulatory rate. If the regulatory rate does not provide for compensating the company for the effect of time variations for cash, then a rate that allows for this compensation should be applied. At each reporting date, the company shall update the estimate of all future cash flows and discount them at the initial regulatory rate. The standard stipulates additional disclosure requirements on regulatory assets,

liabilities, income and expenses as well as a maturity analysis of regulatory assets and liabilities. In December 2021, after analysing the comments received to the Public Draft, the IASB identified the areas that need further work. The AdP Group is currently analysing and evaluating the impacts of the Public Draft.

4. Information by business area

4.1 Accounting policies

A business area is a group of assets and operations engaged in supplying products or services that are subject to risks and benefits that differ from the other business areas. A business area is engaged in supplying products or services in a specific economic environment with different risks and benefits to those influencing business areas operating in other economic environments. The business areas correspondingly identified are as follows:

I – Regulated activities “contracted for fixed terms” (concessions and partnerships)

Water and wastewater sanitation

II – Regulated activities “delegated for indefinite terms”

EPAL – production and distribution of water

III – International activities

International – includes consulting operations by AdP Internacional outside of Portugal

IV – Corporate activities

Corporate - includes the activities of AdP, AdP Valor and AdP Energias

4.2 Information by area

The financial information relating to the areas identified above, at 31 December 2021 and 2020, is as follows:

31.12.2021	Regulated activity Prod., Treat., Transp.	Regulated activity EPAL	Unregulated activity International	Unregulated activity Corporate	Adjustments	Consolidated total
Revenue from contracts with customers and cost recovery deviation (tariff surplus)	519 553 294	138 971 074	7 517 359	260 053	-	666 301 780
Income from construction of concession assets (IFRIC 12)	122 604 895	-	-	-	-	122 604 895
Expenditure on goods and materials consumed	(22 978 296)	(1 821 790)	-	-	-	(24 800 086)
Costs of construction of concession assets (IFRIC 12)	(122 604 895)	-	-	-	-	(122 604 895)
Supplies and external services	(178 164 156)	(26 486 326)	(3 663 453)	(2 461 511)	-	(210 775 446)
Personnel costs	(63 530 392)	(34 568 082)	(1 809 631)	(8 245 403)	-	(108 153 508)
Financial year amortisations, depreciations and reversals	(208 944 042)	(27 654 583)	(145 896)	(1 080 763)	-	(237 825 284)
Financial year provisions and reversals	835 568	(110 505)	(78 318)	-	-	646 745
Impairment losses and reversals	(5 477 771)	(1 104 597)	-	36 615	-	(6 545 753)
Investment subsidies	63 523 220	1 468 834	-	6 667	-	64 998 721
Other operating expenses and losses	(9 377 323)	(5 177 428)	(1 706 387)	(185 114)	-	(16 446 252)
Other operating income and gains	7 682 989	3 585 374	312 859	2 336 394	-	13 917 616
Operating income intersegments	(40 773 147)	23 984 224	(350 617)	17 139 563	(23)	-
Operating income total	62 349 944	71 086 195	75 916	7 806 501	(23)	141 318 533
External financial results	(14 189 687)	(1 015 357)	19 891	(2 858 068)	-	(18 043 221)
Financial results intersegments	(17 972 280)	(5 914)	(67 750)	18 045 921	23	-
Profit before tax	30 187 977	70 064 924	28 057	22 994 354	-	123 275 312
Income tax for the year	(6 232 074)	(20 313 383)	(19 857)	(6 148 176)	-	(32 713 490)
Net annual result	23 955 903	49 751 541	8 200	16 846 178	-	90 561 822
Attributable to non-controlling interests	7 276 966	-	-	-	-	7 276 966
Attributable to AdP, SGPS, S.A. shareholders	16 678 937	49 751 541	8 200	16 846 178	-	83 284 856
	23 955 903	49 751 541	8 200	16 846 178	-	90 561 822

31.12.2020	Regulated activity Prod., Treat., Transp.	Regulated activity EPAL	Unregulated activity International	Unregulated activity Corporate	Adjustments	Consolidated total
Revenue from contracts with customers and cost recovery tariff deficit/surplus	515 864 185	139 273 280	4 613 616	200 602	-	659 951 683
Income from construction of concession assets (IFRIC 12)	107 823 223	-	-	-	-	107 823 223
Cost of sales/variation in inventories	(22 546 578)	(1 925 969)	-	-	-	(24 472 547)
Costs of construction of concession assets (IFRIC 12)	(107 823 223)	-	-	-	-	(107 823 223)
Supplies and external services	(174 682 256)	(29 838 123)	(2 732 705)	(2 049 579)	-	(209 302 663)
Personnel costs	(59 949 516)	(35 423 259)	(1 355 513)	(8 469 767)	-	(105 198 055)
Financial year amortisations, depreciations and reversals	(206 035 593)	(27 167 899)	(108 917)	(1 538 801)	-	(234 851 210)
Provisions (increases) / reversals of the year	(844 619)	(148 160)	-	-	-	(992 779)
Impairment losses (increases) / reversals for the year	(3 042 099)	(1 474 091)	293 826	210 588	-	(4 011 776)
Other operating expenses and losses	(5 874 758)	(5 258 319)	(497 719)	(178 316)	-	(11 809 112)
Other operating income and gains	4 732 361	3 785 583	217 920	852 898	-	9 588 762
Operating income intersegments	(41 242 184)	23 479 944	(341 962)	18 091 385	12 817	-
Total operating income	68 865 564	66 592 889	88 546	7 125 677	12 817	142 685 493
External financial results	(18 126 429)	(1 178 661)	(41 624)	(4 030 943)	-	(23 377 657)
Financial results intersegments	(19 684 672)	228 010	(42 828)	19 512 307	(12 817)	-
Profit before tax	31 054 463	65 642 238	4 094	22 607 041	-	119 307 836
Income tax for the year	(9 385 311)	(18 657 805)	(10 698)	(5 803 033)	-	(33 856 847)
Net annual result	21 669 152	46 984 433	(6 604)	16 804 008	-	85 450 989
Attributable to non-controlling interests	6 898 500	-	-	-	-	6 898 500
Attributable to AdP, SGPS, S.A. shareholders	14 770 652	46 984 433	(6 604)	16 804 008	-	78 552 489
	21 669 152	46 984 433	(6 604)	16 804 008	-	85 450 989

Transactions between segments are carried out under normal market conditions according to the same accounting policies adopted by the Group when handling transactions with non-related entities.

31.12.2021	Regulated activity Prod., Treat., Transp.	Regulated activity EPAL	Unregulated activity International	Unregulated activity Corporate	Consolidated total
Segment assets	5 222 394 824	835 008 799	4 214 552	58 251 375	6 119 869 550
Segment liabilities	3 610 989 040	183 130 642	1 653 829	553 623 106	4 349 396 617

31.12.2020	Regulated activity Prod., Treat., Transp.	Regulated activity EPAL	Unregulated activity International	Unregulated activity Corporate	Consolidated total
Segment assets	5 297 283 477	805 378 203	3 554 082	32 407 466	6 138 623 229
Segment liabilities	3 676 372 933	189 966 675	1 315 231	563 812 633	4 431 467 474

5. Risk management policies

5.1 Risk factors

AdP Group business operations are exposed to a number of financial risk factors: credit risk, liquidity risk and cash flow risk (associated with the interest rate). AdP Group has correspondingly developed and implemented a risk management program which, in addition to constantly monitoring the financial markets, seeks to minimise potential adverse effects on the financial performance of AdP and its subsidiaries. Risk management is the responsibility of the central treasury department according to 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 as well as policies covering 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 and also the exposure limits. All transactions undertaken using derivatives require the prior approval of the Board of Directors and the ministry, which both sets the parameters for each transaction and approves the formal documents describing the specific objectives.

5.2 Market risks

5.2.1 Interest rate risks

The risk of the Company's interest rate comes essentially from the contracting of loans, both long-term and short-term. In this context, loans obtained with interest calculated at variable rates expose the AdP Group to the risk of cash flows and loans obtained with fixed interest rates expose the Group to the fair value risk associated with the interest rate. The table below presents the sensitivity analysis of AdP Group financial charges.

	31.12.2021	Impact of the rate change	
		+1%	-1%
Variable rate interest	556 733	1 692 641	-
	556 733	1 692 641	-

The impacts of interest rate variations are measured for twelve-month periods.

5.2.2 Exchange rate risks

Exposure to currency risk in the AdP Group is residual. This risk is embodied in future business transactions, recognised assets and liabilities, as well as net investments in foreign operations that were not incurred or expressed in the functional currency of AdP Group. The AdP Group's Central Treasury is responsible for the management of net AdP Group exposure in each currency, contracting swaps centrally in order to minimize the commercial risks, assets and liabilities recognised. The AdP Group has investments denominated in foreign currencies whose net assets are exposed to exchange rate risk through conversion. Foreign exchange exposure inherent to net assets in foreign currencies is residual. In 2020 and 2019, there were no contracted exchange rate swaps or financing in any foreign currency.

5.2.3 Raw material price risks (energy and fuels)

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

5.3 Liquidity and capital risks

The management of liquidity risk requires keeping a reasonable level of availabilities and implies the consolidation of floating debt through an adequate amount of credit facilities and the ability to liquidate market positions. The AdP Group Treasury department, given the dynamics of the underlying businesses, intends to secure floating debt flexibility and keeping credit lines available for that purpose. The Group manages liquidity risk by taking out and maintaining credit lines and financing facilities with a firm underwriting commitment, with domestic banks that provide immediate access to funds. The table below displays AdP Group liabilities by intervals of contracted residual maturity. The amounts shown in the table are the non-discounted contractual cash flows for future payment.

note	< 1 year	1 to 5 years	> 5 years
<i>Liabilities</i>			
Financing EIB	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 AdP Group to choose the type of interest rate to apply: variable interest rate, fixed rate for the loan maturity or fixed rate revisable for a determined period of time. In this sense, for the purposes of determining future interest on EIB loans, the known and formally contracted interest was considered, so that for the period of time after which the fixed rate is in force no interest was considered in the table above as it is not reliably determinable what interest will be incurred in the future.

As at 31 December 2021, the outstanding principal related to the EIB Loans presents the following stratification by years of rate re-fixing/revision:

(‘000 EUR)

The year the period the interest rate currently in force ends	Amount outstanding at 31.12.2021 (note 23)	Capital value in the rate setting year
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

To determine future variable-rate interest (shareholder loans), this considered (i) the coupon of the interest known on 31 December 2021 and to be settled subsequently; and (ii) for the following coupons, this considered the Euribor index on 31 December 2020 plus the contractually formalised spread.

In September 2017, AdP SGPS entered into a 25-year, EUR 220 million (tranche A) financing agreement 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 (tranche B) that may serve as funding for the termination of debt regularising agreements reached between the AdP Group and its municipal clients under the auspices of Decree Law no. 5/2019, of January 14. As at 31 December 2021, 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 debt service forecast for the next 12 months.

Contracted short term credit lines

Liquidity risk (EUR millions)	Amount of ceiling available	Amount used	Amount unused
Bank overdrafts (AdP Group)	125.0	-	125.0

The AdP Group goal with respect to managing capital, a broader concept than the balance sheet disclosed capital, is to maintain an optimal capital structure through prudent recourse to debt to enable it to reduce capital costs. The goal of capital risk management involves safeguarding the Group as a going concern, with a reasonable return for shareholders and the generation of benefits for all stakeholders.

AdP Group policy is to have the parent company, AdP, contract loans with financial corporations (with the exception of investment loans) before, in turn, making loans to its subsidiaries. This policy aims to optimise the capital structure for greater tax efficiency while also 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)
Lease 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 own capital (without minority interests)		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

(*) Refers only to leasing with financial entities

The financing model of the AdP Group is fundamentally based on three broad categories that underpin the balance of the capital structure, bank financing, with a particular focus on EIB bank financing, bond financing and share capital and non-reimbursable investment grants.

5.4 Credit risk

Credit risk is primarily related to the risk that a counterparty will fail in its contractual obligations, resulting in a financial loss to the Group. The AdP Group is subject to credit risk in its operating, investment and treasury activities.

Operating counterparty

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

The composition of the AdP Group's client portfolio contains three types: **(i)** local authorities, municipal or intermunicipal services and municipal or inter-municipal companies; **(ii)** private individuals, institutions and companies supplied by the retail distribution network; and **(iii)** large industrial customers in the area of wastewater treatment and untreated water supply.

iv. Local authorities, municipal or intermunicipal services and municipal or inter-municipal enterprises (“Municipalities”)

The credit risk associated with these clients is considered to be low or close to the sovereign risk, historically observing that the non-payment of services rendered essentially results from divergences on invoices translated into lawsuits. Under the current legislation and regulations applicable to multi-municipal systems and partnerships, the change in amounts due, by voluntary or extrajudicial agreement between the management companies and these entities or by judicial decision, is relevant for the purpose of recalculating the cost recovery deviation to recover in tariffs or tariff revenues to be charged in the provision of future services.

Notwithstanding the foregoing, the administrative process associated with collection or settlement by means of agreements and attribution to Cost Recovery Deviation is lengthy, which explains the high amount of past due debts (see note 13) as well as the income (see note 36).

The AdP Board of Directors continues to understand that there are, on this date, no indicators that hitherto lead to the recognition of impairment prospects (except in very specific situations resulting from agreements entered into, which are translated into the cost recovery deviation calculation).

v. State and public sector, individuals, institutions and companies supplied by the retail distribution network

The credit risk associated with these customers is considered medium (except in the state and public sector where the risk is considered low) as supply through the retail distribution network allows for delivery to be cut off in case of default in the timely payment of invoices by customers. Notwithstanding, for customers supplied through the retail distribution network there are two segments to consider: **(i)** supply through the retail network under Partnerships, in which the losses for customer credit risks are offset by the Cost Recovery Deviation; and **(ii)** other supplies through 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 the debt resulting from supply through the retail distribution network, the expected loss is determined as follows: i) for invoices that are more than six months past due, 100% impairment is applied (legal prescription for invoices more than six months past due); ii) for invoices issued but not yet due or less than six months past due, the percentage of the historical loss is applied and increased to include the "forward looking" effect.

vi. Large industrial clients and other entities:

The credit risk associated with these customers is considered medium as they are private sector customers. However, the expected impairment losses per credit risk are evaluated annually on an individual basis taking into consideration the following factors: (i) the average term of receipt; (ii) the financial condition of the client; and (iii) macroeconomic developments.

Business sector	Bulk business (*)			Retail business (**)				Large industrial clients and other entities	TOTAL (note 13.3)
Type of clients	Municipalities	Others	Total	Municip.	State and public sector	Others	Total		
Risco	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
Impairment	(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 government authorities, municipal or intermunicipal services, and municipal or intermunicipal companies.

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

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

31.12.2021	Institutions, companies supplied by the bulk distribution network				Households, institutions, the state and public sector and companies supplied by the retail distribution network				Large industrial clients and other entities			
Age of debt	Gross exposure	Impairment	% loss	Net exposure	Gross exposure	Impairment	% loss	Net exposure	Gross exposure	Impairment	% loss	Net exposure
Not yet due	13 669 276	-	0%	13 669 276	20 308 495	(259 296)	-1%	20 049 199	6 540 942	-	0%	6 540 942
Due for less than 180 days	650 841	-	0%	650 841	8 916 717	(251 017)	-3%	8 665 700	1 452 908	-	0%	1 452 908
Due for more than 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

Deposit Counterparty

The following table represents the Group's maximum exposure to credit risk (not including Trade receivables and other debtor balances) as of 31 December 2021 without regard to any collateral held or other credit enhancements. For assets in the balance sheet, the defined exposure is based on their carried over amount as reported in the balance sheet.

Financial bank assets	note	31.12.2021	31.12.2020
Current accounts	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 ratings obtained from financial institution websites in January 2022.

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

5.5 Operating risks

5.5.1 Catastrophe risk

Águas de Portugal Group companies are exposed to risks of disasters and natural phenomena, which may jeopardise the operability of infrastructures and result in revenue losses. Group companies have taken out insurance to offset these risks.

5.5.2 Regulatory risk

Law 10/2014 of 6 March approved the new ERSAR statutes, which now operates as an independent administrative body with greater autonomy in terms of organisation, functions and financial matters and equivalent to other independent Regulators.

Regulation represents the most significant restriction on the profits of Group economic activities. The Regulator can take measures that result in a negative impact on cash flow due to the contractual possibility of defining a productive efficiency scenario stipulating that the expenses to be recovered by the tariff differ from the expenses actually incurred. These expenses include financial expenses.

6. Intangible Assets

6.1 Accounting policies

Right to Use Infrastructures ("DUI") - Concessions and Partnerships

For the accounting policies on Right to Use of Infrastructure, see the disclosure in note 2.4.

Other intangible assets

The intangible assets (software development expenditure, costs of intellectual property and other rights) are included in the accounts at cost net of accumulated amortisation. These headings are amortised using the straight-line method, usually for three to ten years. Research and development costs that do not meet the criteria for recognition of development expenses as intangible assets are recognised as expenses in the period when incurred. Development expenses previously recognised as expenses in the period are not recognised as intangible assets in subsequent periods. Investments that improve the performance of software programs beyond their original specifications are added to the original cost of the software.

These items are depreciated on a straight-line basis usually over a period of three to ten years. The costs of implementing software recognised as assets are amortised according to the straight-line method over their useful lives, i.e., from three to six years.

Impairment

The Group assets are reviewed on the date of each balance sheet in order to detect any indications of possible impairment losses. Whenever such indication exists, the recoverable asset amount is subject to evaluation.

For other intangible assets with indefinite useful lives, the recoverable amount is assessed annually on the date of reporting.

Taking into account the premises of concession contracts, the recoverable amount of the right to use infrastructures (DUI) corresponds to the value of use, and this in turn corresponds to the guaranteed remuneration (dividend) in each of the respective years for the term of the concession. These amounts are part of the EVEF (economic and financial viability studies) annexed to the concession contracts and are re-sent periodically to the sector Regulator.

Whenever there are indications of potential losses due to impairment, the recoverable value of Group assets is ascertained. Whenever the book value of an asset, or the cash-generating unit to which it belongs, exceeds the amount recoverable, the value is reduced to the amount recoverable with this impairment loss recognised in the respective income statement.

For cash-generating units that only began business operations within a certain period of previous time (two to three years), the Group performs analysis of the impairment. However, as the respective businesses have not yet reached sufficient maturity, impairment losses are only recognised when there are unequivocal indicators that recoverability represents only a remote likelihood.

Determining the recoverable amount of assets

The amount of receivables recoverable stems from the highest value between their net sale price and their value in use. In calculating the value in use of an asset, the estimated future cash flows are discounted by a pre-tax discount rate reflecting the current market assessments of the term value of money and the specific risks to the asset in question. The recoverable amount of assets that do not themselves generate independent cash flows is determined within the scope of their respective cash generating unit.

Reversal of impairment losses

Impairment losses related to other assets are reversed whenever there are changes in the estimates used to determine the respective recoverable amount. Impairment losses are reversed up to the amount, net of depreciation and amortisation, that the asset would have held had the impairment loss not been recognised.

6.2 Estimates and judgments

Useful life

Determining the useful asset life spans and the depreciation/amortisation method are both essential to calculating the amount of depreciation and amortisation for recognition in the consolidated income statement.

These two parameters are defined in accordance with the best Board of Directors estimates for the assets and business in question. However, as this is mostly a concession and regulated activity, the useful life span of assets is also associated with the pattern of economic benefits obtained, themselves determined by economic regulation (for the concession flows and terms), and according to the respective concession or partnership contracts, at the end of the concessions or partnerships the assets are fully depreciated. Additionally, given the nature of the concessions and partnerships with guaranteed returns to the AdP Group, changes in the flow rates have no impact on the consolidated net profit as these variations are neutralised by the Cost Recovery Deviation (see note 2.4).

When determining a contractual investment, the Group applies, as the basis for depreciation, the value of contractual investments stipulated in the concession contracts and/or EVEFs (the economic and financial feasibility studies) subsequently submitted to the Grantor, which may be subject to revision and approval with a resulting impact on Group financial statements.

Impairment

The determination of a possible impairment loss can be triggered by the occurrence of various events, many of which are beyond the scope of influence of the AdP Group, such as the future availability of financing, the cost of capital, or the maintenance of the current market regulatory structure as well as other alterations, whether internal or external, to the AdP Group.

The identification of impairment indicators, the estimation of future cash flows and the determination of the fair value of assets (or a set of assets) imply a high degree of judgment on the part of management in the identification and evaluation of the different indicators of impairment, expected cash flows, applicable discount rates, useful lives and residual values.

6.3 Detail and movement

The intangible assets as of 31 December 2021 and 31 December 2020 were the following:

	31.12.2021	31.12.2020
Right to use infrastructures - IFRIC 12	3 492 281 979	3 544 537 442
Development projects	4 102 696	4 247 271
Industrial property and other rights	164 528	259 555
Computer software programs	125 277	21 962
Other intangible assets	13 947 626	14 590 893
Intangible assets ongoing (DUI)	212 905 562	199 995 959
	3 723 527 668	3 763 653 082

The Group does not recognise internally generated intangible assets.

The movements in intangible assets in the years ending on 31 December 2021 and 2020 were as follows:

Gross value	31.12.2020	Increases	Decreases/ Write-offs	Exchange rate	Transfer and re-classification	31.12.2021
Right to use infrastructures	5 774 355 129	23 094 366	(9 565)	-	102 173 827	5 899 613 757
Development projects	8 934 487	2 943	-	1 539	47 423	8 986 392
Industrial property	11 447 174	-	-	-	-	11 447 174
Computer software programs	38 753	63 080	-	-	56 293	158 126
Other intangible assets	26 936 546	18 239	-	-	-	26 954 785
Intangible assets ongoing (DUI)	199 995 959	115 702 395	-	-	(102 792 792)	212 905 562
	6 021 708 048	138 881 023	(9 565)	1 539	(515 249)	6 160 065 796

Accumulated amortisations	31.12.2020	Increases (note 30)	Decreases/ Write-offs	Exchange rate	Transfer (note 21.2)	31.12.2021
Right to use infrastructures	(2 229 817 687)	(145 682 917)	8	-	(31 831 182)	(2 407 331 778)
Development projects	(4 687 216)	(194 941)	-	(1 539)	-	(4 883 696)
Industrial property	(11 187 619)	(95 027)	-	-	-	(11 282 646)
Computer software programs	(16 791)	(16 058)	-	-	-	(32 849)
Other intangible assets	(12 345 653)	(656 283)	(5 223)	-	-	(13 007 159)
	(2 258 054 966)	(146 645 226)	(5 215)	(1 539)	(31 831 182)	(2 436 538 128)
Net amount	3 763 653 082	(7 764 203)	(14 780)	-	(32 346 431)	3 723 527 668

Gross value	31.12.2019	Increases	Decreases/ Write-offs	exchange rate	Transfer	31.12.2020
Right to use infrastructures	5 676 453 713	11 802 003	(408 748)	-	86 508 161	5 774 355 129
Development projects	8 884 962	51 365	-	(1 840)	-	8 934 487
Industrial property	11 444 567	2 607	-	-	-	11 447 174
Computer software programs	38 753	-	-	-	-	38 753
Other intangible assets	26 824 142	-	-	-	112 404	26 936 546
Intangible assets ongoing (DUI)	185 331 364	101 285 160	-	-	(86 620 565)	199 995 959
	5 908 977 501	113 141 135	(408 748)	(1 840)	-	6 021 708 048

Accumulated amortisations	31.12.2019	Increases (note 30)	Decreases/ Write-offs	exchange rate	Transfer (note 21.2)	31.12.2020
Right to use infrastructures	(2 061 546 247)	(143 539 011)	493 502	-	(25 225 931)	(2 229 817 687)
Development projects	(4 499 444)	(189 612)		1 840	-	(4 687 216)
Industrial property	(11 093 776)	(93 843)		-	-	(11 187 619)
Computer software programs	(14 709)	(2 082)		-	-	(16 791)
Other intangible assets	(11 661 463)	(684 190)		-	-	(12 345 653)
	(2 088 815 639)	(144 508 738)	493 502	1 840	(25 225 931)	(2 258 054 966)
Net amount	3 820 161 862	(31 367 603)	84 754	-	(25 225 931)	3 763 653 082

Increases per company:

	31.12.2021	31.12.2020
Águas do Algarve, S.A.	7 295 326	7 467 443
Águas do Centro Litoral, S.A.	10 311 374	9 125 692
Águas do Douro e Paiva, S.A.	4 881 161	3 620 050
Águas do Norte, S.A.	26 690 113	21 603 511
AdRA - Águas da Região de Aveiro, S.A.	14 373 843	13 900 497
Águas de Santo André, S.A.	7 721 340	1 113 594
AgdA - Águas Públicas do Alentejo, S.A.	20 539 866	18 491 773
Águas do Alto Minho, S.A.	5 440 337	4 995 623
Águas do Tejo Atlântico, S.A.	21 408 060	17 089 406
Águas do Vale do Tejo S.A.	15 853 983	12 143 991
SIMARSUL, S.A.	2 131 999	925 405
SIMDOURO, S.A.	2 233 621	2 664 150
	138 881 023	113 141 135

In the 2021 financial year, the transfer of the amount of EUR 102,173,827 to the "Right to use infrastructures" item essentially arises from the entrance into operation or completion of construction of various infrastructures by Group companies (new investment in rehabilitating water and sanitation treatment and transport infrastructures). Following either their entrance into operation or the termination of construction of these infrastructures, they are subject to reclassification from the "Accrued expenses for contractual investment" to the accumulated amortisations for right to use infrastructures in the amount of EUR 31,831,182.

On 31 December 2021, the "Intangible assets - ongoing" item corresponds to infrastructure construction projects taking place at Group companies (new infrastructures or investments in water and sanitation treatment and transport).

The increase in the gross value of "Right to use infrastructures" in 2021 includes EUR 10,583,000 related to the integration of two dams (EUR 6,326,000 in Águas de Santo André and EUR 4,257,000 in Águas Públicas do Alentejo).

7. Tangible fixed assets

7.1 Accounting policies

Recognition and measurement

Tangible fixed assets are generally measured at cost, less any impairment losses, and are depreciated according to their estimated useful life. Expenditure directly attributable to the acquisition of assets and their preparation and commissioning is taken at its balance sheet value.

A significant part of the tangible fixed assets of the AdP Group (EPAL) acquired before 31 December 2008 are recorded at acquisition cost or deemed cost, which encompasses the effects of revaluations made according to law and the effect of free revaluations, based on a valuation carried out by an independent specialised entity, with reference to the transition date (1 January 2009).

The subsequent costs are included in the book value of the asset or recognised as separate assets, as appropriate, only when it is probable that economic benefits will flow to the company and the costs can be reliably measured. Asset depreciation takes place during their remaining useful life or until the next repair, whichever happens first. Replaced asset components are identified and recognised in the income statement.

Financial expenses related to loans obtained to finance ongoing investment are capitalised in full until the asset is commissioned.

Every other expenditure on repairs and maintenance is recognised as expenses in the period when incurred.

Depreciations

Tangible fixed assets assigned to operations are depreciated based on their estimated useful life spans measured from when ready for commissioning. The depreciable value is calculated by deducting the expected residual value at the end of the estimated useful life.

The estimated useful lives for tangible fixed assets are expressed in the following average terms:

Types	Year interval
Buildings and other constructions	10 - 75
Basic equipment	3 - 55
Transport equipment	4 - 16
Tools and utensils	4 - 10
Administrative equipment	4 - 10

Land is not subject to depreciation.

The depreciation of assets intended for sale is suspended and these are classified as assets held for sale.

Impairment

Whenever there are signs of the loss of value of tangible fixed assets, impairment tests are carried out to estimate the recoverable asset value and registering an impairment loss whenever necessary. The recoverable value is determined as the higher of the net sale price or the asset value in use. Value in use is calculated based on the current value of estimated future cash flows arising from the continued use and disposal of the asset at the end of its useful life.

At the end of each financial year, the Board of Directors reviews the depreciation methods and the estimated useful life span of each asset to ensure that the consumption trend of the benefits from assets in the years used by AdP gets faithfully reflected. Any changes to these assumptions will be handled as a change in an accounting estimate and earmarked for prospective application.

Determining the recoverable amount of assets

The amount of receivables recoverable stems from the highest value between their net sale price and their value in use. In calculating the value in use of an asset, the estimated future cash flows are discounted by a pre-tax discount rate reflecting the current market assessments of the term value of money and the specific risks to the asset in question. The recoverable amount of assets that do not themselves generate independent cash flows is determined within the scope of their respective cash generating unit.

Reversal of impairment losses

Impairment losses related to other assets are reversed whenever there are changes in the estimates used to determine the respective recoverable amount. Impairment losses are reversed up to the amount, net of depreciation and amortisation, that the asset would have held had the impairment loss not been recognised.

Derecognition

Gains or losses arising from write-offs or disposals are determined by the difference between the proceeds received on disposals and the asset's book value, and are recognised as income or expense in the income statement.

7.2 Estimates and judgments

Useful life

The determination of the useful life of tangible fixed assets is essential to calculating the amount of depreciation for recognition in the consolidated income statement. This parameter was defined in accordance with the Management's best estimate for the assets in question.

Impairment

The determination of a possible impairment loss can be triggered by the occurrence of various events, many of which are beyond the scope of influence of AdP Group, such as the future availability of financing, the cost of capital, or the maintenance of the current market regulatory structure as well as other alterations, whether internal or external, to the AdP Group.

The identification of impairment indicators, the estimation of future cash flows and the determination of the fair value of assets (or a set of assets) imply a high degree of judgment on the part of management in the identification and evaluation of the different indicators of impairment, expected cash flows, applicable discount rates, useful lives and residual values.

In the specific case of the equipment held by AdP Energias, the impairment indicators change in keeping with growth in the respective network of infrastructures, alterations to the expected or actual tariffs or the prevailing strategies of the AdP Group that, in conjunction with other factors, may lead to alterations in the patterns or amount of future cash flows.

7.3 Details and movements

The details of the tangible fixed assets as at 31 December 2021 and 31 December 2020 were the following:

	31.12.2021	31.12.2020
Land and natural resources	123 134 711	117 828 163
Buildings and other constructions	100 207 222	92 647 410
Basic equipment	420 800 792	433 839 061
Transport equipment	443 325	385 612
Administrative equipment	6 086 627	5 015 025
Others	2 399 785	2 641 408
Investments – ongoing	8 841 160	6 644 392
	661 913 622	659 001 071

The movements in tangible fixed assets in the years ending on 31 December 2021 and 2020 were as follows:

Gross value	31.12.2020	Increases	Exchange rate	Reductions / disposals	Transf.	Re-classification	31.12.2021
Land and natural resources	117 828 163	-	-	-	256 548	5 050 000	123 134 711
Buildings and other constructions	222 681 701	6 599	-	-	1 815 211	21 383 164	245 886 675
Basic equipment	1 093 249 779	2 522 510	-	(1 168 513)	4 899 824	-	1 099 503 600
Transport equipment	2 511 708	214 776	18 323	-	-	-	2 744 807
Administrative equipment	39 920 373	1 993 947	3 190	(68 864)	1 536 625	-	43 385 271
Others	28 044 308	220 717	4 377	-	144 259	-	28 413 661
Investments – ongoing	6 644 392	11 136 331	-	(19 879)	(8 137 219)	(782 465)	8 841 160
	1 510 880 424	16 094 880	25 890	(1 257 256)	515 248	25 650 699	1 551 909 885

Accumulated amortisations	31.12.2020	Increases (note 30)	Exchange rate	Reductions / disposals	Transf.	Re-classification	31.12.2021
Buildings and other constructions	(129 664 291)	(4 282 371)	-	-	-	(11 362 791)	(145 309 453)
Basic equipment	(658 445 060)	(20 492 184)	-	1 163 480	-	-	(677 773 764)
Transport equipment	(2 126 096)	(162 335)	(13 051)	-	-	-	(2 301 482)
Administrative equipment	(34 905 348)	(2 458 943)	(3 112)	68 767	(8)	-	(37 298 644)
Others	(25 402 900)	(606 599)	(4 377)	-	-	-	(26 013 876)
	(850 543 695)	(28 002 432)	(20 540)	1 232 247	(8)	(11 362 791)	(888 697 219)

Impairment losses	31.12.2020	Increases (note 32)	Exchange rate	Reductions / disposals	Reversal (note 32)	Re-classification	31.12.2021
Buildings and other constructions	(370 000)	-	-	-	-	-	(370 000)
Basic equipment	(965 658)	(172 831)	-	-	209 445	-	(929 044)
	(1 335 658)	(172 831)	-	-	209 445	-	(1 299 044)
Net amount	659 001 071	(12 080 383)	5 350	(25 009)	724 685	14 287 908	661 913 622

Gross value	31.12.2019	Entry into the perimeter Águas do Alto Minho	Increases	Exchange rate	Reductions / disposals	Transfer.	31.12.2020
Land and natural resources	117 790 217	-	-	-	-	37 946	117 828 163
Buildings and other constructions	220 812 546	130 568	33 646	-	-	1 704 941	222 681 701
Basic equipment	1 084 465 108	65 085	1 575 246	-	(609 131)	7 753 471	1 093 249 779
Transport equipment	2 390 217	-	134 202	(18 645)	-	5 934	2 511 708
Administrative equipment	37 810 607	97 262	880 626	(11 966)	(7 935)	1 151 779	39 920 373
Others	27 683 604	-	399 816	(5 235)	(219 134)	185 257	28 044 308
Investments – ongoing	9 945 845	-	7 783 125	-	(363 009)	(10 721 569)	6 644 392
	1 500 898 144	292 915	10 806 661	(35 846)	(1 199 209)	117 759	1 510 880 424

Accumulated amortisations	31.12.2019	Entry into the perimeter Águas do Alto Minho	Increases (note 30)	Exchange rate	Reductions / disposals	Transfer.	31.12.2020
Buildings and other constructions	(125.092.047)	-	(4.488.696)	-	-	(83.548)	(129.664.291)
Basic equipment	(638.781.989)	-	(20.272.202)	-	609.131	-	(658.445.060)
Transport equipment	(2.005.185)	-	(134.599)	13.688	-	-	(2.126.096)
Administrative equipment	(32.769.744)	-	(2.151.908)	8.796	7.512	(4)	(34.905.348)
Others	(24.947.425)	-	(679.848)	5.235	219.134	4	(25.402.900)
	(823.596.390)	-	(27.727.253)	27.719	835.777	(83.548)	(850.543.695)

Impairment losses	31.12.2019	Entry into the perimeter Águas do Alto Minho	Increases	Exchange rate	Reductions / disposals	Reversal (note 32)	31.12.2020
Buildings and other constructions	(370 000)	-	-	-	-	-	(370 000)
Basic equipment	(1 175 103)	-	-	-	-	209 445	(965 658)
	(1 545 103)	-	-	-	-	209 445	(1 335 658)
Net amount	675 756 651	292 915	(16 920 592)	(8 127)	(363 432)	243 656	659 001 071

Increases per company:

	31.12.2021	31.12.2020
Águas do Algarve, S.A.	10 641	10 575
Águas do Douro e Paiva, S.A.	1 793	120 086
Águas do Norte, S.A.	737 579	231 953
AdP - Águas de Portugal, SGPS, S.A.	3 123	56 771
AdP Internacional, S.A.	183 338	83 834
AdP Valor S.A.	1 045 129	290 988
AdP Timor-Leste, Lda.	-	28 759
AdRA - Águas da Região de Aveiro, S.A.	34 042	14 369
Águas do Alto Minho, S.A.	-	201 246
Águas do Tejo Atlântico, S.A.	266 384	122 270
Águas do Vale do Tejo S.A.	389 895	-
EPAL, S.A.	13 389 889	9 642 015
AdP Energias, S.A.	33 067	-
SIMDOURO, S.A.	-	3 795
	16 094 880	10 806 661

On 20 December 2021, the financial lease contract for the head office building expired. Following the exercising of the purchase option, the carrying amount registered in the "Right-of-use assets" item was transferred to the "Tangible fixed assets - Land" and "Tangible fixed assets - Buildings and other constructions" items (total amount of EUR 14,287,908 - Note 8.2).

The "Basic equipment" item essentially includes the distribution network, pipes, reservoirs, water and electricity installations, hydraulic works and counters (retail supply made by EPAL). On 31 December 2021, the "Basic equipment" item also includes fixed assets in the possession of third parties, specifically water counters placed in the distribution networks with an approximate value of around EUR 4.2 million.

The transfers taking place in 2021 correspond essentially to infrastructure works on the EPAL water supply network. As at 31 December 2021, the "Investments – ongoing" item broadly reflected the ongoing infrastructural works at EPAL (new infrastructures or investments in the rehabilitation of water treatment and transport infrastructures).

8. Leases

8.1 Accounting policies

Leases, in which the AdP Group is the lessee, are recognised, measured and presented in accordance with a single model. Through this model, the leases are accounted for in the statement of financial position. On the effective date of the lease, the AdP Group recognises the liability relating to future lease payments (i.e. the lease liability) and the asset that represents the right to use the asset during the lease period (i.e. the right-of-use asset). The AdP Group separately recognises the financing costs related to lease liabilities and the cost of depreciation or amortisation of the asset under right of use.

The AdP Group has leases as both lessee and lessor.

a) Identification of a lease

At the start of a contract, an entity must assess whether the contract is, or contains, a lease. A contract is or contains a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for remuneration:

- The asset underlying the lease must be specifically identified or the asset is implicitly specified at the time it becomes available for use by the lessee; and
- The lease shall grant the right to control the use of the underlying asset for a specified period of time, i.e., the lease shall grant the lessee the right to obtain substantially all economic benefits from usage of the identified asset.

Separate components of a contract

If a contract is, or contains, a lease, the AdP Group accounts for each component of the lease separately from the non-location component (e.g., service rendered) implicit in the contract, except in cases where the AdP Group (as lessee) chooses not to separate the non-location component from the lease component and, as such, accounts for everything only as a single rental component.

The remuneration of the contract is separated between the rental and non-location components, based on the relative price on an individual basis for each rental component and on the sum of the prices on an individual basis for the non-lessee components. The relative price on an individual basis of the rental component equals the price that a lessor/seller would charge for the rental component separately.

Unless the practical arrangements allowed to lessees are applied, a lessee shall account for the non-lease component in accordance with the applicable IFRSs.

Lease term

The lease term corresponds to the non-cancellable period in which the lessee has the right to use an underlying asset in accordance with the following conditions:

- i) periods covered by options to extend the lease when the lessee is reasonably certain about exercising that option; and
- ii) periods covered by an option to terminate the lease when the lessee is reasonably certain about not exercising that option.

The lease term includes the months of grace for rent, if any. The commencement date of the lease corresponds to the date on which the lessor makes the underlying asset of the lease available for the use of the lessee.

b) Accounting for lessees

Recognition and initial measurement of the rental contract:

At the start date of the lease, the AdP Group recognises a right-of-use asset and a liability for the lease.

Initial measurement of right-of-use assets

At the commencement date of the lease, the asset under right of use is measured at cost, which is equal to the value of the lease liability plus costs for dismantling the asset (where these are an obligation), direct initial costs for installing the asset and payments less any incentives that may have occurred before the contract date.

Initial measurement of lease liability

At the commencement date, the rental liability is measured at the present value of the future fixed and variable rental payments, contractual penalties for advance payment, the residual value that is expectable to be paid by the lessee and the purchase option, when applicable. Future variable lease payments do not include remuneration indexed to the lessee's business turnover.

Future lease payments are discounted using the following interest rate:

- i) In contracts where the implicit rate of the respective contract is available, this rate is used (interest rate that equals the fair value of the underlying asset to the sum of the present value of the lease instalments and the residual value);
- ii) For other contracts, the incremental financing rate is applied (that interest rate received for financing the lease term with the aim of acquiring the underlying lease asset).

Subsequent lease measurement

Subsequent measurement of right-of-use assets

The asset under right of use is measured by the cost model, where the asset under right of use is measured at cost less accumulated depreciation and impairment losses and is adjusted for any remeasurements of lease liabilities.

Depreciations are calculated on a straight-line basis from the starting date of the lease and over the useful life of the underlying asset in cases where there is an option to purchase on the lease and it has been taken into account in the initial measurement of the usage right asset. In other cases, the depreciation is calculated on a straight-line basis over the lease term. Depreciation is accounted for as an expense in the income statement.

The useful lives applicable to assets under right of use are set out in the following average terms:

Types	Year interval
Software Licences	3
Transport equipment	1 - 4
Other equipment	1 - 2

Subsequent measurement of lease liabilities

The lease liability is measured at the amortised cost. After the lease commencement date, the AdP Group measures the lease liability by:

- i) Increases to reflect accrued interest (calculated by applying the discount rate used in the initial measurement of the lease liability and recognised in the income statement);
- ii) Reductions to reflect the lease payments made;
- iii) Re-measurement to reflect changes in the lease (e.g., term, rents):
 - a. Implying adjustments to the accounting value of the right to use the lease assets;
 - b. When the remeasurement results from a change in the lease term, then a new discount rate is set to apply from the date of the change in the lease term.

Practical arrangements used by the AdP Group as a lessee

The AdP Group applies the following practical arrangements under IFRS 16:

- i) For contracts with lease and service components, the service component is treated as a lease under IFRS 16;
- ii) Leases with contractual terms of up to 12 months were excluded from the scope of IFRS 16;
- iii) Lease contracts for which the underlying assets report an estimated value of less than USD 5 000 (printers and photocopiers, water dispensers and similar) were excluded from the scope of IFRS 16.

In leases where the AdP Group is the lessee and whose underlying assets are of little value (such as a personal computer) and short-term lease contracts (i.e., contracts with a duration of 12 months or less), the recognition and measurement of the lease is not made using the single model described above, with the lease rentals being recognised as an expense on a straight-line basis over the period of the lease in the income statement under "External supplies and services - Rents and leases".

C) Accounting for lessors

Leases are accounted for as finance leases or operating leases:

- i) Financial Leasing: when substantially transferring all risks and benefits of ownership of the underlying asset;
- ii) Operating lease: when not transferring substantially all risks and benefits of ownership of the underlying asset.

Lessors are not allowed to make practical recourse to considering the non-leasing component as a lease.

Under financial leasing, the lessor recognises a financial asset at the amortised cost on the balance sheet and recognises the related earnings in the income statement.

In an operating leasing, the lessor recognises the receipts from the lease as linear earnings.

The AdP Group is a lessor only in operating leasings.

8.2 Right-of-use assets

The details of assets under right of use at 31 December 2021 and 2020 and their movement on those dates were the following:

Right-of-use assets	31.12.2020			Financial year - 2021				31.12.2021		
	Gross value	Accumulated amortisations	Net amount	Gross value of increases in the year	Amortisations for the period (note 30)	Gross value of write-offs/reductions/transfers in the financial year	Non-amortised write-offs/reductions/transfers in the financial year	Gross value	Accumulated amortisations	Net amount
Land and natural resources	6 298 181	(406 640)	5 891 541	838	(38 013)	(5 050 614)	11 185	1 248 405	(433 468)	814 937
Buildings and other constructions	32 143 653	(13 397 885)	18 745 768	507 826	(998 937)	(20 868 337)	11 563 263	11 783 142	(2 833 559)	8 949 583
Transport equipment	12 156 366	(6 777 214)	5 379 152	302 345	(3 260 413)	(327 118)	266 613	12 131 593	(9 771 014)	2 360 579
Licences	4 814 366	(125 957)	4 688 409	648	(1 618 432)	-	-	4 815 014	(1 744 389)	3 070 625
	55 412 566	(20 707 696)	34 704 870	811 657	(5 915 795)	(26 246 069)	11 841 061	29 978 154	(14 782 430)	15 195 724

Right-of-use assets	31.12.2019			Financial year - 2020				31.12.2020		
	Gross value	Accumulated amortisations	Net amount	Gross value of increases in the year	Amortisations for the period (note 30)	Gross value of write-offs/reductions/transfers in the financial year	Non-amortised write-offs/reductions/transfers in the financial year	Gross value	Accumulated amortisations	Net amount
Land and natural resources	6 186 769	(343 321)	5 843 448	4 819	(39 176)	106 593	(24 143)	6 298 181	(406 640)	5 891 541
Buildings and other constructions	30 658 391	(11 831 604)	18 826 787	1 328 705	(1 380 921)	156 557	(185 360)	32 143 653	(13 397 885)	18 745 768
Transport equipment	12 075 208	(3 752 213)	8 322 995	618 485	(3 566 738)	(537 327)	541 737	12 156 366	(6 777 214)	5 379 152
Licences	-	-	-	4 814 366	(125 957)	-	-	4 814 366	(125 957)	4 688 409
Other equipment	106 593	(14 448)	92 145	-	-	(106 593)	14 448	-	-	-
	49 026 961	(15 941 586)	33 085 375	6 766 375	(5 112 792)	(380 770)	346 682	55 412 566	(20 707 696)	34 704 870

On 1 January 2021, the useful life of the leased head office building was revised from 25 years to 50 years. The impact of this change is recognised prospectively. As, on 20 December 2021, the finance leasing contract of the head office building expired and with the Company exercising the purchase option, the underlying asset of the lease contract was reclassified to the "Tangible fixed assets" item.

8.3 Lease liabilities

The details of the lease liabilities as at 31 December 2021 and 2020 were the following:

Lease liabilities	31.12.2021	31.12.2020
Current	4 372 249	10 234 039
Non current	8 861 057	12 629 517
	13 233 306	22 863 556

Capital outstanding by type of asset acquired	31.12.2021	31.12.2020
Software Licences	1 501 865	3 257 506
Lands and buildings and other constructions	9 159 952	14 071 057
Transport equipment and other equipment	2 571 489	5 534 993
	13 233 306	22 863 556

Future minimum payments	31.12.2021	31.12.2020
Up to 1 year	4 641 985	10 636 785
From 1 to 5 years	4 109 803	7 710 282
Over 5 years	8 136 889	8 492 895
	16 888 677	26 839 962

Interest	31.12.2021	31.12.2020
Up to 1 year	269 736	402 745
From 1 to 5 years	830 039	1 051 509
Over 5 years	2 555 596	2 522 152
	3 655 371	3 976 406

Present value of minimum payments	31.12.2021	31.12.2020
Up to 1 year	4 372 249	10 234 040
From 1 to 5 years	3 279 764	6 658 773
Over 5 years	5 581 293	5 970 743
	13 233 306	22 863 556

8.4 Leasing payments

i) As lessee

Total of leasing payments	31.12.2021	31.12.2020
Accounted for according to the single model stipulated in IFRS 16	7 579 055	7 676 522
Accounted for as expenditure in the results	3 171 651	2 354 712
	10 750 706	10 031 234

ii) As lessor

Total of future leasing income	31.12.2021	31.12.2020
Up to 1 year	354 000	354 000
From 1 to 5 years	147 500	501 500
Over 5 years		-
	501 500	855 500
Leasing income (note 34)	354 000	354 000

9. Investment properties

9.1 Accounting policies

Recognition and measurement

The AdP Group's investment properties are real estate held with the aim of obtaining income, capital appreciation or both. The investment properties are initially measured at cost, including the transaction expenses directly attributable to them. The investment properties are measured at depreciated cost after this initial recognition.

Depreciations

As they are accounted for in the same way as tangible fixed assets, depreciations are calculated after the asset is ready for use in accordance with the straight-line method by twelfths, depending on the estimated useful life for each class of assets (see note 7).

Derecognition

Investment properties are derecognised on disposal or when they are permanently withdrawn from use and no economic benefits are expected from their disposal.

Impairment and fair value

For the purpose of analysing and disclosing the recovery value of investment properties, the AdP Group contracts external appraisals submitted by specialist external entities at the end of each financial year in which there is considered to have been a change in market conditions or exceptional events that may cause significant variations in the fair value of investment properties, as determined in

the appraisals made immediately before. Whenever on the reporting date, the value of investment properties, net of accumulated depreciation, is higher than its recoverable value, the AdP Group then records the respective impairment loss. When, in subsequent reporting periods, there is an increase in the recoverable amount compared to the net book value, impairment losses will be reversed up to the limit of the asset amount had no impairment loss been recognised in the meanwhile.

9.2 Detail and movement

The investment properties as of 31 December 2021 and 2020 and their respective movements in the years then ending were the following:

Gross		31.12.2021	31.12.2020
Lands		12 883 737	12 883 737
Buildings		2 454 269	2 454 269
		15 338 006	15 338 006

Accumulated depreciations	note	31.12.2021	31.12.2020
Opening balance		(2 096 152)	(2 100 647)
Increase	30	(78 038)	(79 053)
Others		-	83 548
Closing balance		(2 174 190)	(2 096 152)
		13 163 816	13 241 854

Resulting from the execution of an existing protocol with the Lisbon Municipality, EPAL incorporated a plot of land into its assets, which was registered as an investment property for the amount of approximately EUR 12.8 million as its usage was not defined. According to that protocol, signed in 1992, the municipality of Lisbon undertook to transfer to EPAL lands for construction. Subsequent developments culminated with the effective transfer of the land in question, by public deed, between the Municipality of Lisbon and EPAL, which occurred on 31 December 2014.

Fair value

The fair value of Investment properties is at least equivalent to their book value, and as determined through valuations undertaken by independent specialised entities holding recognised and relevant professional qualifications, subject to updating whenever there are indications of significant changes in their value. As at 31 December 2021, this investment property which represents approximately 97% of the carried over amount of the Investment properties item, was valued for the amount of EUR 20.1 million through the market method in 2020. As for the remaining properties, only two account for any net book value. Of those, the property that almost entirely encapsulates all of the remaining total value (about 2.5%), underwent valuation by an independent entity in January 2021, with the result of that valuation coming in at EUR 3.9 million.

In keeping with how that during 2021 there were neither significant changes in the real estate market nor exceptional events that might have caused significant changes in the fair value of the investment properties as determined in the valuations for the preceding financial year, eventual new valuations will not produce different and/or relevant information to those currently available.

It is the understanding of the Board of Directors that the fair value determined in the financial statements is appropriate and reflects the prevailing market conditions.

10. Financial investments in associated companies

10.1 Accounting policies

Holdings in associated companies are evaluated in accordance with the equity method. The consolidated financial statements, according to this method, include the Group's share of the total recognised gains and losses from the date that significant influence commences until the date this effectively ends. Associates represent entities in which the Group holds between 20% and 50% of the voting rights or over which the Group has significant influence but cannot exert full control. Unrealised gains or losses in transactions between the Group and its associates are eliminated. The dividends paid out by the company invested in are considered reductions in the investment held.

When the share of the losses of an associate exceeds the investment made in the associate, the book value of the investment is reduced to zero and the Group recognises additional future losses associated with liabilities already taken on or in the case of any payments made on behalf of the Associate. Any surplus in the acquisition cost of a Group's shareholding financial investment in the fair value of the assets, liabilities and contingent liabilities identified at the date of acquiring the shareholding in the associate is recognised as goodwill, and is included in the shareholding value with its recovery annually assessed as an integral component of the investment. Whenever the cost of acquisition is lower than the fair net value of the assets of the acquired associate, the difference is directly registered in the income statement.

As of 31 December 2021 and 2020, the only entity qualifying as an associate is listed below.

Companies		Head office	% Capital held	Share capital
Trevo Oeste, S.A.	(a)	Alcobaça	43%	1 336 085

(a) Companies without any operational activities

10.2 Details and movements

The details of investments in associated companies as at 31 December 2021 and 2020 and their movements during these financial years were the following:

	Note	31.12.2021	31.12.2020
Trevo Oeste	(i)	572 990	572 990
Trevo Oeste (Advances)		47 107	47 107
		620 097	620 097
Perdas por imparidade		(572 991)	(572 991)
		47 107	47 107

Impairment losses	Note	31.12.2021	31.12.2020
Opening balance		(572 991)	(844 356)
Reversal	32	-	1 142
Utilisation		-	270 223
Closing balance		(572 991)	(572 991)

11. Other financial assets

11.1 Accounting policies

For accounting policies relating to other financial assets, see the disclosure in note 13.1.

11.2 Details

The details of other financial assets as of 31 December 2021 and 2020 were the following:

		31.12.2021	31.12.2020
Non-current assets			
Capital reconstitution fund	(i)	21 222 798	21 183 381
Angola Public Debt Securities	(ii)	-	277 670
Other financial assets		500 204	501 275
		21 723 002	21 962 326
Impairment for public debt securities	13.3 (ii)	-	(22 201)
Impairment for other financial assets	14.2 c)	(105 800)	(105 800)
		(105 800)	(128 001)
		21 617 202	21 834 325
Current assets			
Capital reconstitution fund	(i)	-	2 177 301
Angola Public Debt Securities	(ii)	348 721	-
Interest receivable	(iii)	240 317	-
		589 038	2 177 301
Impairment for public debt securities	13.3 (ii)	(28 406)	-
		(28 406)	-
		560 632	2 177 301
		22 177 834	24 011 626

- (i) The concessionary and regulated companies are obliged, in accordance with their concession contracts, to establish a capital reconstitution fund, with an institution authorised by the Bank of Portugal, for an amount corresponding to the annual sum of capital amortisation (at the end of the concession the amount held in the Fund is to obtain the value of the own capital of the concessionary companies), which are under the management of the concessionary and this holds rights to under the terms of the contract. This thereby safeguards the interests of users given that a margin for the remuneration of the invested capital is incorporated into the tariff with the earnings of the fund annually deducted from expenditure and costs. Since 2010, those funds have been deposited with the IGCP - the state treasury and public debt management agency. For Group Companies that have seen their term of concession extended, there was no further strengthening of the capital reconstitution fund due to having taken place at a date later than that contractually necessary. However, in those cases where was no recourse, that is, there were no reductions, the amounts already established were maintained, duly securitised, with the IGCP. The laws that established the new companies in 2015 within the scope of the aggregation processes, for Águas do Norte, Águas do Centro Litoral and Águas do Vale do Tejo, dispensed with the establishing of a capital reconstitution fund while enabling those companies to make those amounts available for the paying down of debt. Additionally, the new companies, founded within this framework in 2017, Águas do Tejo Atlântico, SIMARSUL, Águas do Douro e Paiva and SIMDOURO, are also dispensed from any need to maintain a capital reconstitution fund.

The map below details the value of these funds by Group company:

	31.12.2021	31.12.2020
Águas do Centro Litoral, S.A.	5 260 101	5 260 101
Águas do Douro e Paiva, S.A.	12 010 557	12 010 557
Águas de Santo André, S.A.	606 085	566 667
SIMARSUL, S.A.	2 274 998	2 274 998
SIMDOURO, S.A.	1 071 057	1 071 058
Águas do Vale do Tejo S.A.	-	2 177 301
	21 222 798	23 360 682

- (ii) The Angolan public debt securities have a nominal value of 221.7 million kwanzas, mature on 31 March 2022, with repayment of the principal on maturity, and are remunerated by semi-annual interest at the rate of 16% per annum. For these securities, there is an impairment for the amount of EUR 28,406 with the variations occurring in gross value and impairment in 2021 due to an exchange rate adjustment.
- (iii) At 31 December 2020, interest receivable from other financial assets was presented in the item "Other current assets - Accrued income - Other accrued income" (EUR 359,017).

12. Cost recovery deviation (tariff deficit/surplus)

12.1 Accounting policies

For accounting policies relating to cost recovery deviation, see the disclosure in note 2.4.5.

12.2 Estimates and judgments

The Cost Recovery Deviation (CRD) is calculated in accordance with Decree-Laws 92, 93 and 94/2015 of 29 May (Aggregations CL), DL 16/2017 of 1 February, DL 34/2017 of 24 March and the concession agreements stipulating, for the current regulatory period, that the CRD results from the annual difference between net company income arising from system operation and management and the net income that would result from applying the rules for determining the necessary tariffs, based on recovery of the operating costs, the investment and remuneration of shareholder own capital and legal reserves, corresponding to the average daily profitability of 10-year Treasury bonds (OTs) + 3% and owed shareholder remuneration, and the average daily profitability of 10-year Treasury bonds. This is not to incorporate any differences between the costs actually incurred and the costs permitted in a production efficiency scenario in accordance with criteria previously defined by ERSAR - the Water and Waste Services Regulatory Body (Productivity Efficiency Criteria).

Under the terms of the respective Concession Agreements, the concessionaires must send to ERSAR, by 31 January of the following year the calculation for the CRD amount so that the latter may, within its powers, approve the respective amount by the end of February. The estimated CRD is, in each annual period, calculated according to the best information available at the time of preparing the financial statements. However, situations may occur in subsequent periods that were not foreseeable at the time and thus not considered in that CRD estimate. In accordance with IAS 8, changes to estimates occurring after the date of the consolidated financial statements are corrected prospectively in the income statement.

12.3 Details and movements

The cost recovery deviations as at 31 December 2021 and 2020 were the following:

	31.12.2021	31.12.2020
Regulatory asset – gross tariff deviation	590 688 411	624 414 185
Regulatory liability – gross tariff deviation	(91 842 426)	(66 680 208)
	498 845 985	557 733 977

The movements in the cost recovery deviation in the years ending 31 December 2021 and 2020 were as follows:

	31.12.2020	CDR for 2021 (note 26.2)	Excess estimate of 2020 CRD correction and others (note 26.2)	31.12.2021
Águas do Algarve	(25 699 364)	(8 948 851)	(151 412)	(34 799 627)
Águas do Centro Litoral	52 252 199	(3 967 382)	5 101	48 289 918
Águas do Douro e Paiva	(40 980 843)	(9 075 895)	-	(50 056 738)
Águas do Norte	250 570 803	(19 300 800)	517 777	231 787 780
AgdA - Águas Públicas do Alentejo	661 525	(724 456)	-	(62 931)
Águas do Alto Minho, S.A.	2 187 576	7 958 993	-	10 146 569
Águas do Tejo Atlântico	2 908 947	(9 832 076)	-	(6 923 129)
Águas do Vale do Tejo	215 060 401	(11 822 981)	572 812	203 810 232
SIMARSUL	64 386 208	(128 459)	23 419	64 281 168
SIMDOURO	14 679 027	(2 406 134)	(1 927)	12 270 966
AdRA - Águas Região de Aveiro	(19 227 896)	(2 797 471)		(22 025 367)
AdRA - Águas da Região de Aveiro (Adjustment)	40 935 394	1 191 750		42 127 144
	557 733 977	(59 853 762)	965 770	498 845 985
Asset deviation	624 414 185	(34 842 956)	1 117 182	590 688 411
Liability deviation	(66 680 208)	(25 010 806)	(151 412)	(91 842 426)
	557 733 977	(59 853 762)	965 770	498 845 985

	31.12.2019	CDR for 2021 (note 26.2)	Excess estimate of 2020 CRD correction and others (note 26.2)	Estimated cor- rection to 2020 CRD (note 26.2))	Others	31.12.2020
Águas do Algarve	(19 146 948)	(5 981 052)	237 741	(809 105)	-	(25 699 364)
Águas do Centro Litoral	55 602 703	(3 326 145)	-	(24 359)	-	52 252 199
Águas do Douro e Paiva	(31 078 420)	(9 747 451)	-	(154 972)	-	(40 980 843)
Águas do Norte	264 131 818	(13 043 238)	-	(517 777)	-	250 570 803
AgdA - Águas Públicas do Alentejo	1 079 835	(418 310)	-	-	-	661 525
Águas do Alto Minho, S.A.	-	1 931 335	-	-	256 241	2 187 576
Águas do Tejo Atlântico	13 258 072	(10 628 389)	317 343	(38 079)	-	2 908 947
Águas do Vale do Tejo	223 236 737	(7 730 727)	304 558	(750 167)	-	215 060 401
SIMARSUL	64 217 387	224 382	-	(55 561)	-	64 386 208
SIMDOURO	17 208 688	(2 418 829)	-	(110 831)	-	14 679 027
AdRA - Águas Região de Aveiro	(14 129 780)	(5 098 116)	-	-	-	(19 227 896)
AdRA - Águas da Região de Aveiro (Adjustment)	38 449 201	2 486 193	-	-	-	40 935 394
	612 829 293	(53 750 347)	859 642	(2 460 851)	256 241	557 733 977
Asset deviation	663 054 661	(38 021 844)	621 901	(1 496 774)	256 241	624 414 185
Liability deviation	(50 225 368)	(15 728 503)	237 741	(964 077)	-	(66 680 208)
	612 829 293	(53 750 347)	859 642	(2 460 851)	256 241	557 733 977

The consolidated financial reporting for the financial year ending on 31 December 2020 registered a corrective estimate for the cost recovery deviation (CRD) for the gross tax amount of EUR 2,460,851, with a net impact on tax and AdP minority shareholder interests totalling EUR 1,138,911. In 2021, ERSAR issued the final CRD corrections for each subsidiary that amounted to EUR 1,500,000 (EUR 626,000 net of tax and attributable to AdP shareholders).

Regarding the 2021 CRD, ERSAR delivered the draft decisions in February 2022, which point to a global amount of EUR 7,619,000 of unaccepted potential expenses, with additional information already requested from ERSAR.

AdP Group companies are in a phase of drafting their responses and with additional information and justification of expenses required and thus no adjustment to the CRD was here considered as:

- (i) It is the Board of Directors understanding that any final adjustment to the CRD following this response should not be materially relevant in the consolidated financial statements taking into account recent history; and
- (ii) It is the Board's belief that the CRD disclosed in the consolidated financial statements is the best estimate at the present date.

The reconciliation between guaranteed income and net income before expense recovery variance for the years ending 31 December 2021 and 2020 were as follows:

	31.12.2021	31.12.2020
OT 10 years +3%	3.30%	3.41%

	nota	31.12.2021	31.12.2020
Net company result		61 957 440	59 298 287
Guaranteed income		18 700 978	17 691 000
Net deviation		(43 256 462)	(41 607 288)
Gross deviation	26.2	(58 887 992)	(55 351 557)
Deferred tax	37.2	15 631 530	13 744 269
Effect on results		(43 256 462)	(41 607 288)

31.12.2021	Net result without deviations	Guaranteed income	Net deviation
Águas do Algarve, S.A.	7 727 744	931 666	(6 796 078)
Águas do Centro Litoral, S.A.	4 293 226	1 567 525	(2 725 701)
Águas do Douro e Paiva, S.A.	7 719 349	753 707	(6 965 642)
Águas do Norte, S.A.	18 384 533	4 717 445	(13 667 088)
AdRA - Águas da Região de Aveiro, S.A.	1 841 714	600 372	(1 241 342)
AgdA - Águas Públicas do Alentejo, S.A.	1 184 262	622 714	(561 548)
Águas do Alto Minho, S.A.	(5 979 205)	195 713	6 174 918
Águas do Tejo Atlântico, S.A.	11 056 977	3 778 286	(7 278 691)
Águas do Vale do Tejo S.A.	12 130 743	3 834 944	(8 295 799)
SIMARSUL, S.A.	1 072 805	991 399	(81 406)
SIMDOURO, S.A.	2 525 292	707 207	(1 818 085)
	61 957 440	18 700 978	(43 256 462)

31.12.2020	Net result without deviations	Guaranteed income corrected	Net deviation
Águas do Algarve, S.A.	5 661 212	767 867	(4 893 345)
Águas do Centro Litoral, S.A.	4 131 243	1 670 660	(2 460 583)
Águas do Douro e Paiva, S.A.	7 989 725	661 932	(7 327 792)
Águas do Norte, S.A.	14 786 620	4 148 805	(10 637 815)
AdRA - Águas da Região de Aveiro, S.A.	2 565 937	619 483	(1 946 454)
AgdA - Águas Públicas do Alentejo, S.A.	882 451	558 261	(324 190)
Águas do Alto Minho, S.A.	(1 436 177)	60 608	1 496 785
Águas do Tejo Atlântico, S.A.	11 897 774	4 195 690	(7 702 084)
Águas do Vale do Tejo S.A.	9 352 296	3 321 888	(6 030 407)
SIMARSUL, S.A.	901 203	1 029 696	128 492
SIMDOURO, S.A.	2 566 004	656 111	(1 909 893)
	59 298 287	17 691 000	(41 607 288)

13. Clients

13.1 Accounting policies

Classification

On initial recognition, financial assets are classified in one of the following categories:

- a) Financial assets at amortised cost;
- b) Financial assets at fair value through other comprehensive income; or
- c) Financial assets at fair value through profit or loss:
 - a. Financial assets held for trading;
 - b. Financial assets not held for trading at fair value through profit or loss;
 - c. Financial assets designated at fair value through profit or loss.

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of contractual flows to conclude whether they correspond only to payments of principal and/or interest on the outstanding principal) and the business model.

Given the AdP Group activities, the Group only holds financial assets at amortised cost and financial assets at fair value through other comprehensive income (as disclosed in note 16).

A financial asset is classified under the category "Financial assets at amortised cost" when the following two conditions are met:

- i. It is managed with a business model whose objective is to maintain financial assets to receive contractual cash flows; and
- ii. The contractual conditions give rise to cash flows on specific dates, which are only payments of capital and interest on the amount of capital outstanding (SPPI).

This heading includes debt instruments, mainly investments in credit institutions and loans and advances to customers (debt settlement agreements for a period of five years and accounts receivable arising from the Group's operating activity).

Evaluation of the business model for financial asset management

In relation to the evaluation of the business model, this does not depend on the intentions for an individual instrument but rather on a set of instruments taking into account the frequency, the value, the schedule of sales in previous financial years, the reasons for those sales and expectations regarding future sales. Infrequent or lacking significance, or sales close to the maturity of the asset and sales motivated by increases in the credit risk of financial assets or to manage concentration risk, among others, may be compatible with the model of holding assets to receive contractual cash flows.

Assessment of the characteristics of contractual flows of financial assets (SPPI)

If a financial asset contains a contractual clause that may change the timing or value of the contractual cash flows (such as early repayment or extension clauses), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of the contractual clause, are only payments of capital and interest on the capital outstanding.

The contractual terms of financial assets that, on initial recognition, have an effect on cash flows or are dependent on the occurrence of exceptional or highly unlikely events (such as liquidation by the issuer) do not preclude their classification in the portfolios at amortised cost or at fair value through other comprehensive income.

Initial recognition

At the time of initial recognition, all active financial instruments are recorded at their fair value. For active financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting the transaction costs directly attributable to their acquisition or issue. Transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset, which would not have been incurred if the Group had not made the transaction.

However, customer accounts without a significant financing component are initially measured at their transaction value, as defined in IFRS 15 - Revenue from contracts with customers.

Subsequent measurement

After their initial recognition, the Group values financial assets at amortised cost or fair value through other comprehensive income or at fair value through profit or loss. Given the activity of the AdP Group, the Group only holds financial assets at amortised cost and financial assets at fair value through other comprehensive income.

Income and expenses from financial instruments at amortised cost are recognised in accordance with the following criteria:

- a) Interest is recorded in the income statement using the effective transaction interest rate on the respective gross book value (except in the case of impaired assets where the interest rate is applied to the net book value of the impairment);
- b) Impacts are recognised in expenses or income for the period either when the financial instrument is derecognised or when impairment losses are recognised or reversed.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or alteration does not result in the derecognition of the financial asset, the Group recalculates the gross amount of the financial asset and recognises a gain or loss arising from the difference from the previous amortised cost against income. The gross amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the asset's original effective interest rate.

Customer balances and other receivables without a financing component correspond to amounts receivable from the sale of goods or services provided by the Group in the normal course of its activities. They are initially recorded at fair value and subsequently measured at amortised cost, less impairment losses. The amortised cost of these assets does not differ from their nominal value or fair value.

Credit written off from assets

The Group recognises a write-off when it has no reasonable expectation of recovering all or part of an asset. This recording occurs after all the recovery actions undertaken by the Group have ended unsuccessfully. Subsequent recoveries of amounts that have already been written off are recorded in the income statement.

Impairment of financial assets

As regards receivables under "Trade receivables" and "Other assets", the Group applies the simplified approach provided for under IFRS 9 according to which estimated credit losses are recognised from the initial recognition of receivables and for the entire period through to maturity considering a matrix of historical default rates for the maturity of receivables and adjusted by prospective estimates.

Accounts receivable have been grouped by business segment for the purpose of assessing expected credit losses.

The credit risk of receivables is assessed at each reporting date taking into account the customer's credit risk profile. Credit risk analysis is based on the probability of annual default and also takes into account the customer's credit risk profile. The probability of the inability to collect reflects the annual probability of default that incorporates the current position and future projections taking into account macroeconomic factors while the losses in the event of default represent the expected loss incurred when the default takes place.

The Accounts receivable are adjusted in each financial reporting period taking into account the management estimates of credit risk, which may differ from the impairment losses that actually incur.

Impairment losses are determined by the differences between the amounts recoverable and the balance sheet value of the financial assets and are registered as a counterparty in the income statement. The financial asset balance sheet value is reduced to reflect the amount recoverable by recourse to an impairment account.

Whenever receivables from customers or other debtors that have already fallen due are subject to the renegotiation of their terms, they are no longer considered as due and are again treated as new receivables.

Generally, the Group does not recognise impairment losses for public entities as on this date it believes the risk of their insolvency is remote.

Re-classification between financial instrument portfolios

In accordance with the requirements of IFRS 9, reclassification between financial instrument portfolios can only occur when the Group decides to change the business management model for financial asset portfolios. Such reclassifications take place prospectively as from the reclassification date. In accordance with the IFRS 9 approach, changes to the business model generally take place infrequently.

Derecognition policy

A financial asset is derecognised in whole or in part when the contractual rights to the cash flows from the asset expire or are transferred to a third party independent of the entity.

The accounting treatment applied to transfers of assets depends on the degree and manner in which the risks and benefits associated with ownership of the assets are transferred to third parties:

- When the risks and rewards of ownership of a financial asset are substantially transferred to a third party (for example, unconditional sales, repurchase agreements at fair value on the repurchase date, sales of financial assets with an acquired call or put option issued without cash and in securitisations of assets in which the Grantor does not retain subordinated financing or grants any type of credit enhancement to the new holders), this asset is derecognised from the balance sheet, while recognising any right or obligation retained or resulting from the transfer;
- When the risks and rewards of ownership of a transferred financial asset are substantially retained (in the case of, among others, sales of financial assets with a repurchase agreement at a fixed price or at the sale price plus a lender's usual return, securities lending contracts in which the borrower has an obligation to return the same or similar) are not derecognised on the balance sheet and continue to be valued according to the same criteria as prior to the transfer with recognition in accounting terms of:
 - An associated financial liability for an amount equal to the consideration received, which is subsequently valued at amortised cost, unless it meets the requirements to be classified as other liabilities at fair value through profit or loss.
 - The income from the financial asset transferred, but not derecognised, and the expenses from the new financial liability, without any counterbalance.
- When the risks and benefits inherent to a transferred financial asset are not substantially transferred or even retained (in cases of, among others, sales of financial assets with call or put options, securitisations in which the originator assumes subordinated financing or other types of credit enhancement for a proportion of the transferred asset), a distinction is made between:
 - When the lessor does not hold control of the asset transferred, it is derecognised from the balance and any right or obligation held or resulting from the transfer is recognised.
 - When the lessor does not hold control of the financial asset transferred, they still recognise it on the balance sheet at the same value as the exposure including any alterations made and recognised as a liability associated to the financial asset transferred. The net values of the transferred asset and of the associated liability reflect the amortised cost of the rights and obligations held when the asset is measured at the amortised cost or at the fair value of the rights and obligations held or when the transferred asset is measured at fair value.

13.2 Estimates and judgments

Impairment of financial assets

Losses due to impairments to accounts receivable are calculated according to the losses expected, the profile of client risk and their respective financial positions. The estimates relating to the evaluation of impairments in the accounts receivable differ from business to business.

On the date of publication of the consolidated financial reports, the AdP Group did not consider the likelihood of any situation of impairment to the assets herein reported beyond the losses for impairment duly recognised in the accounts. When, following any evaluation, there is any indication of impairments, the respective value on the asset balance sheet undergoes adjustment by offsetting the amount in the annual results. In addition to the uncertainties listed above, there are also other areas of judgement that impact on the financial reporting. Even while it is not foreseen that they bring about any material alterations to the subsequent financial year, they may nevertheless drive changes to the assumptions and evaluations made by the AdP Group Boards of Directors.

As disclosed in note 5.4. given the type of customers of the AdP Group, most of which are considered low risk (Municipalities) and combined with the fact that any impairment losses recognised in the concessions or partnerships are considered as an expense accepted in the CRD, sensitivity analyses were not performed as there are no impacts either on net income or on the own capital of the AdP Group.

13.3 Details and movements

As of 31 December 2021 and 2020, the details of the trade receivables were the following:

	31.12.2021			31.12.2020		
	Non-current	Current	Total	Non-current	Current	Total
Municipalities	4 749 004	245 997 020	250 746 024	6 458 387	289 381 110	295 839 498
General clients	5 213 821	72 028 352	77 242 173	222 477	63 137 417	63 359 894
	9 962 825	318 025 372	327 988 197	6 680 864	352 518 527	359 199 392
Contractual assets - Estimate of services for billing		33 194 865	33 194 865		35 755 760	35 755 760
	9 962 825	351 220 237	361 183 062	6 680 864	388 274 287	394 955 152
Impairment		(60 845 444)	(60 845 444)		(61 438 738)	(61 438 738)
	9 962 825	290 374 793	300 337 618	6 680 864	326 835 549	333 516 414

The balance "General clients" item corresponds to balances receivable from "retail" water distribution activities (EPAL, Águas de Santo André, Águas do Norte, Águas da Região de Aveiro and Águas do Alto Minho) and non-regulated activities:

	31.12.2021	31.12.2020
EPAL, S.A.	24 308 585	22 219 564
Águas de Santo André, S.A.	15 453 794	16 184 251
Águas do Norte, S.A.	10 415 465	8 411 636
AdRA - Águas da Região de Aveiro, S.A.	6 675 763	6 727 569
Águas do Vale do Tejo S.A.	11 033 866	(106 787)
Águas do Alto Minho, S.A.	4 798 463	3 985 358
AdP Internacional, S.A.	2 195 512	1 982 264
Other Group companies	2 360 725	3 956 039
	77 242 173	63 359 894

The "Municipalities" item classified as non-current, corresponds to the balances receivable under agreements signed with customers (debt settlement agreements not covered by DL 5/2019, of 14 January).

The current balance of trade receivables is detailed as follows by debt type and as of 31 December 2021 and 2020:

	note	31.12.2021	31.12.2020
Clients - current account		242 019 902	276 057 683
Clients - penalty interest	(i)	14 898 841	14 540 193
Clients with doubtful debts		61 106 628	61 920 651
Estimate of services for billing		33 194 866	35 755 760
		351 220 237	388 274 287
Client impairment losses		(60 845 444)	(61 438 738)
		290 374 793	326 835 549

(i) the charging of default interest arises from the failure to pay for the service provided within the contractual deadline.

As at 31 December 2021 and 2020, the receivables from Municipalities, by debt type, were the following:

	31.12.2021	31.12.2020
Municipal clients - non-current		
Agreements	4 749 004	6 458 387
Total non-current municipal clients	4 749 004	6 458 387
Municipal clients - current		
TRH	1 740 381	2 388 029
Agreements	4 760 135	9 046 599
Injunctions	158 643 310	185 205 834
Current account	66 660 949	78 414 995
Doubtful debts	129 366	375 296
Penalty interest	14 062 879	13 950 357
	245 997 020	289 381 110
Impairment	(26 277 906)	(30 373 295)
Total municipal clients - current	219 719 114	259 007 815
Total municipal clients - gross	250 746 024	295 839 497
	224 468 118	265 466 202

As of 31 December 2021, the details of the balance of receivables from Municipalities, per duration, were the following:

		Due by N-2	Due by N-1	Due by N	Total due	Total not due	Total of the debt on	
							31.12.2021	31.12.2020
SMAS Guarda	Guarda	29 259 953	-	-	29 259 953	-	29 259 953	29 259 953
Municipality of Guarda	Guarda	628 424	324 146	417 677	1 370 247	374 436	1 744 683	1 417 149
Municipality of Fundão	Fundão	26 643 456	212 034	319 815	27 175 305	212 545	27 387 850	27 233 092
Municipality of Bragança	Bragança	11 539 240	994 251	5 176 468	17 709 959	53 237	17 763 196	14 932 450
Municipality of Castelo Branco	Castelo Branco	9 139 865	2 380 035	2 859 180	14 379 080	-	14 379 080	-
SMAS de Castelo Branco	Castelo Branco	384 427	72 376	86 263	543 066	1 278 286	1 821 352	13 337 566
VRSA SGU EM, SA	Vila Real Santo António	9 771 784	-	-	9 771 784	-	9 771 784	22 659 789
ADVRSA, SA (Águas de Vila Real de Santo António, SA)	Vila Real Santo António	-	-	237 801	237 801	447 656	685 457	690 384
Municipality of Santiago do Cacém	Santiago do Cacém	5 769 384	523 345	467 343	6 760 072	295 088	7 055 160	6 575 177
Municipality of Pinhel	Pinhel	6 452 152	-	-	6 452 152	149 590	6 601 742	6 881 711
Municipality of Mogadouro	Mogadouro	4 772 557	-	1 798 508	6 571 065	-	6 571 065	5 667 793
Municipality of Sabugal	Sabugal	5 747 150	-	-	5 747 150	138 330	5 885 480	5 898 123
EMAR - Água e Resíduos de Vila Real, E.M.	Vila Real	5 477 829	-	217 670	5 695 499	-	5 695 499	5 711 870
Municipality of Loures	Loures	-	-	-	-	4 689 174	4 689 174	2 220 952
Municipality of Boticas	Boticas	3 094 536	-	1 241 883	4 336 419	-	4 336 419	3 713 582
Municipality of Lamego	Lamego	4 257 141	2 002	1 636	4 260 779	-	4 260 779	4 306 625
Águas de Coimbra, EM	Coimbra	680 989	-	1 054 569	1 735 558	2 500 215	4 235 773	26 784 544
Municipality of Peso da Régua	Peso da Régua	4 020 353	2 743	-	4 023 096	-	4 023 096	4 023 097
Taviraverde, EM	Tavira	3 316 724	-	-	3 316 724	353 561	3 670 285	3 722 261
APIN-EMP. IN. DE A. DO P. INTERIOR	Penela	-	1 422 964	2 036	1 425 000	2 179 913	3 604 913	3 819 564
Municipality of Penela	Penela	-	-	-	-	-	-	512 719
Municipality of Valpaços	Valpaços	3 248 806	-	-	3 248 806	-	3 248 806	3 248 806
Municipality of Resende	Resende	3 123 614	-	245	3 123 859	-	3 123 859	3 156 258
Municipality of Lisboa	Lisbon	-	-	-	-	3 035 968	3 035 968	3 021 207
Municipality of Mirandela	Mirandela	2 485 895	36 368	-	2 522 263	175 210	2 697 473	2 736 010
SMAS Mirandela	Mirandela	207 353	-	-	207 353	-	207 353	207 353
Municipality of Montalegre	Montalegre	2 574 424	-	-	2 574 424	-	2 574 424	2 574 424
Municipality of Almeida	Almeida	2 411 310	-	(23)	2 411 287	59 921	2 471 208	2 489 626
Municipality of Alcochete	Alcochete	2 328 786	1 304	-	2 330 090	72 020	2 402 110	3 002 321
Municipality of Tarouca	Tarouca	1 159 468	326 192	448 614	1 934 274	397 703	2 331 977	1 873 980
Municipality of Chaves	Chaves	1 949 257	-	-	1 949 257	134 667	2 083 924	1 949 257
Municipality of Fornos de Algodres	Fornos de Algodres	1 978 357	-	-	1 978 357	61 598	2 039 955	1 978 357
Águas e Parque Biológico de Gaia, EEM	Gaia	-	-	-	-	1 974 336	1 974 336	976 700
Águas de Gaia, EM, SA	Gaia	(6 415)	-	-	(6 415)	622 025	615 610	724 509
Municipality of Sines	Sines	1 747 417	-	50 935	1 798 352	26 841	1 825 193	1 902 332
Municipality of Barreiro	Barreiro	-	-	-	-	1 752 180	1 752 180	587 518
Municipality of Beja	Beja	-	-	1 152 370	1 152 370	539 622	1 691 992	537 167
SMAS Tomar	Tomar	1 286 277	335 828	-	1 622 105	-	1 622 105	1 622 104
Municipality of Tomar	Tomar	1 083	-	668 966	670 049	-	670 049	1 127 745
FAGAR, EM	Faro	-	-	-	-	1 586 392	1 586 392	1 583 401
Vimãgua	Guimarães	7 519	204 533	15 818	227 870	1 336 309	1 564 179	2 002 276
SMAS de Oeiras e Amadora	Oeiras	-	-	-	-	1 457 759	1 457 759	2 051 339
Municipality of Oeiras	Oeiras	-	-	18 913	18 913	959 595	978 508	2 851 015
Municipality of Albufeira	Albufeira	-	-	-	-	1 386 468	1 386 468	616 417
SMAS Torres Vedras	Torres Vedras	-	-	735	735	1 248 772	1 249 507	1 117 497
Municipality of Torres Vedras	Torres Vedras	-	-	-	-	-	-	297 900
Águas de Cascais SA	Cascais	-	-	-	-	1 247 208	1 247 208	1 265 017
EMARP, EM	Portimão	-	-	-	-	1 225 241	1 225 241	1 193 216
Municipality of Monção	Monção	539 857	680	444 262	984 799	188 870	1 173 669	962 833
Other Municipalities		10 105 786	1 122 862	5 355 301	16 583 949	22 481 882	39 065 831	58 814 511
		166 104 758	7 961 663	22 036 985	196 103 406	54 642 618	250 746 024	295 839 497

The reduction in the debts of the Municipalities Vila Real de Santo António and Coimbra stems respectively from the signing of a Debt Settlement Agreement (hereafter DSA) (see note 16) and collections.

The movements occurring to client impairments in the years ending 31 December 2021 and 2020 were the following:

	note	Local government, municipal or inter-municipal services and municipal or inter-municipal companies	Households, institutions and companies supplied by the retail distribution network	Large industrial clients and others	Total
Balance on 31 December 2019		(27 467 024)	(15 387 866)	(18 336 955)	(61 191 845)
Increase	32	(1 795 493)	(3 039 065)	-	(4 834 558)
Utilisation		568 500	264 082	1 548 119	2 380 701
Re-classification (to other current assets)	14.2			1 390 434	1 390 434
Re-classification (to other financial assets)	11			22 201	22 201
Transfers between client segments		(1 695 509)	1 695 509		-
Reversals	32	16 231	342 469	434 596	793 296
Conversion differences			-	1 033	1 033
Balance on 31 December 2020		(30 373 295)	(16 124 871)	(14 940 572)	(61 438 738)
Increase	32	(2 478 373)	(2 983 028)	(190 942)	(5 652 343)
Utilisation		3 639 963		169 177	3 809 140
Transfers between client segments		2 146 055	(2 146 055)		-
Re-classification as provisions	19.3		1 426 549		1 426 549
Re-classification as other current assets	14.2	763 735			763 735
Reversals	32	24 009	222 229		246 238
Conversion differences			-	(25)	(25)
Balance on 31 December 2021		(26 277 906)	(19 605 176)	(14 962 362)	(60 845 444)

14. Other assets

14.1 Accounting policies

For accounting policies relating to other assets, see disclosures in notes:

- 13.1 – Clientes
- 20.1 – Benefits to the employees
- 22.1 – Investment subsidies

14.2 Details and movements

As of 31 December 2021 and 2020, the other asset details were as follows:

	nota	31.12.2021			31.12.2020		
		Non-current	Current	Total	Non-current	Current	Total
Employee related operations:						-	-
. Excess of Pension Fund coverage	20.3	7 997 000		7 997 000	5 235 000		5 235 000
. Other staff operations			251 574	251 574		503 301	503 301
Accounts receivable – diverse:				-			-
. Investment subsidies receivable	A)	2 777 752	18 311 552	21 089 304	2 915 234	19 979 107	22 894 341
. Client payment agreements	i)	17 106 654	-	17 106 654	17 106 654	-	17 106 654
. Client payments receivable via Lisbon Municipal Council	ii)		14 276 255	14 276 255		13 044 983	13 044 983
. Advances to suppliers			9 402 282	9 402 282		5 355 778	5 355 778
. Supplier cautionary deposits			605 391	605 391		610 348	610 348
. Other accounts receivable		476 046	11 602 539	12 078 585	343 363	12 828 756	13 172 119
Gains in earnings:				-			-
. Additional income from penalty interest payable by clients			58 166 377	58 166 377		51 050 097	51 050 097
. Other gains in earnings			3 308 506	3 308 506		4 092 398	4 092 398
Deferred costs:				-			-
. Insurance			1 940 959	1 940 959		851 198	851 198
. Other deferred costs			1 778 042	1 778 042		2 650 498	2 650 498
State and other public entities	B)		8 258 012	8 258 012		9 800 412	9 800 412
		28 357 452	127 901 489	156 258 941	25 600 251	120 766 876	146 367 127
Impairment	C)	(1 355 551)	(6 719 286)	(8 074 837)	(1 355 551)	(4 787 191)	(6 142 742)
		27 001 901	121 182 203	148 184 104	24 244 700	115 979 685	140 224 385

- (i) Ex-SIMRIA (a liquidated company) made a payment agreement as defined in the concession contract with the municipalities for through the future distribution of dividends in which the latter waive future dividends for the amount of EUR 14 million;
- (ii) This corresponds to the wastewater treatment fee that Epal charges on the water bills for its direct customers (low income) on behalf of the Lisbon Municipality (the balance receivable results from a billing cycle and is renewed monthly). After collection, this amount is transferred to Lisbon Municipal Council.

a) Investment subsidies

Amounts receivable from the Cohesion Fund

	31.12.2021	31.12.2020
Águas do Algarve, S.A.	3 190 943	5 999 403
Águas do Centro Litoral, S.A.	1 007 853	4 061 939
Águas do Norte, S.A.	2 273 478	1 482 695
AdRA - Águas da Região de Aveiro, S.A.	605 018	1 899 172
AgdA - Águas Públicas do Alentejo, S.A.	1 478 089	1 014 279
Águas do Alto Minho, S.A.	8 998 971	5 025 819
Águas do Tejo Atlântico, S.A.	55 753	26 864
Águas do Vale do Tejo S.A.	2 524 519	2 744 289
EPAL, S.A.	954 680	639 881
	21 089 304	22 894 341

Cohesion Fund reconciliation

	note	31.12.2021	31.12.2020
Cohesion Fund – opening balance of amounts receivable		22 894 341	19 664 744
Recognition of the right to funding	22.2	20 814 809	24 794 313
Receivables in the period	(i)	(18 383 941)	(18 617 784)
Derecognition of amounts receivable from requests	22.2	(4 176 907)	(3 052 359)
Other corrections		(58 998)	105 427
Cohesion Fund – closing balance of amounts receivable		21 089 304	22 894 341

i) Receivables

Receivables	31.12.2021	31.12.2020
Águas do Algarve, S.A.	1 616 518	1 789 421
Águas do Norte, S.A.	4 691 913	2 491 545
AdRA - Águas da Região de Aveiro, S.A.	1 294 154	897 702
AgdA - Águas Públicas do Alentejo, S.A.	8 809 305	12 511 113
Águas do Alto Minho, S.A.	1 026 849	-
Águas do Tejo Atlântico, S.A.	402 096	112 663
Águas do Vale do Tejo S.A.	219 771	170 107
EPAL, S.A.	323 335	631 015
Águas do Centro Litoral, S.A.		14 218
	18 383 941	18 617 784

b) State and other public entities

	note	31.12.2021	31.12.2020
IRC – withheld by third parties		-	269 760
VAT receivable		7 326 860	8 605 059
Others	(i)	931 152	925 593
State and other public entities - assets		8 258 012	9 800 412

(i) Includes Euro 809,033 of tax withheld at source on private debt securities for which an impairment loss was recorded.

c) Other asset impairment losses

The movements in impairments for other assets in the years ending on 31 December 2021 and 2020 were the following:

	note	31.12.2021	31.12.2020
Opening balance		(6 142 742)	(5 048 696)
Increases	32	(1 184 588)	(185 845)
Re-classification to other financial assets	11.2	-	105 800
Re-classification of clients	13.3	(763 735)	(1 390 434)
Reversals	32	8 326	4 743
Utilisation		7 902	371 690
Closing balance		(8 074 837)	(6 142 742)

15. Inventories

15.1 Accounting policies

Inventories are valued at the lowest acquisition cost (which includes all expenditure until delivery in the warehouse) and the net realisable value. The net realisable value results from the estimated sale price during the normal operation of the company, minus the sale variable expenditure. The cost-ascertainment method adopted to value warehouse outbound movements is that of average cost.

15.2 Detail and movement

The detail of inventories at 31 December 2021 and 2020 is as follows:

	note	31.12.2021	31.12.2020
Raw materials and consumables		2 142 982	2 160 178
Maintenance pieces		11 825 373	10 761 984
		13 968 355	12 922 162

The movements in raw materials in the years ending on 31 December 2021 and 2020 and the calculation of expenditure on the goods and materials consumed were as follows:

Subsidiary raw materials and consumables	note	31.12.2021	31.12.2020
Opening balance		2 160 178	2 372 582
Purchases		24 782 979	24 260 143
Costs with goods and consumables	27	24 800 175	24 472 547
Closing balance		2 142 982	2 160 178

16. Financial assets at fair value through other comprehensive income

16.1 Accounting policies

Classification

A financial asset is classified under the category "Financial assets at fair value through other comprehensive income" when the following two conditions are met:

- It is managed with a business model whose objective combines both the receipt of contractual cash flows from financial assets and their sale; and
- The contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the outstanding principal amount (SPPI).

This item includes debt instruments arising from the execution of DSAs - Debt Settlement Agreements with customers under Decree-Law no. 5/2019, of 14 January.

Initial recognition

At the time of initial recognition, all active financial instruments are recorded at their fair value. For active financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting the transaction costs directly attributable to their acquisition or issue. Transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset, which would not have been incurred if the Group had not made the transaction.

Subsequent measurement

Income and expenses from financial instruments at amortised cost are recognised in accordance with the following criteria:

- Interest charges adopt the same procedure as assets at amortised cost, recognised in the income statement in accordance with the effective interest rate for the transaction;
- Impairment losses or gains on its recovery are recognised in the income statement; and
- The remaining changes in value are recognised in other comprehensive income.

Therefore, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognised in profit or loss for the period are the same as those that would be recognised if measured at amortised cost.

When a debt instrument valued at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recorded in other comprehensive income is reclassified as profit or loss for the year.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or alteration does not result in the derecognition of the financial asset, the Group recalculates the gross amount of the financial asset and recognises a gain or loss arising from the difference from the previous amortised cost against income. The gross amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the asset's original effective interest rate.

16.2 Estimates and judgments

The fair value of financial assets obtained through other sources of AdP Group comprehensive income correspond to the DSAs – the Debt Settlement Agreements reached with municipal clients under the auspices of Decree Law no. 5/2019, of 14 January. On 31 July 2019, the AdP Group reached formal agreement with the European Investment Bank over a line of credit totalling EUR 200 million that may be deployed to counterbalance the granting of the DSAs. This granting is to take place according to the nominal value of the credits. Hence, this considers that the fair value of the DSAs corresponds to their nominal value.

16.3 Detail

The details of financial assets at fair value through other income at 31 December 2021 and 2020 were the following:

i) By Group company

	31.12.2021	31.12.2020
Águas do Algarve, S.A.	16 466 032	-
Águas do Norte, S.A.	3 458 339	8 124 535
Águas do Vale do Tejo S.A.	7 674 350	9 427 266
Total	27 598 721	17 551 801

ii) By client

	31.12.2021	31.12.2020
Municipality of Vila Real Santo António	16 466 032	-
Municipality of Reguengos de Monsaraz	7 162 588	7 468 092
Municipality of Tabuaço	3 409 721	1 395 985
Municipality of Celorico da Beira	511 762	527 755
Municipality of Tarouca	48 618	57 733
Municipality of Caminha (i)	-	6 382 079
Municipality of Mirandela	-	276 260
Municipality of Vila Pouca de Aguiar	-	12 479
Municipality of Évora (i)	-	723 787
Municipality of Figueiró dos Vinhos (i)	-	316 619
Municipality of Manteigas	-	29 172
Municipality of Mourão (i)	-	124 701
Municipality of Sardoal (i)	-	237 139
Total	27 598 721	17 551 801

(i) DSAs granted in 2021

On 14 January 2019, the publication of Decree-Law no. 5/2019 established the terms and conditions for debt regularisation agreements between the local authorities, municipal services and inter-municipal services and municipal and intermunicipal entities and for the purposes of undertaking water distribution and wastewater sanitation activities and the multi-municipal system management companies or other state-owned water supply and wastewater sanitation systems and the respective management companies for partnerships between the state and local authorities under the terms stipulated in Decree Law no. 90/2009, of 9 April.

The aforementioned Decree-Law ensures user entities entering into DSAs benefit from a reduction corresponding to 30% of the accrued interest due as at December 31 2018, which in accounting terms is a charge to the deviation in the recovery of management entity expenses in order to offset the loss therefrom arising.

The AdP Group, furthermore, acknowledges: **(i)** credits related to debt recognised by a final court decision following the conclusion of a Debt Settlement Agreement substantially in accordance with the terms and conditions set out in the annex to this legal decree; and **(ii)** credits already subject to a payment agreement, regardless of its designation.

The cession of credits enables the extension of the repayment period to 25 years with this period capped at 5 years whenever the transfers of credit do not take place within 12 months of the effective date of the DSA.

The State Budget Law for 2020 (Law 2/2020, of 31 March), in its article 128, establishes that during 2020, new Debt Settlement Agreements may be entered into under the same terms as defined in DL 5/2019, of 14 January for: **(i)** debts due and recognised until 31 December 2019; **(ii)** forgiveness of 30% of late payment interest charges due until 31 December 2019 when the Debt Settlement Agreements are concluded prior to September 28, 2020; **(iii)** the conclusion of Debt Settlement Agreements remains feasible until December 31, 2020 (but without penalty interest charge forgiveness); **(iv)** a maximum term for Debt Settlement Agreements of up to 25 years; and **(v)** exemption from the requirement for approval of the Debt Settlement Agreement by the Court of Auditors. The State Budget Law for 2021 (Law 75-B/2020 of 31 December), in its article 129, establishes for 2021 the same regime provided for under the 2020 Budget Law coupled with the necessary changes to the debt reference dates.

On 7 April 2020, Decree-Law no. 14-B/2020 was published, establishing exceptional and temporary measures in response to COVID-19: **(i)** deferral of the payments of the June and September 2020 instalments of the Debt Settlement Agreements entered into under DL 5/2019, to a date after September 30, 2020, for a maximum period of 2 years from the date of each instalment; **(ii)** for the period between the effective date of DL 14-B/2020 and 30 September 2020 or the date of the assignment of claims, whichever event occurs first, with no financial interest provided for under the Debt Settlement Agreements accruing to the AdP Group; and **(iii)** the period for the assignment of Debt Settlement Agreements entered into under DL 5/2019 is extended until 30 September 2020.

On 7 May 2020, Law no. 11/2020 was published establishing an exceptional and transitory regime for the execution of Debt Settlement Agreements: **(i)** until 31 December 2020, debts related to the provision of water supply and wastewater sanitation services for the period between 1 April and 30 June 2020, may be settled by entering into Debt Settlement Agreements under the terms defined in DL 5/2019; **(ii)** the amount of the Debt Settlement Agreements cannot exceed 50% of the total due for the provision of water supply and wastewater sanitation services in that period, and the remaining 50% must be fully paid to the respective managing entity prior to the date of the agreement; **(iii)** the user entities must notify the managing entity before 30 June 2020 of the intention to enter into a DSA.

The State Budget Law for 2021 (law no. 75-B/2020, of 31 December) provided the scope for new DSAs being reached in 2021.

17. Cash and cash equivalents

17.1 Accounting policies

Cash and cash equivalents include cash, bank deposits, and other short-term liquidity investments with initial maturities of up to three months and bank overdrafts (in the case of the Cash Flow Statement) with no significant risk of change in value.

Bank overdrafts are presented in the balance sheet, in current liabilities, under the Loans item, which are also considered in the preparation of the cash flow statement.

17.2 Details

The details of cash and cash equivalents as of 31 December 2021 and 2020 were the following:

	note	31.12.2021	31.12.2020
Cash		80 430	83 359
Current account		80 210 044	152 002 584
Term accounts		243 000 000	103 705 000
		323 290 474	255 790 943
Bank overdrafts	23.2	-	(232 478)
		323 290 474	255 558 465

18. Own capital

18.1 Accounting policies

Classification

An instrument is classified as an own capital instrument:

- i) if there is no contractual obligation for it to be settled by delivering cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer;
- ii) if the instrument will or may be settled in the issuer's own capital instruments, it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own capital instruments, or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own capital instruments.

Share capital

Ordinary shares are classified in own capital. Costs directly attributable to the issuing of new shares or options are shown in own capital as a deduction, net of tax, from the amount issued.

Dividends

Distributions made on account of capital instruments are deducted from own capital as dividends when declared.

18.2 Share capital

The share capital of EUR 434,500,000 is made up of 86,900,000 shares of 5 euros each, which are fully paid up.

	31.12.2021		31.12.2020	
	Amount	%	Amount	%
Parública – S.G.P.S., S.A.	351 945 000	81%	351 945 000	81%
Caixa Geral de Depósitos, S.A.	82 555 000	19%	82 555 000	19%
	434 500 000	100%	434 500 000	100%

18.3 Net result per share

As of 31 December 2021 and 2020, the net results per share were as follows:

	31.12.2021	31.12.2020
Net annual result	83 284 856	78 552 489
Average number of shares	86 900 000	86 900 000
Earnings per share (basic and diluted)	0.96	0.90

18.4 Reserves and other adjustments

The details of the reserves and other adjustments as at 31 December 2021 and 2020 were as follows:

	31.12.2021	31.12.2020
Reserves - legal	42 208 230	39 179 944
Reserves - free	2 431 884	2 431 884
Reserves - exchange rate	865 125	1 100 652
	45 505 239	42 712 480

In accordance with the Company's Articles of Association and the Commercial Company Code, the Company is required to transfer at least 5% of any annual net profit year to the legal reserve, included in Other reserves, under Own Capital, until this reserve attains 20% of the total share capital. The legal reserve cannot be distributed to shareholders but may, under certain circumstances, be applied to increase capital or to absorb losses after all the other reserves have been attributed.

18.5 Exchange rate reserve variations

There were the following variations in the years ending on 31 December 2021 and 2020:

	31.12.2021	31.12.2020
Opening balance	1 100 652	770 859
Águas do Brasil	(2 119)	85 964
Águas de Timor	(34 237)	43 944
Aquatec	(199 171)	199 885
Movements in the year	(235 527)	329 793
Closing balance	865 125	1 100 652

18.6 Non-controlling interest

There were the following non-controlling interests as of 31 December 2021:

Invested company	Minority %	Own capital	Net result	Minority own capital	Minority net result
Águas do Algarve, S.A.	45.56%	28 625 509	1 053 402		479 930
Águas do Centro Litoral, S.A.	37.23%	102 104 322	1 595 471	38 013 439	593 994
Águas do Douro e Paiva, S.A.	49.00%	30 439 871	753 706	14 915 537	369 316
Águas do Norte, S.A.	27.50%	278 928 167	4 607 287	76 705 246	1 267 004
AdRA - Águas da Região de Aveiro, S.A.	49.00%	18 733 173	600 371	9 179 255	294 182
AgdA - Águas Públicas do Alentejo, S.A.	49.00%	10 776 467	623 845	5 280 469	305 684
Águas do Alto Minho, S.A.	49.00%	3 874 308	197 251	1 898 411	96 653
Águas do Tejo Atlântico, S.A.	48.39%	115 164 664	3 875 621	55 728 181	1 875 413
Águas do Vale do Tejo S.A.	31.73%	209 734 220	3 804 595	66 548 668	1 207 198
SIMARSUL, S.A.	48.57%	67 584 571	1 018 534	32 825 826	494 702
SIMDOURO, S.A.	41.39%	32 606 963	707 635	13 496 022	292 890
		898 572 235	18 837 718	327 632 836	7 276 966

Financial information on the subsidiaries in which there are non-controlling interests is detailed in the Management Report chapter on supply and wastewater treatment activities.

19. Provisions, contingent assets and liabilities

19.1 Accounting policies

Provisions

Provisions are only recognised when an obligation exists that results from past events, the settlement of which is likely to require the allocation of internal resources of a reasonably estimated amount. Whenever any criterion is not met or the existence of the obligation depends on the (non-)occurrence of a particular future event, AdP discloses this as a contingent liability apart from whenever evaluation of the requirement to pay funds for its settlement is deemed unlikely. When there is a large number of similar obligations, the probability of generating an outflow of internal resources is determined for the group as a whole. This provision is recognised even when the likelihood of an outflow of internal resources due to an item in the same obligation class is only small. Current obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract exists when the company is an integral party to a contract which has associated costs with respect to its compliance and which cannot be avoided and exceed the future economic benefits deriving from the same. The provisions are measured at the present value, on the balance sheet date, according to the best estimate by the Board of Directors regarding the expenditure required to discharge the obligation. The discount rate in effect for calculating the present value reflects the then prevailing market expectation both for the period of the discount and for the risk of the provision in question.

Provisions for future operating losses are not recognised.

Contingent liabilities

Contingent liabilities correspond to the potential liabilities arising as a result of past events and with their recognition dependent on the occurrence or otherwise of one or more uncertain future events not totally under the control of the Group. This may also represent present obligations as a result of past events which, either due to the payment of economic benefits not being probable or due to the value not being susceptible to reliable estimation, are not recognised in the Financial Accounts. The Group proceeds with their disclosure through notes to the accounts whenever the probability of their future reimbursements is not deemed remote. This then leads to their recognition or constitution as a provision whenever the payment of economic benefits not only becomes probable but also with the value susceptible to estimation with some degree of reliability.

Contingent assets

Contingent assets are potential Group assets that result from past events but with recognition depending on the occurrence of one or more future events, which fall beyond the scope of its control. The Group proceeds with their identification through notes to the accounts, whenever the receipt of future economic benefits becomes probable. Their recognition in the Financial Accounts takes place whenever their receipt proves virtually certain.

19.2 Estimates and judgments

AdP Group companies regularly analyse any obligations arising from past events and which require recognition or disclosure. The Group is party to several ongoing legal proceedings in relation to which it has made a judgement, based on the opinion of its lawyers, to decide on whether provisions should be set aside for these contingencies.

The subjectivity inherent in determining the likelihood and amount of outflows of internal resources needed to discharge such obligations may lead to significant adjustments, either due to changes in those assumptions or through the future recognition of provisions previously disclosed as contingent liabilities.

19.3 Details and movements

The details of the provisions in effect on 31 December 2021 and 2020 were the following.

	31.12.2021	31.12.2020
Legal actions	2 949 421	3 792 996
Workplace accidents	96 352	-
Environmental issues	1 638 236	1 638 236
Others	13 199 825	12 011 206
	17 883 834	17 442 438

The movements in provisions in the years ending on 31 December 2021 and 2020 were as follows.

	31.12.2020	Increase (note 31)	Conversion differences	Utilisations	Transfer from clients (13.3)	Reversals (note 31)	31.12.2021
Legal actions	3 792 996	180 505	2 591	(190 251)	-	(836 420)	2 949 421
Workplace accidents	-	96 352	-	-	-	-	96 352
Environmental issues	1 638 236	-	-	-	-	-	1 638 236
Others	12 011 206	78 318	-	(150 748)	1 426 549	(165 500)	13 199 825
	17 442 438	355 175	2 591	(340 999)	1 426 549	(1 001 920)	17 883 834

	31.12.2019	Increase (note 31)	Conversion differences	Utilisations	Reversals (note 31)	31.12.2020
Legal actions	2 167 100	1 631 745	(3 099)	-	(2 750)	3 792 996
Workplace accidents	3 394	-	-	(3 394)	-	-
Environmental issues	1 638 236	-	-	-	-	1 638 236
Others	12 647 931	150 863	-	(509)	(787 079)	12 011 206
	16 456 661	1 782 608	(3 099)	(3 903)	(789 829)	17 442 438

The provision recognised under the other responsibilities item stems from potential contractual liabilities. The movements by Group company in the year ending on 31 December 2021 were as follows:

Provisions - others	note	31.12.2020	Increase	Utilisation	Reversal	Transfer	31.12.2021
Águas do Centro Litoral, S.A.		19 618	-	-	-	-	19 618
AdP - Águas de Portugal, SGPS, S.A.		5 000 000	-	-	-	-	5 000 000
AdP Internacional, S.A.		27 000	78 318	-	-	-	105 318
AdRA - Águas da Região de Aveiro, S.A.		673 685	-	-	(5 000)	-	668 685
Águas de Santo André, S.A.		181 499	-	-	(160 500)	-	20 999
Águas do Tejo Atlântico, S.A.		125 000	-	(125 000)	-	-	-
Águas do Vale do Tejo S.A.	13.3	5 808 654	-	-	-	1 426 549	7 235 203
EPAL		175 750	-	(25 748)	-	-	150 002
		12 011 206	78 318	(150 748)	(165 500)	1 426 549	13 199 825

Ongoing legal actions

The AdP Group performs a careful assessment of its risks and contingencies and, in this sequence, it establishes provisions that, in view of the risks identified and the probability of materialisation in liabilities, are considered as adequate coverage. From the evaluation made and in addition to the provisions recorded, no other liabilities were identified that require disclosure as contingent liabilities.

Guarantees

Liabilities for bank guarantees provided by the business units of the companies included in the consolidation perimeter are as follows:

	Good implement.	Concession of enviro. expl. and recov.	Goods and serv. and other contracts	Expropriations and compensations	Courts	31.12.2021	31.12.2020
AdP Valor	-	-	16 472	-	-	16 472	16 472
AdP Internacional	1 410 410	-	2 569 399	-	-	3 979 809	3 128 087
EPAL	-	-	493 200	5 172 582	3 318	5 669 100	5 650 525
Águas do Norte	3 909 628	-	-	97 160	-	4 006 788	4 217 379
Águas do Alto Minho	285 515	-	-	-	-	285 515	90 000
Águas do Centro Litoral	117 587	-	-	365 494	-	483 081	521 981
Águas do Vale do Tejo	441 735	-	2 000	65 386	-	509 121	1 250 171
Águas do Algarve	45 000	566 466	10 475	925 081	-	1 547 022	1 511 218
Águas de Santo André	40 000	238 770	-	-	-	278 770	278 770
AgdA - Águas Públicas do Alentejo	171 737	-	-	-	2 384 097	2 555 834	2 567 814
AdRA - Águas Região de Aveiro	677 167	-	-	-	-	677 167	603 778
SIMDOURO	1 000	-	23 309	104 342	-	128 651	133 651
Águas do Douro e Paiva	379 740	-	-	606 484	-	986 224	1 194 784
Águas do Tejo Atlântico	65 025	-	28 781	4 479 614	-	4 573 420	5 707 095
SIMARSUL	3 450	-	-	21 956	-	25 406	34 319
Total	7 547 994	805 236	3 143 636	11 838 099	2 387 415	25 722 380	26 906 044

Contingent Assets

AdP SGPS represents the claimant in a judicial case filed on 9 October 2020 regarding the dismissal by the Large Taxpayers Unit of the request for an ex-officio review of the Corporate Income Tax (IRC) assessment of the group of which AdP was the dominant company for the year 2014. In this case, AdP is claiming the deduction of financial charges amounting to EUR 97,420,829 from the 2014 IRC, which were added to the taxable profit of previous years in compliance with article 32(2), of the Statute of Tax Benefits and Circular no. 7/2004 and the consequent restitution of the unduly paid tax, quantified as EUR 22,941,309.

20. Employee benefits

20.1 Accounting policies

EPAL is the only company in the Group with a system of social benefits for their workers, which comprises of the payment of retirement pension top-ups (for old age or disability) in addition to supporting liabilities arising from pre-retirement situations. The Company system of pension benefits embodies two types of pension plans; with defined contributions and with defined benefits.

Defined contribution plan

A defined benefits plan is a pension in which the company's only monetary obligation is to make fixed contributions to a separate entity (a fund).

The Company's contributions to defined contribution post-employment benefit plans are recognised as an expense in the period to which they relate, thus, when the employees covered by the plan have rendered the services entitling them to the Company's contribution and are calculated on the basis of a percentage applied to the wage bill of each member included in the plan.

Defined benefits plan

A defined benefits plan is a pension plan that stipulates the amount of pension benefit that an employee will receive on retirement, normally dependent on one or more factors such as age, years of service and salary.

The liabilities of the defined benefits plan are calculated annually/ half-yearly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future payments of benefits, using the interest rate of top-quality bonds in the same currency in which the benefits are to be paid and with maturities close to those of the liabilities taken on.

The liabilities recognised on the balance sheet relative to the defined benefits plans are the present value of the benefits obligation defined at the balance sheet date, less the fair value of the assets of the plan.

Past service costs are recognised in the income statement when changes are made to the benefits attributed by the pension plan.

The annually determined remeasurements result from **(i)** actuarial gains and losses determined as a result of changes in actuarial assumptions and adjustments due to experience; and **(ii)** the return on plan assets, excluding amounts included in the net interest on the net liability (asset) for attributed benefits, are recognised against own capital in the other comprehensive income item.

In each period, as a cost in the reporting of results, the Group recognises the total net value that includes **(i)** the cost of the current service, **(ii)** net interest on liabilities (assets) net of benefits attributed, **(iii)** the effects of early retirement, **(iv)** the effect of changes to the plan's benefits corresponding to past services; and **(v)** the effects of any settlement or cut experienced in the period. The costs incurred by early retirement correspond to an increase in the liabilities resulting from retirement taking place prior to reaching the age of retirement stipulated in the agreed benefits system.

The EPAL benefits plan is restricted to the payment of a top-up of the retirement pension (for old age or disability) awarded by the Social Security system, and the payment of pre-retirement situations. Liabilities for the retirement top-up are financed through the independent fund that has been set up and the liabilities for pre-retirement are directly incurred by EPAL, and independently managed by a financial institution. In other words, EPAL has set up an independent fund to provide a retirement top-up plan for its employees, comprising of a defined benefits plan.

Pension fund investment policy

The investment policy of the EPAL Pension Fund sets out the investment principles and guidelines for managing the assets of the fund in accordance with:

- The nature of the benefits covered by the Pension Plans;
- The characteristics of the population covered and the time horizon of the responsibilities assumed, in particular the distribution between responsibilities assumed with the Participants and with the Beneficiaries of the Pension Fund;
- The level of coverage of the liabilities of the Pension Fund;
- The management structure of the Pension Fund.

The investment policy shall be subject to review at least every three years or where the change in the assumptions set out above so warrants.

The principles and rules that constitute the Investment Policy of the Pension Fund are set out in the management agreement between EPAL and the management entity.

The main objective of the pension fund's investment policy is to maximize the potential return on the medium- and long-term investments of the fund based on rules and procedures based on prudence and in-depth knowledge of the markets in order to avoid inappropriate risks of loss. Investment in financial investments should be carried out in a diversified and prudent manner, taking into account, inter alia, interest rate, credit and liquidity risks.

With respect to restrictions / indications in the Total Fund and in each Portfolio:

- Investing in stocks and/or bonds may be done directly or through collective investments in transferable securities (UCITS) that meet the requirements of legislation adopted under the auspices of Council Directive No. 85/611/EEC of 20 December amended by Directive No. 2001/108/EC of 21 January 2002;
- In principle, the fund contracts foreign exchange risk hedging for shares denominated in currencies other than the euro and correspondingly avoiding any significant currency risk in these investments;
- Direct investment in bonds opts for securities denominated in euro or other currencies provided the corresponding currency hedging is undertaken;
- For the purposes of compliance with the allocation to non-euro bonds, the security classification criterion is the bond currency of issuance and without any exposure to foreign exchange risk. Hence, a bond issued in USD is considered a non-EUR bond regardless of the management entity currency hedging policy;

- Exposure to the bond class is limited to rated bonds. Fixed rate euro bonds should have a minimum rating of "BBB" or equivalent. The share of 'BBB' rated bonds should not exceed 30% of the bond component. The 'BBB' rating covers debt securities with ratings of 'BBB-' and 'BBB+'. Bonds rated below BBB, except for Portuguese sovereign debt, are classified in the high yield class and their proportion may rise up to 7.5% of the entire asset value. Portuguese (private and public) debt bonds are classified according to the euro fixed rate class and are not subject to the minimum 'BBB' rating. They may represent up to 15% of the bond component;
- Whenever the downgrading of a bond occurs that involves non-compliance with the rating limits, and when the Management entity wants to retain the security in the portfolio, then the situation is reported to the Member and the respective approval obtained;
- Any change to the classification of the Investment Policy limits requires the prior written approval of the Member;
- The government component of bonds is to represent no less than 40% of the bond class. By government, this understands public debt at fixed rates issued by central governments their agencies and quasi-governments. This thus does not include emerging market and high yield emissions (even when in EUR). This does include issuances of Portuguese debt;
- The limit on securities not traded on stock exchanges or other regulated markets in European Union member states, or similar OECD country markets, is 5%
- Assets expressed in non-euro currencies may not exceed the maximum limit of 25%;
- No investment in venture capital funds may be made without the prior written approval of the Member;
- The manager ensures the sectoral management (public debt/ private debt), the country management and the bond component duration within the limits and restrictions set forth in this investment policy.

The Pension Fund may use repo transactions and securities lending operations with the aim of increasing portfolio profitability. Operations with derivatives and lending operations are mandatorily carried out:

- i) in regulated markets; or
- ii) with financial institutions legally authorised to do so in a European Economic Area member state or in another OECD country provided that the institutional rating is qualitatively equal to or greater than "BBB"/"Baa2" in accordance with ratings universally accepted or other classifications proven equivalent.

The pension fund portfolio risk is monitored in terms of the evaluation and control of financial risks (market risk, credit risk and exchange risk), in accordance with internally set limits using the VaR (Value at Risk) methodology for this purpose.

The calculation method used to assess portfolio and benchmark yields should be an approximation of the Time Weighted Rate of Return. Attention should thus be paid to:

- For the purposes of benchmark comparisons, the various instruments should be classified according to the predominant class. Guaranteed share market capital products, as well as warrants and convertible bonds, should be classified as shares;
- For the purposes of determining exposure to the various asset classes, effective exposure and implied exposure through futures and options positions are considered;
- The evaluation of the management entity performance takes place on a quarterly basis and considers the objectives set out for obtaining added value.

20.2 Estimates and judgments

Determining pension and other employee benefit liabilities requires recourse to assumptions and estimates, including the use of actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact on the costs and liabilities of the pension plans, medical care plans and other benefits.

20.3 Details and movements

Fund summary

As of 31 December 2021 and 2020, the liabilities and assets in the fund were the following:

	note	31.12.2021	31.12.2020
Liabilities at the end of the period		24 948 000	28 111 000
Asset value at the end of the period		(32 945 000)	(33 346 000)
Excess coverage	14.2	(7 997 000)	(5 235 000)

The movements in the fund's liabilities and assets in the year ending 31 December 2021 were as follows:

	Plan liabilities	Fair value of plan assets	Total
31 December 2020	28 111 000	(33 346 000)	(5 235 000)
Costs with pensions			
Current servicing costs	16 000		16 000
Net interest			-
Benefit paid/forecast	(2 247 000)	2 192 000	(55 000)
Immediate recognition of gains and losses			-
Re-measurements			-
Var. in (gains)/losses, demographic assump.	12 000		12 000
Var. in (gains)/losses, financial assump.	(944 000)		(944 000)
(gains)/losses in earnings		(1 791 000)	(1 791 000)
31 December 2021	24 948 000	(32 945 000)	(7 997 000)

The actuarial gains for the year of 2021 report a gross total of EUR 2,778,000 which, after deducting the deferred tax effect of EUR 810,000 results in a net value of EUR 1,968,000 (as per the statement of comprehensive income).

Post-employment benefits - defined benefit plan

The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligations and the pre-retirement obligations was made with reference to 31 December 2020 by an independent external entity.

The present value of the defined benefit obligation and pre-retirement plan as well as the cost of current services and related past services were measured using the projected unit of credit method.

On 31 December 2021 and 2020, the main assumptions adopted in the actuarial valuation were as follows:

	31.12.2021	31.12.2020
Normal retirement age	66 and 7 months	66 and 5 months
Mortality table	TV 88/90	TV 88/90
Invalidity table	EVK 80	EVK 80
Discount rate	0.45%	0.00%
Wage growth rate	2.00%	2.00%
Pension growth rate	1.00%	1.00%

The "duration" of the EPAL Defined Benefit Pension Fund Plan is 8 years.

Sensitivity analysis

The sensitivity of the defined benefit liability to changes in the main assumptions is as follows:

Change in assumptions	Liability for defined benefit
Assumption - discount rate	+0.20% Decrease of 1.6%

An increase of 0.2% in the discount rate would decrease the liabilities by 1.6% (EUR 401,000).

The sensitivity analysis presented was determined by varying the assumption (discount rate) and keeping all other variables constant. In practice, this scenario is unlikely as changes in some assumptions may well correlate with others.

Cost for the period

Over the course of the financial years ending on 31 December 2021 and 2020, the following totals were recognised in the results under the item "Human resource costs":

	31.12.2021	31.12.2020
Current service cost	16 000	22 500
Interest cost	-	(25 000)
Total (note 29.2)	16 000	(2 500)

Fund asset composition

On 31 December 2021 and 2020, the fund assets were as follows:

	31.12.2021	31.12.2020
Own capital instruments	10 779 443	11 060 754
Debt instruments	20 922 832	20 995 170
Others	1 242 725	1 290 076
Total	32 945 000	33 346 000

Post-employment benefits - defined contribution plan

The company took on the commitment to make monthly contributions to a defined contribution pension fund. The only Company obligation consists of making the aforementioned contributions and having also informed the participant members of staff of the opportunity to make their own contributions on a voluntary basis.

In the 2021 and 2020 financial years, the company made the following contributions under the defined contribution plan:

	note	31.12.2021	31.12.2020
Company contributions	29.2	409 106	414 273
Staff contributions		26 778	24 455
Total		435 884	438 728

21. Accrued expenses for contractual investment

21.1 Accounting policies

See the accounting policy in note 2.4.4.

21.2 Details and movements

As of 31 December 2021 and 2020, the details of the accrued contractual investment expenses were the following:

	31.12.2021	31.12.2020
Águas do Algarve, S.A.	69 315 132	64 815 749
Águas do Centro Litoral, S.A.	50 159 595	47 475 007
Águas do Douro e Paiva, S.A.	21 682 997	22 342 389
Águas do Norte, S.A.	101 152 030	101 409 683
Águas de Santo André, S.A.	9 216 453	9 109 295
AgdA - Águas Públicas do Alentejo, S.A.	6 519 518	5 796 774
Águas do Alto Minho, S.A.	8 437 415	4 108 402
Águas do Tejo Atlântico, S.A.	118 808 401	118 679 491
Águas do Vale do Tejo S.A.	63 112 467	57 648 785
SIMARSUL, S.A.	15 584 151	14 408 294
SIMDOURO, S.A.	14 315 276	12 687 796
AdRA - Águas da Região de Aveiro, S.A.	73 106 840	67 636 710
	551 410 275	526 118 375

Movements in the period

There were the following movements in the accrual of contractual investment expenditure in the years ending on 31 December 2021 and 2020:

	note	31.12.2021	31.12.2020
Opening balance of contractual investment amortisations		526 118 375	493 673 568
Amortisations in the financial year	30	57 183 793	58 184 903
Transfers to companies	6.3	(31 831 182)	(25 225 931)
Other transfers and reductions		(60 711)	(514 165)
Closing balance of contractual investment amortisations		551 410 275	526 118 375

22. Investment subsidies

22.1 Accounting policies

Grants related to assets (for investment) are recognised when there is reasonable certainty both that the grant is receivable and that AdP shall meet all the obligations inherent to its receipt. Investment grants for the acquisition and/or construction of tangible and/or intangible assets fall under non-current liabilities and credited to the income statement in accordance with the same amortisation method as that for underlying assets.

22.2 Details and movements

As of 31 December 2021 and 2020, there were the following investment subsidies:

	note	31.12.2021	31.12.2020
Investment subsidies – Cohesion Fund	(i)	1 265 377 995	1 304 023 234
Investment subsidies – others		25 467 924	25 863 716
Integration of assets		154 441 411	154 159 455
		1 445 287 330	1 484 046 405

(i) The movements in Investment Grants - Cohesion Fund for the years ending on 31 December 2021 and 2020 were as follows:

	note	31.12.2021	31.12.2020
Investment subsidies initial balance		1 304 023 234	1 337 141 276
Recognition of the right to funding	14.2 A)	20 814 809	24 794 313
Recognition of the gain		(54 818 850)	(54 780 338)
Derecognition of lost funding	14.2 A)	(4 176 907)	(3 052 359)
Other corrections		(464 291)	(79 658)
Investment subsidies final balance		1 265 377 995	1 304 023 234

Recognition of the right to funding

	31.12.2021	31.12.2020
Águas do Norte, S.A.	5 482 696	1 880 155
AgdA - Águas Públicas do Alentejo, S.A.	9 332 113	12 930 340
EPAL, S.A.	-	903 912
Águas do Alto Minho, S.A.	5 000 000	5 025 820
Águas do Centro Litoral, S.A.	1 000 000	4 054 086
	20 814 809	24 794 313

Amounts recognised in the results

	31.12.2021	31.12.2020
Investment subsidies – Cohesion Fund	54 818 850	54 780 338
Investment subsidies – others	964 695	2 620 483
Integration of assets	9 215 176	6 382 369
	64 998 721	63 783 190

23. Loans

23.1 Accounting policies

Financial liabilities are classified into two categories: i) Financial liabilities at fair value through profit or loss; and ii) Financial liabilities at amortised cost.

The category "Financial liabilities at amortised cost" includes those liabilities presented under "Loans", "Trade credits and other non-current liabilities" and "Suppliers". These liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost according to the effective interest rate.

The Group has only recognised liabilities classified as "Financial liabilities at amortised cost".

Financial liabilities are derecognised when the underlying obligations are terminated by payment, cancellation or expiry.

Loans obtained

Loans (bank and bonds) are recorded as liabilities at the nominal value received, net of commissions related to the issuance of those loans. Financial costs are calculated based on the effective interest rate and are recorded under the item "Financial costs" in the consolidated income statement according to the accrual principle. The portion of the effective interest charge relating to the fees for issuing loans, when not paid during the reporting period, is deducted from the book value of the loan.

Any loans obtained are classified as non-current liabilities unless the AdP Group expects to settle the liability within 12 months of the balance sheet date, when they are therefore classified as current liabilities.

Re-classification between categories of financial instruments

Financial liabilities cannot be reclassified between categories.

23.2 Details and movements

As of 31 December 2021 and 2020, the following loans had been contracted:

	note	31.12.2021			31.12.2020		
		Non current	Current	Total	Non current	Current	Total
Bank loans – EIB		1 081 347 783	80 119 980	1 161 467 763	1 161 467 763	73 529 185	1 234 996 948
Shareholder loans		387 500 182	156 818 000	544 318 182	544 318 364	6 818 000	551 136 364
Bank overdrafts	17.2	-	-	-	-	232 478	232 478
Deferred charges from bond issues	(i)	-	(132 574)	(132 574)	-	-	-
Interest payable	(i)	-	3 681 781	3 681 781	-	-	-
Total of loans		1 468 847 965	240 487 187	1 709 335 152	1 705 786 127	80 579 663	1 786 365 790

(i) At 31 December 2020, the deferred charges for the issuance of bond loans were presented as assets under the "Other current assets - Other deferred charges" item (EUR 181,838 - Note 14.2) and the interest payable was presented under the "Trade payables and other current liabilities - Accrued expenses and deferrals - Creditors for interest accruals" item (EUR 6,064,307 - Note 24.2).

Bond loans are subject to ownership clauses which state that any changes to the AdP shareholder structure may result in the immediate repayment of outstanding debts. In relation to loan agreements with the European Investment Bank, the AdP Group, besides the usual constraints (payment default, compliance with general and environmental laws, cross default, pari passu, negative pledge, false statements, bankruptcy, insolvency, settlement, material changes), also takes into consideration:

- Changes in the shareholder structure of the AdP Group companies;
- Changes due to spin-offs, mergers or company sales;
- Changes to company assets;
- Changes/termination of businesses;
- Changes in the AdP shareholder structure;
- Operations performed with an AdP guarantee/collateral;
- Compliance with obligations defined in the concession/management agreements;
- Alterations to company earnings.

Moreover, and under the auspices of such financing agreements, the Portuguese Republic is the guarantor of the AdP Group to the European Investment Bank for the timely and full implementation of all financial obligations and payments, except for EIB V. EIB V receives no guarantee from the Portuguese state but is in compliance with the financial covenants provided (Net Debt / EBITDA; EBITDA / Financial Results).

Movements in loans obtained

The movements in loans obtained in the years ending on 31 December 2021 and 2020 and their reconciliation with the cash flow statement were as follows:

	31.12.2021			31.12.2020		
	Non-current	Current	Total	Non-current	Current	Total
Opening balance	1 705 786 127	80 579 663	1 786 365 790	1 756 133 493	78 264 969	1 834 398 462
Re-classification of non-current to current	(236 938 162)	236 938 162	-	(80 347 366)	80 347 366	-
Loans obtained	-	-	-	30 000 000	-	30 000 000
Reimbursement of loan capital	-	(80 347 366)	(80 347 366)	-	(78 182 933)	(78 182 933)
Variations in bank overdrafts	-	(232 478)	(232 478)	-	150 261	150 261
Variations in interest specifications	-	3 549 206	3 549 206	-	-	-
Closing balance	1 468 847 965	240 487 187	1 709 335 152	1 705 786 127	80 579 663	1 786 365 790

There were no other changes in loans, such as fair value variations and changes in the consolidation perimeter

Loans by maturity

The principal repayments of EIB loans and bonds as at 31 December 2021 and 2020 hold the following maturities:

By maturity	31.12.2021	31.12.2020
Up to 1 year	236 937 980	80 347 185
From 1 to 2 years	295 061 849	236 938 163
From 2 to 3 years	99 294 815	295 061 665
From 3 to 4 years	127 349 741	99 294 815
From 4 to 5 years	107 111 824	105 615 742
Over 5 years	840 029 736	968 875 742
	1 705 785 945	1 786 133 312

Loans per rate type

On 31 December 2021 and 2020, the EIB and shareholder loans displayed the following details as regards their interest rate type:

Variable interest rate	31.12.2021	31.12.2020
Up to 1 year	161 929 111	11 929 111
From 1 to 2 years	211 929 476	161 929 294
From 2 to 3 years	11 929 293	211 929 292
Over 3 years	193 058 080	204 987 556
	578 845 960	590 775 253

Fixed interest rate	31.12.2021	31.12.2019
Up to 1 year	75 008 869	68 418 074
From 1 to 2 years	83 132 373	75 008 869
From 2 to 3 years	87 365 522	83 132 373
Over 3 years	881 433 221	968 798 743
	1 126 939 985	1 195 358 059
	1 705 785 945	1 786 133 312

Fair value

Loans obtained by the AdP Group correspond to Loans EIB (EUR 1,161,468,000 Euros) and bond loans issued in 2007, 2008 and 2016 (EUR 544,378,000). Considering that (i) there are no comparable markets allowing for the assessment of which alternative financing rates to the EIB might apply to financing the AdP Group given the amounts and terms involved (25 years), and (ii) that the shareholder loans were issued in 2007, 2008 and 2016 and the AdP Group has not since made recourse to this type of financing and it is hence not possible to determine which rates the AdP Group might receive for financing the contracted maturities; it is similarly not possible to reasonably determine the fair value of the Loans obtained.

24. Trade payables and other liabilities

24.1 Accounting policies

These items usually include balances from suppliers of goods and services that the Group acquired during the normal course of its business. The items therein are classified as current liabilities whenever the payment falls due within 12 months or less and are otherwise classified as non-current liabilities.

These financial liabilities are initially recognised at fair value. Subsequent to their initial recognition, the liabilities are measured at amortised cost, using the effective interest rate method. Trade and other payables initially classified as current are recorded at their nominal value as they do not bear interest and the effect of discounting is considered immaterial.

24.2 Details

As at 31 December 2021 and 2020, the details of trade credits and other liabilities were made up as follows:

	note	31.12.2021			31.12.2020		
		Non-current	Current	Total	Non-current	Current	Total
Suppliers							
- Investment suppliers	i)	88 676 907	28 712 118	117 389 025	85 303 824	22 990 109	108 293 933
- General suppliers		-	31 806 852	31 806 852	-	31 754 674	31 754 674
Other accounts payable							
- Advances to clients		-	669 727	669 727	-	451 218	451 218
- Supplier deposits		-	6 709 935	6 709 935	-	7 743 867	7 743 867
- Municipal sanitation rates and USW	ii)	-	26 956 166	26 956 166	-	23 800 738	23 800 738
- Others		2 623 061	13 109 245	15 732 306	4 305 017	11 173 018	15 478 035
Additional costs and deferrals							
- Staff holiday and holiday subsidy payments		-	12 359 089	12 359 089	-	12 081 859	12 081 859
- Diverse services provided by suppliers and not yet invoiced		-	19 006 173	19 006 173	-	22 498 047	22 498 047
- Deferrals		1 073 629	8 756 239	9 829 868	1 640 673	8 170 590	9 811 263
- Credits with additional interest	23.2.i)	-	-	-	-	6 064 307	6 064 307
State and other public entities	iii)	-	27 122 199	27 122 199	-	25 551 389	25 551 389
		92 373 597	175 207 743	267 581 340	91 249 514	172 279 816	263 529 330

- i) The amounts recorded under non-current investment suppliers refer essentially to debts payable to municipalities for the integration of assets in the systems:

note	31.12.2021			31.12.2020		
	Non-current	Current	Total	Non-current	Current	Total
Águas do Algarve, S.A.	2 633 827	2 360 655	4 994 482	2 929 885	1 292 911	4 222 796
Águas do Centro Litoral, S.A.	631 644	3 375 452	4 007 096	851 822	2 274 873	3 126 695
Águas do Douro e Paiva, S.A.	598 626	1 356 399	1 955 025		749 769	749 769
Águas do Norte, S.A.	4 986 059	8 078 589	13 064 648	4 993 409	3 716 485	8 709 894
AdP Valor S.A.		48 160	48 160		7 139	7 139
AdRA - Águas da Região de Aveiro, S.A.	57 214 794	482 142	57 696 936	54 803 690	575 822	55 379 512
Águas de Santo André, S.A.	3 605 808	267 294	3 873 102	3 951 736	308 931	4 260 667
AgdA - Águas Públicas do Alentejo, S.A.	2 024 365	2 153 911	4 178 276		3 006 997	3 006 997
Águas do Alto Minho, S.A.	2 275 985	3 185 560	5 461 545	3 126 703	782 262	3 908 965
Águas do Tejo Atlântico, S.A.	568 642	3 623 056	4 191 698	616 182	5 126 829	5 743 011
Águas do Vale do Tejo S.A.	11 098 905	1 611 000	12 709 905	10 933 800	2 807 643	13 741 443
EPAL, S.A.		1 188 504	1 188 504		1 467 642	1 467 642
SIMARSUL, S.A.	2 997 426	464 406	3 461 832	3 096 597	57 216	3 153 813
SIMDOURO, S.A.	40 826	516 990	557 816		815 590	815 590
	88 676 907	28 712 118	117 389 025	85 303 824	22 990 109	108 293 933

ii) This item includes municipal taxes, specifically: payable by EPAL to the Lisbon City Council for the amount of EUR 21,152,000, and RSU by AdRA to other municipalities for the amount of EUR 1,990,000, and Alto Minho for the amount of EUR 2,008,000 euros;

iii) As at 31 December 2021 and 2020, the state and other public entities item was detailed as follows:

note	31.12.2021	31.12.2020
Retention made for tax on earnings	1 053 583	1 087 074
VAT payable	1 000 743	324 608
Social security payments	1 845 425	1 878 458
TRH / TGR	23 046 756	22 083 931
Other charges and taxes	175 692	177 318
Liabilities to the state and other public entities	27 122 199	25 551 389

25. Financial instruments by IFRS 9 category

Classification of financial assets and liabilities 31.12.2021	nota	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Financial liabilities at amortised cost	Total financial instruments
Other financial assets	11.2	-	22 177 834	-	21 937 519
Trade receivables	13.3	-	300 337 618	-	300 337 618
Financial assets at fair value through other comprehensive income	16.3	27 598 721	-	-	27 598 721
Cash and cash equivalents	17.2	-	323 290 474	-	323 290 474
		27 598 721	645 565 611	-	673 164 332
Loans	23.2	-	-	1 705 785 945	1 705 785 945
Trade payables and other non-current liabilities	24.2	-	-	149 195 877	149 195 877
		-	-	1 854 981 822	1 854 981 822

Classification of financial assets and liabilities 31.12.2020	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Financial liabilities at amortised cost	Total financial instruments
Other financial assets	-	24 011 626	-	24 011 626
Clients	-	333 516 414	-	333 516 414
Financial assets at fair value through integral other earnings	17 551 801	-	-	17 551 801
Cash and cash equivalents	-	255 790 943	-	255 790 943
	17 551 801	613 318 983	-	630 870 784
Loans	-	-	1 786 365 790	1 786 365 790
Trade payables and other non-current liabilities	-	-	140 048 607	140 048 607
	-	-	1 926 414 397	1 926 414 397

26. Revenue from contracts with customers

26.1 Accounting policies

This revenue corresponds to the fair value of the amounts received or receivable from transactions carried out with clients within the scope of normal Group activities. Revenue is accounted for net of any taxes, commercial discounts and other inherent costs at the fair value of the amounts received or receivable.

IFRS 15 provides a five-step model for accounting revenue from contracts with customers and requires that revenue be recognised at an amount that reflects the remuneration expected by an entity in exchange for goods and/or services to be transferred to the customer. The five steps are: **(1)** identify the contract with the customer, **(2)** identify the performance obligations under the contract, **(3)** determine the transaction price, **(4)** allocate the transaction price to the contract performance obligations and **(5)** recognise income when the entity meets a performance obligation.

In determining the revenue value, AdP evaluates the performance obligations assumed in each transaction undertaken with clients, the transaction price to be allocated to each performance obligation identified in the transaction and the existence of variable pricing conditions that may trigger future corrections to the recorded total of earnings and for which AdP provides its best estimate.

For the majority of AdP Group sales and provision of services, there is only one performance obligation, hence the revenue is recognised immediately following the delivery of goods (sale of water) or the provision of services (sanitation) to clients.

Revenues are determined and recognised as follows:

Services provided

Regulated activities - Bulk services - wastewater treatment and partnerships

Revenues are recognised based on **(i)** minimum amounts when there are breaches of concession contract exclusivity; or **(ii)** consumption, i.e., revenue recorded as the product of the approved tariff and consumption measured and/or estimated.

Unregulated activities

The availability tariff is based on a contract established with the customer at a defined rental price. The contractual amount is recognised monthly in the month to which service delivery refers.

Sales of goods

Regulated activities - Bulk services - Water supply

Revenues are recognised based on **(i)** minimum amounts when there are breaches of concession contract exclusivity; or **(ii)** consumption, i.e., revenue recorded as the product of the approved tariff and consumption measured and/or estimated.

Regulated activities - Retail services - Partnerships

Revenues comprise two components, one fixed and the other variable. Revenues are recorded as the product of the approved tariff for each bracket and the respective consumption measured and/or estimated (variable component). The fixed component corresponds to service availability and pegged to the meter's debit capacity. Recognition takes place according to fractions of twelve.

Regulated activities - Retail services - delegated management

Water supply - end consumer: the sale of water to end consumers is based on m³ consumed. The respective tariffs of each concession and non-concession (EPAL) apply. In some cases, consumption estimates are made before correction when the individual customer meters are read.

CTA - Additional Tariff Component

In accordance with Decree-Law no. 16/2017, of 1 February and Decree-Law no. 34/2017, of 24 March, AdP Group companies - Águas do Douro e Paiva, S.A. (AdDP), EPAL - Company Portuguesa das Águas Livres, S.A. and Águas do Tejo Atlântico, S.A. (AdTA), invoice on behalf of Águas do Norte and Águas do Vale do Tejo, respectively, a monthly amount named the CTA - the Additional Tariff Component. The CTA is recognised as revenue under "Sales" or "Services Rendered" depending on whether it corresponds to water supply or wastewater treatment.

Environmental Fund

Under the auspices of both the Program of the 21st Constitutional Government and Decree-law no. 72/2016, of 4 November, the State decided to demerge the companies aggregated in 2015 (through Decree-law no. 92/2015, no. 93/2015 and no. 94/2015, all of 29 May) as well as interrupting the trajectory in the tariff rises then established.

This decision was supported by a study of the neutrality in the effects on the demerged company revenues with the State having decided to compensate the latter entities for the loss of revenues by establishing corrective tariffs among the companies - extending the application of the CTA - the Additional Tariff Component to AdDP and to AdTA - and by the transfer of a sum from the Environment Fund.

Furthermore, under the auspices of the Management Contracts agreed between the management of AdP SGPS, Águas do Norte, S.A. (AdNorte) and Águas do Vale do Tejo, S.A. (AdVT), the State understands that revenues generated by the Environment Fund should be taken into consideration for the purposes of operationally balancing AdNorte and AdVT.

Hence, the extraordinary additional revenue in the form of support from the Environment Fund, received annually, holds the objective of compensating for the business turnover that would have been charged annually by the tariff and that was set on a rising trajectory for the demerged companies. Thus, the extraordinary revenue provided in support from the Environment Fund is annually registered as revenue under the "Services provided" item.

Construction services

See accounting policy described in note 2.4.6.

26.2 Detail

The revenues from customer contracts in the years ending on 31 December 2021 and 2020 were as follows:

	note	31.12.2021	31.12.2020
Sales			
Water – Production, Treatment and Transport		262 035 024	260 277 019
EPAL		137 784 350	138 049 936
		399 819 374	398 326 955
Service Provision			
Wastewater –Treatment		316 406 261	310 938 723
EPAL		1 186 725	1 223 343
International		7 517 359	4 613 616
Corporate		260 053	200 603
		325 370 398	316 976 285
Revenue from contracts with customers		725 189 772	715 303 240
Income from construction of concession assets (IFRIC 12)		122 604 895	107 823 223
Cost recovery deviation (tariff surplus)	12.3	(58 887 992)	(55 351 557)
		788 906 675	767 774 906

For the financial year ending on 31 December 2021, the items "Sales" and "Service provision" include the following amounts:

- i) CTA: EUR 7,547,187 to Águas do Norte and EUR 20,653,671 to Águas do Vale do Tejo (obtaining the total of EUR 27,601,541 for these two companies in 2020).
- ii) Environmental Fund: EUR 10,452,864 to Águas do Norte, EUR 10,374,611 to Águas do Vale do Tejo (obtaining the total of EUR 20,670,695 for these two companies in 2020).

The contributions of Group companies to revenue related to sales and services rendered for the years ending on 31 December 2021 and 2020 were the following:

	31.12.2021			31.12.2020		
	Sales	Provision of Services	Total	Sales	Provision of Services	Total
Águas do Algarve, S.A.	33 596 511	26 237 766	59 834 277	32 542 552	26 478 797	59 021 349
Águas do Centro Litoral, S.A.	15 383 640	25 311 947	40 695 587	14 962 549	25 147 255	40 109 804
Águas do Douro e Paiva, S.A.	32 105 224	-	32 105 224	33 879 993	-	33 879 993
Águas do Norte, S.A.	52 697 049	65 131 931	117 828 980	53 032 693	63 592 679	116 625 372
AdP - Águas de Portugal, SGPS, S.A.	-	58 914	58 914	-	6 904	6 904
AdP Internacional, S.A.	-	6 262 254	6 262 254	-	3 679 554	3 679 554
AdP Valor S.A.	-	178 291	178 291	-	180 363	180 363
AdP Timor Leste, Lda.	-	1 214 628	1 214 628	-	895 364	895 364
AdRA - Águas da Região de Aveiro, S.A.	29 484 357	25 846 719	55 331 076	29 487 066	25 492 571	54 979 637
Águas de Santo André, S.A.	8 677 490	7 408 974	16 086 464	7 791 007	6 453 705	14 244 712
AgdA - Águas Públicas do Alentejo, S.A.	12 380 104	5 490 490	17 870 594	11 417 127	4 506 248	15 923 375
Águas do Alto Minho, S.A.	13 665 687	9 605 711	23 271 398	14 549 847	8 736 581	23 286 428
Aquatec, Lda	-	40 477	40 477	-	38 698	38 698
Águas do Tejo Atlântico, S.A.	28 504	82 647 918	82 676 422	28 579	83 431 442	83 460 021
Águas do Vale do Tejo S.A.	64 016 458	36 583 667	100 600 125	62 585 605	36 391 221	98 976 826
EPAL, S.A.	137 784 350	1 186 725	138 971 075	138 049 937	1 223 343	139 273 280
AdP Energias, S.A.	-	22 848	22 848	-	13 335	13 335
SIMARSUL, S.A.	-	18 409 162	18 409 162	-	17 349 471	17 349 471
SIMDOURO, S.A.	-	13 731 976	13 731 976	-	13 358 754	13 358 754
	399 819 374	325 370 398	725 189 772	398 326 955	316 976 285	715 303 240

27. Costs of sales

For the years ending on 31 December 2021 and 2020, the costs of sales were the following:

	note	31.12.2021	31.12.2020
Raw materials		9 396 517	9 808 016
Subsidiary materials		15 382 528	14 843 393
Corrections to previous financial years		21 130	(178 862)
	15.2	24 800 175	24 472 547
Capitalisation of sales costs		(89)	-
		24 800 086	24 472 547
Gastos de construção em ativos concessionados (IFRIC 12)		122 604 895	107 823 223
		147 404 981	132 295 770

28. Supplies and external services

28.1 Accounting policies

Costs and losses are recorded in the year to which they relate, regardless of when paid or received in accordance with the accrual method.

Operating subsidies are deferred and recognised in the consolidated profit and loss statement in the same period as the expenses they are intended to compensate for and are written off directly against the nature of the cost.

Own work capitalised are the costs of resources directly attributable to intangible and tangible assets during their development/ construction phase and, when concluded, are recovered through the realisation of those assets. Personnel costs are particularly relevant. These are measured at cost, recognised without any margin, based on internal information especially prepared for the purpose (internal costs) or on the respective purchase costs added to other inherent expenses. Capitalised expenses are carried over directly on the balance sheet without any impact on the income statement and disclosed in the notes whenever such is applicable.

28.2 Details

The details of the external supplies and services for the years ending on 31 December 2021 and 2020 were as follows:

	note	31.12.2021	31.12.2020
Subcontracts		34 347 620	33 849 149
Conservation and repairs		42 723 974	38 292 656
Rental and hiring		4 741 340	4 081 590
Electricity		59 326 987	71 434 326
Insurance		3 184 816	3 279 626
Treatment of wastes and effluents		19 465 224	16 732 790
Analytical tests		2 217 117	2 148 398
Studies / Consultancy / Auditing		4 708 621	3 488 225
IT support		3 358 211	3 121 206
Security and surveillance		3 249 149	3 084 309
Communications		3 924 635	4 124 282
Fuels / Water		5 776 370	4 190 251
Travel and accommodation		1 130 387	962 600
Publicity and advertising		1 620 355	1 405 234
Drought related costs		-	697 300
FSE – Other items		22 906 042	19 933 565
		212 680 848	210 825 507
FSE capitalised		(1 905 402)	(1 522 844)
		210 775 446	209 302 663

29. Personnel costs

29.1 Accounting policies

Short-term employee benefits and termination benefits are recognised in the income statement.

Short-term employee benefits include salaries, wages and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (when payable within twelve months following the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) relating to current employees and with their payment expected to occur within 12 months.

The Company recognises a liability and an expense for employment termination benefits when the Company can no longer withdraw the provision of such benefits.

Regarding the medium and long-term employee benefits, see note 20.1.

29.2 Detail

The years ending on 31 December 2021 and 2020 incurred the following personnel costs:

	note	31.12.2021	31.12.2020
Remunerations		87 071 342	84 476 487
Charges with remunerations		19 301 193	18 827 380
Insurance		5 430 931	5 514 595
Compensations for contractual termination		231 094	629 756
Other personnel costs	(i)	2 421 764	2 989 609
Corrections to previous financial years		24 189	12 432
		114 480 513	112 450 259
Personnel costs capitalised		(6 327 005)	(7 252 204)
		108 153 508	105 198 055

(i) Includes EUR 16,000 of expenses with the defined benefit plan and EUR 409,106 of expenses with the defined contribution plan (note 20.3)

Remuneration of AdP Governing Bodies

	31.12.2021	31.12.2020
Board of Directors	370 527	309 317
Supervisory Board	31 967	31 967
Chartered Accountant	36 545	39 229
	439 039	380 513

Average number of employees

	31.12.2021	31.12.2020
Governing bodies	91	97
Members of staff	3 499	3 383
	3 590	3 480

30. Financial year amortisations, depreciations and reversals

In the years ended 31 December 2021 and 2020, amortisation, depreciation and reversals were as follows:

	note	31.12.2021	31.12.2020
Amortisations – investment properties	9.2	78 038	79 053
Amortisations – tangible assets	7.3	28 002 432	27 727 253
Amortisations - intangible assets	6.3	962 309	969 727
Amortisations - DUI	6.3	145 682 917	143 539 011
Depreciation of future contractual investment	21.2	57 183 793	58 184 903
Amortisations - Assets under right of use	8.2	5 915 795	5 112 791
		237 825 284	235 612 738
Reversals		-	(286 262)
		237 825 284	235 326 476
Corrections to previous years		-	(475 266)
		237 825 284	234 851 210

31. Financial year provisions and reversals

The provisions and reversals taking place in the years ending on 31 December 2021 and 2020 were as follows:

	note	31.12.2021	31.12.2020
Financial year provision - ongoing legal actions	19.3	180 505	1 631 745
Financial year provision - accidents at work	19.3	96 352	
Financial year provision - others	19.3	78 318	150 863
		355 175	1 782 608
Reversals of provisions – ongoing legal actions	19.3	(836 420)	(2 750)
Reversals of provisions – others	19.3	(165 500)	(787 079)
		(1 001 920)	(789 829)
Corrections to previous years		-	-
		(646 745)	992 779

32. Financial year impairment losses and reversals

For the years ending on 31 December 2021 and 2020, there were the following impairment losses and reversals:

	note	31.12.2021	31.12.2020
Impairment losses - clients	13.3	5 652 343	4 834 558
Impairment losses - other assets	14.2	1 184 588	185 845
Impairment losses - fixed tangible assets	7.3	172 831	-
		7 009 762	5 020 403
Reversals of impairment losses - clients	13.3	(246 238)	(793 296)
Reversals of impairment losses – other assets	14.2	(8 326)	(4 743)
Reversals of impairment losses – financial investments in associated companies	10.2	-	(1 142)
Reversals of impairment losses - fixed tangible assets	7.3	(209 445)	(209 445)
		(464 009)	(1 008 627)
		6 545 753	4 011 776

33. Other operating expenses and losses

The years ending on 31 December 2021 and 2020 saw other operating expenses and losses account for the following:

	note	31.12.2021	31.12.2020
Direct and indirect taxes	(ii)	9 585 389	8 323 184
Inventory losses		18 697	16 060
Losses on tangible and intangible assets (disposals, write-offs, accidents)		25 345	244 285
Donations		404 871	451 785
Unfavourable exchange rate differences		633 870	330 199
Other costs and losses	(i)	5 643 444	2 395 816
Corrections to previous years		134 636	47 783
		16 446 252	11 809 112
Capitalised costs		-	-
		16 446 252	11 809 112

(i) Includes charges for customer collection (EUR 855,000), severance indemnities (EUR 226,000) and other customer compensations (EUR 2,315,000).

(ii) Direct and indirect taxes

	note	31.12.2021	31.12.2020
Stamp duty		260 764	318 121
ERSAR charge		4 583 525	4 487 329
Hydric resource charge		244 272	173 311
Other taxes and charges	(a)	4 496 828	3 344 423
		9 585 389	8 323 184

(a) Includes subsoil rates (EUR 3,201,000), municipal property tax (EUR 318,000) and tax payable in Angola (EUR 938,000)

34. Other operating income and gains

In the years ending on 31 December 2021 and 2020, other operating income and gains derived from the following:

	note	31.12.2021	31.12.2020
Energy sales		911 048	1 074 478
Rents	8.4	354 000	354 000
Invoicing services and commercial management for Lisbon Municipal Council		1 111 416	1 208 926
Aquamatrix technical assistance		2 130 448	2 060 889
Favourable exchange rate differences		229 517	83 931
Gains in tangible and intangible fixed assets (disposals and compensation for accidents)		223 596	574 834
Others	(a)	8 957 591	4 231 704
		13 917 616	9 588 762
Capitalised earnings and gains			
		13 917 616	9 588 762

(a) The year ending on 31 December 2021 includes: **(i)** recognition of income from a VAT tax credit amounting to EUR 1,935,000 relating to the years 2016 to 2019; **(ii)** recognition of income amounting to EUR 1,500,000 relating to receipts from the Environmental Fund for the reimbursement of costs incurred in previous years due to drought.

35. Financial costs

The years ending on 31 December 2021 and 2020 incurred the following financial expenses:

	note	31.12.2021	31.12.2020
Interest incurred	(i)	31 681 192	34 160 885
Unfavourable exchange rate differences		(20 010)	20 038
Other financial costs	(ii)	2 870 178	4 211 292
Corrections to the previous years		18 504	(32)
		34 549 864	38 392 183
Financial costs capitalised		(1 566 390)	(1 475 346)
		32 983 474	36 916 837

(i) Interest incurred

	note	31.12.2021	31.12.2020
Interest incurred - EIB		26 667 533	28 630 891
Interest incurred – leasing operations		445 681	492 417
Interest incurred – shareholders		556 733	1 117 314
Recognition of fair value reserve		-	350 431
Penalty interest incurred		113 649	203 838
Interest incurred - bank loan financing		35 439	62 684
Interest incurred – asset integration		3 862 157	3 303 310
		31 681 192	34 160 885

The decrease in financial expenses directly relates to the decrease in the volume of debt (reduction of approximately 80 million euros per year), and the maintenance of negative interest rates.

(ii) Other financial costs

	note	31.12.2021	31.12.2020
Financing obtained – Commissions / guarantees	(i)	2 544 413	2 796 394
Others		325 765	1 414 898
		2 870 178	4 211 292

(i) Costs of guarantee commissions provided by the Portuguese state for the loans granted by the EIB (except for EIB V) (0.2% on the outstanding capital).

36. Financial income

The financial years ending on 31 December 2021 and 2020 generated the following financial income:

	note	31.12.2021	31.12.2020
Interest received	(i)	14 768 067	13 342 160
Other financial income and gains		172 186	197 020
		14 940 253	13 539 180

(i) Interest received

Interest received	note	31.12.2021	31.12.2020
Deposits		170	848
Other financial assets		1 323 409	1 695 328
Penalty interest	(a)	12 369 433	11 074 068
Other interest		1 075 055	571 916
		14 768 067	13 342 160

(ii) Penalty interest (by Group company)

	31.12.2021	31.12.2020
Águas do Vale do Tejo S.A.	5 945 696	5 251 510
Águas do Norte, S.A.	4 008 931	4 129 279
Águas do Algarve, S.A.	1 630 003	1 299 528
Other holdings	784 803	393 751
	12 369 433	11 074 068

37. Income tax

37.1 Accounting policies

Tax on earnings

AdP and the AdP Group companies that are resident in Portugal are liable for payment of IRC - corporate income tax in keeping with their taxable income at the applicable rates.

The parent and subsidiaries in which control is directly or indirectly held are taxed at the 21% rate, plus the municipal tax rate to a maximum of 1.5% of the taxable profit. The State surtax is 3% on taxable profits that exceed EUR 1.5 million to a ceiling of EUR 7.5 million, and then at the 5% rate for taxable profits over EUR 7.5 million, up to a limit of EUR 35 million. Amounts above EUR 35 million are taxed at 9%.

Income tax for the period includes current tax and deferred tax. Income tax is recognised in the consolidated income statement, except where it is related to items that are recognised directly in own capital. The amount of current tax payable is calculated based on the pre-tax profit, adjusted in accordance with tax rules.

The determination of income tax requires certain interpretations. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle. Therefore, the AdP Group complies with the guidance of IFRIC 23 - Uncertainty over Income Tax Treatment regarding the determination of taxable profits, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty over income tax treatment, and no material impact on the financial statements has resulted from the application of this guidance. The AdP Group believes that any review of the tax returns will not result in material adjustments in the consolidated financial statements that require any provision for taxes.

Deferred tax

Deferred tax is recognised whenever temporary differences between the tax base of assets and liabilities and their carrying amount on the consolidated financial statements are deemed to exist. Deferred tax that arises from the initial recognition of an asset or liability in a transaction that is not a merger and which on the transaction date has not affected either the accounting outcome or the tax outcome, is not recorded. Deferred tax assets are recognised when it is probable that future taxable profit will be available against which temporary differences can be utilised or when the reversal of a deferred tax asset is expected for the same time and with the same authority. Deferred tax assets are recognised for all recoverable losses to the extent that it is probable that taxable profit will be available against which these losses can be offset.

Deferred taxes are calculated based on the current rate or the rate officially announced at the balance sheet date and which is expected to apply on the date on which deferred tax assets are realised or deferred tax liabilities are paid. Differences that may arise from expected changes in the rates that will reverse temporary tax differences are considered in the consolidated income statement.

Deferred taxes are recognised on temporary differences arising from investments in subsidiaries and associates except when the AdP Group is able to control the timing of the reversal of the temporary difference and it is likely that the temporary difference will not be reversed in the foreseeable future.

Deferred taxes are recorded in the net profit or in other reserves, depending on how the transaction or event giving rise to them is recorded.

37.2 Detail and movement

On 31 December 2021, the balance corresponds to the amount of corporate income tax payable for 2021. The tax authorities are owed no overdue debts.

	31.12.2021
Advance payments and additional payments by account	(56 785 743)
Estimated taxation	66 284 193
Fiscal benefits receivable from previous years (SIFIDE)	(52 039)
Retentions held by third parties	(748 975)
	8 697 436

The taxes levied for the years ending on 31 December 2021 and 2020 were the following:

	note	31.12.2021	31.12.2020
Income tax for the year		(66 227 072)	(65 062 551)
Excess of estimated tax		2 357 171	828 538
Shortfall in estimated tax		(209 669)	(286 399)
		(64 079 570)	(64 520 412)
Deferred tax	13.1	31 366 080	30 663 565
		31 366 080	30 663 565
		(32 713 490)	(33 856 847)

The reconciliation between the nominal and effective tax rate for the years ending on 31 December 2021 and 2020 was the following:

31.12.2021	Base	Rate	Tax
Consolidated pre-tax result			
	1 500 000	22.50%	337 500
	6 000 000	25.50%	1 530 000
	27 500 000	27.50%	7 562 500
	88 275 311	31.50%	27 806 723
	123 275 311	30.21%	37 236 723
Permanent differences:			
. Provisions	(450 907)	-0.03%	(41 091)
. Corrections made to previous financial years	356 001	0.06%	76 287
. Fines, charges and compensator interest	70 022	0.01%	17 722
. Fiscal benefits	(457 244)	-0.08%	(100 637)
. Non-recoverable credits	136 337	0.02%	29 996
. Others	(1 515 881)	-0.30%	(375 277)
Temporary difference without recorded deferred taxation			
. Utilisation of fiscally reportable losses	366 711	0.06%	77 009
. Provisions and/or impairments	(660 801)	-0.13%	(159 110)
. Depreciations	636 387	0.12%	149 845
. Generation of fiscally reportable losses	2 561 741	0.44%	537 966
Corrections to the deferred tax rate		-0.28%	(347 517)
Difference between the expected tax rate and the rate applied by each company		-2.25%	(2 770 022)
Autonomous taxes		0.46%	568 414
SIFIDE and CFEI II		-1.56%	(1 927 599)
Excess of taxes estimated for previous years		-0.21%	(259 219)
Fiscal burden		26.54%	32 713 490

31.12.2020	Base	Rate	Tax
Consolidated pre-tax result			
	1 500 000	22.50%	337 500
	6 000 000	25.50%	1 530 000
	27 500 000	27.50%	7 562 500
	84 307 836	31.50%	26 556 968
	119 307 836	30.16%	35 986 968
Permanent differences:			
. Provisions	(671 321)	-0.11%	(136 222)
. Corrections on previous financial years	64 156	0.01%	14 479
. Fines, charges and compensatory interest	80 752	0.02%	18 781
. Fiscal benefits	(584 244)	-0.12%	(137 506)
. Others	(221 580)	-0.07%	(80 755)
Temporary differences without registered deferred tax			
. Utilisation of reportable fiscal losses	(368 411)	-0.06%	(77 366)
. Provisions and/or impairments	(1 595 532)	-0.28%	(337 344)
. Depreciations	2 395 808	0.49%	579 153
. Generation of reportable fiscal losses	2 382 675	0.42%	500 362
Corrections to the deferred tax rate		0.51%	612 175
Difference between the expected tax rate and the rate applied by each company		-2.68%	(3 195 569)
Autonomous taxes		0.33%	392 243
Excess of taxes estimated for previous years		-0.42%	(496 290)
Fiscal burden		28.38%	33 856 847

The details of the deferred taxes existing as at 31 December 2021 and 2020 and the movements in the years ended were as follows:

	31.12.2021	31.12.2020
Deferred tax asset	279 776 096	259 543 731
	279 776 096	259 543 731
Deferred tax liability	244 125 518	254 449 162
	244 125 518	254 449 162
	35 650 578	5 094 569

	31.12.2020			Reinforcement / reversions in results			Reinforcement / reversions in reserves			Rate Adjustment (In Results)	31.12.2021		
	Base	Rate	Tax	Base	Rate	Tax (note 46)	Base	Rate	Tax		Base	Rate	Tax
DEFERRED TAX ASSETS													
Reportable losses	374 950	21.00%	78 739	(374 950)	21.00%	(78 739)	-	-	-	-	-	-	-
- Tariff deviation (note 16)	66 680 208	25.74%	17 162 099	25 162 218	25.78%	6 485 937	-	-	-	(247 558)	91 842 427	25.48%	23 400 478
IFRIC 12 Effect													
• IFRIC 12 Effect (Transition) - firm investment amortisation	22 179 931	26.28%	5 829 871	412 610	25.80%	106 453	-	-	-	(22 651)	22 592 541	26.18%	5 913 672
• IFRIC 12 Effect (Transition) - firm investment subsidye	17 666 911	26.02%	4 596 146	-	-	-	-	-	-	(6 347)	17 666 911	25.98%	4 589 797
• IFRIC 12 Effect (Transition) - future investment amortisation	275 557 474	25.59%	70 511 440	382 754	29.59%	113 272	-	-	-	1 099 621	275 940 229	25.99%	71 724 332
• IFRIC 12 Effect (Transition) - future investment subsidy	12 196 152	25.82%	3 148 596	(481 267)	25.96%	(124 936)	-	-	-	12 508	11 714 885	25.92%	3 036 168
• IFRIC 12 Financial Year Effect - IFRIC 12 VS fiscal amortisations	112 034 285	25.24%	28 278 014	6 440 259	23.87%	1 537 388	-	-	-	(190 548)	118 474 544	25.01%	29 624 853
• IFRIC 12 Financial Year Effect - future investment	423 928 535	25.87%	109 678 466	45 649 213	25.63%	11 699 623	-	-	-	(448 456)	469 577 748	25.75%	120 929 632
• IFRIC 12 Financial Year Effect - IFRIC 12 VS fiscal subsidy1	11 295 664	24.69%	2 788 463	558 702	23.13%	129 231	-	-	-	(53)	11 854 366	24.61%	2 917 640
• Amortisation differences - accounting VS fiscal	5 801 994	22.50%	1 305 449	(241 751)	22.50%	(54 394)	-	-	-	-	5 560 243	22.50%	1 251 054
• IFRIC 12 Other Effects	40 935 394	26.00%	10 641 833	1 191 750	26.08%	310 808	-	-	-	-	42 127 144	26.00%	10 952 640
Provisions													-
- Impairment losses	7 808 945	28.56%	2 229 917	859 075	24.17%	207 643	-	-	-	(2 164)	8 668 020	28.10%	2 435 395
- Risks and duties	908 545	26.40%	239 857	96 352	29.40%	28 328	-	-	-	-	1 004 898	26.69%	268 183
- Others	25 863		6 715	(26 259)	29.40%	(7 720)	-	-	-	-	(396)	254.04%	(1 006)
Others:													-
Replacement of taxed earnings (IRC 97/98/99) (EPAL)	1 549 908	29.40%	455 673	-	-	-	-	-	-	-	1 549 908	29.40%	455 672
Updating of ADO and Sintra - conversion to IFRS - initial balance 01.01.2010	1 250 043	29.43%	367 836	(132 948)		(39 087)	-	-	-	-	1 117 095	29.43%	328 749
Other Adjustments	3 350 822	66.39%	2 224 616	(1 167 117)	22.47%	(262 214)	-	-	-	(13 562)	2 183 705	89.24%	1 948 837
Asset tax	1 003 545 624	25.86%	259 543 731	78 328 641	25.60%	20 051 593	-	-	-	180 790	1 081 874 268	25.86%	279 776 096
Liabilities for deferred tax													
Tariff deviations (note 16)	(624 414 186)	25.92%	(161 852 498)	33 725 774	26.89%	9 068 331	-	-	-	324 820	(590 688 411)	25.81%	(152 459 348)
IFRIC 12 Effect													
• IFRIC 12 Effect (Transition) - firm investment amortisation	(12 022 660)	26.00%	(3 125 892)	751 416	25.50%	191 611	-	-	-	60 114	(11 271 244)	25.50%	(2 874 168)
• IFRIC 12 Effect (Transition) - firm investment subsidye	(4 526 189)	25.65%	(1 160 796)	174 626	25.80%	45 053	-	-	-	10 137	(4 351 563)	25.41%	(1 105 607)
• IFRIC 12 Effect (Transition) - future investment amortisation	(107 434 037)	25.66%	(27 565 574)	4 131 967	25.86%	1 068 659	-	-	-	75 984	(103 302 070)	25.58%	(26 420 932)
• IFRIC 12 Effect (Transition) - future investment subsidy	(60 659 112)	25.53%	(15 488 251)	2 242 474	26.14%	586 183	-	-	-	(352 134)	(58 416 638)	26.11%	(15 254 203)
• IFRIC 12 Financial Year Effect - IFRIC 12 VS fiscal subsidy	(23 178 794)	22.63%	(5 244 565)	(3 993 324)	24.03%	(959 522)	-	-	-	28 208	(27 172 118)	22.73%	(6 175 880)
• IFRIC 12 Financial Year Effect - future subsidy	(20 325 370)	25.85%	(5 254 582)	(1 507 152)	26.68%	(402 105)	-	-	-	(5 347)	(21 832 521)	25.93%	(5 662 035)
Re-evaluation reserves	(107 783 839)	29.40%	(31 688 448)	3 768 877	29.40%	1 108 050	-	-	-	-	(104 014 962)	29.40%	(30 580 399)
Reinvested capital gains	(130 636)	29.40%	(38 407)	4 877	29.40%	1 434	-	-	-	-	(125 759)	29.40%	(36 974)
Other adjustments	(6 329 661)	47.87%	(3 030 149)	1 156 096	22.43%	259 276	(2 755 347)	29.40%	(810 044)	24 946	(7 928 912)	44.85%	(3 555 972)
Tax liability	(966 804 484)	26.32%	(254 449 162)	40 455 631	27.11%	10 966 970	(2 755 347)	29.40%	(810 044)	166 728	(929 104 198)	26.28%	(244 125 518)
Net tax	36 741 140	13.87%	5 094 569	118 784 272	26.11%	31 018 563	(2 755 347)	29.40%	(810 044)	347 518	152 770 070	23.34%	35 650 578

	31.12.2019			Increases/Reversals in Results (Note 46)			Increases/ Reversals in Reserves			Reclassifications/ Settlements			Rate Adjustment (In Results) (Note 47)	31.12.2020		
	Basis	Rate	Tax	Basis	Rate	Tax	Basis	Rate	Tax	Basis	Rate	Tax		Basis	Rate	Tax
DEFERRED TAX ASSETS																
Losses carried forward	1 438 828	21.00%	302 154	(1 063 878)	21.00%	(223 414)	-	-	-	-	-	-	-	374 950	21.00%	78 739
Tariff deviation	55 360 530	26.52%	14 683 507	16 454 839	25.62%	4 215 797	-	-	(5 135 161)	0.00%	-	(13 483)	-	66 680 208	28.32%	18 885 820
IFRIC 12 Effect																
IFRIC 12 Effect (Transition) - fixed amortisation investment	21 849 320	26.22%	5 729 106	330 611	26.21%	86 653	-	-	-	-	-	14 112	-	22 179 931	26.28%	5 829 871
IFRIC 12 Effect (Transition) - fixed subsidy investment	17 666 911	25.82%	4 561 870	-	-	-	-	-	-	-	-	34 276	-	17 666 911	26.02%	4 596 146
IFRIC 12 Effect (Transition) - future amortisation investment	277 976 231	25.65%	71 288 151	(2 418 757)	25.17%	(608 843)	-	-	-	-	-	(167 868)	-	275 557 474	25.59%	70 511 440
IFRIC 12 Effect (Transition) - future subsidy investment	12 677 418	25.72%	3 260 452	(481 266)	25.86%	(124 459)	-	-	-	-	-	12 603	-	12 196 152	25.82%	3 148 596
IFRIC 12 Effect for the Period - IFRIC 12 amortisation VS tax amortisation	104 608 256	25.25%	26 411 971	7 426 029	25.14%	1 866 666	-	-	-	-	-	(623)	-	112 034 285	25.24%	28 278 014
IFRIC 12 Effect for the Period - future investment	372 861 207	25.82%	96 264 370	51 067 328	25.81%	13 180 508	-	-	-	-	-	233 588	-	423 928 535	25.87%	109 678 466
IFRIC 12 Effect for the Period - IFRIC 12 subsidy VS tax subsidy	10 586 602	24.78%	2 623 018	709 062	23.33%	165 434	-	-	-	-	-	11	-	11 295 664	24.69%	2 788 463
Differences in amortisation - accounting VS tax	5 416 754	22.50%	1 218 770	385 240	22.50%	86 679	-	-	-	-	-	-	-	5 801 994	22.50%	1 305 449
IFRIC 12 Effect others	38 449 201	25.99%	9 991 196	2 486 193	26.17%	650 637	-	-	-	-	-	-	-	40 935 394	26.00%	10 641 833
Provisions																
Impairment losses	6 900 223	28.46%	1 963 930	908 722	29.35%	266 699	-	-	-	-	-	(712)	-	7 808 945	28.56%	2 229 917
Risks and charges	799 545	26.17%	209 206	109 000	28.12%	30 651	-	-	-	-	-	-	-	908 545	26.40%	239 857
Others	-	-	-	25 863	25.97%	6 715	-	-	-	-	-	-	-	25 863	25.97%	6 715
Others:																
Restitution of taxed income (IRC 97/98/99) (EPAL)	1 549 908	29.40%	455 673	-	-	-	-	-	-	-	-	-	-	1 549 908	29.40%	455 673
Update ADO and Sintra - conversion to IFRS - opening balance 01.01.2010	1 391 620	29.42%	409 461	(141 577)	29.40%	(41 624)	-	-	-	-	-	(1)	-	1 250 043	29.43%	367 836
Lease liabilities	14 376 344	26.14%	3 758 110	(14 376 344)	26.14%	(3 758 110)	-	-	-	-	-	-	-	-	-	-
Other adjustments	2 139 920	12.57%	269 017	1 210 902	23.22%	281 173	-	-	-	-	-	(49 295)	-	3 350 822	14.95%	500 895
	946 048 819	25.73%	243 399 961	62 631 968	25.68%	16 081 162	-	-	(5 135 161)	0.00%	-	62 608	-	1 003 545 626	25.86%	259 543 731
DEFERRED TAX LIABILITIES																
Tariff deviation	(668 189 824)	25.80%	(172 381 985)	38 896 718	26.21%	10 195 684	(256 241)	22.50%	(57 654)	5 135 161	0.00%	-	(653 728)	(624 414 186)	26.09%	(162 897 684)
IFRIC 12 Effect																
IFRIC 12 Effect (Transition) - fixed amortisation investment	(12 774 076)	26.00%	(3 321 260)	751 416	26.00%	195 368	-	-	-	-	-	-	-	(12 022 660)	26.00%	(3 125 892)
IFRIC 12 Effect (Transition) - fixed subsidy investment	(4 743 181)	25.71%	(1 219 283)	216 993	26.21%	56 874	-	-	-	-	-	1 614	-	(4 526 189)	25.65%	(1 160 796)
IFRIC 12 Effect (Transition) - future amortisation investment	(111 877 547)	25.55%	(28 589 922)	4 443 510	25.89%	1 150 585	-	-	-	-	-	(126 238)	-	(107 434 037)	25.66%	(27 565 574)
IFRIC 12 Effect (Transition) - future subsidy investment	(62 901 587)	25.65%	(16 131 992)	2 242 474	25.54%	572 638	-	-	-	-	-	71 103	-	(60 659 112)	25.53%	(15 488 251)
IFRIC 12 Effect for the Period - IFRIC 12 subsidy VS tax subsidy	(20 078 316)	22.28%	(4 473 481)	(3 100 478)	24.93%	(773 059)	-	-	-	-	-	1 975	-	(23 178 794)	22.63%	(5 244 565)
IFRIC 12 Effect for the Period - future subsidy	(17 562 150)	25.74%	(4 520 543)	(2 763 220)	26.10%	(721 303)	-	-	-	-	-	(12 737)	-	(20 325 370)	25.85%	(5 254 582)
Revaluation reserves	(111 656 128)	29.40%	(32 826 901)	3 872 289	29.40%	1 138 453	-	-	-	-	-	-	-	(107 783 839)	29.40%	(31 688 448)
Reinvested capital gains	(135 513)	29.40%	(39 840)	4 877	29.40%	1 434	-	-	-	-	-	-	-	(130 636)	29.40%	(38 407)
Other adjustments	(4 905 697)	26.63%	(1 306 483)	(1 121 464)	58.01%	(650 613)	(302 500)	23.50%	(71 095)	-	-	43 228	-	(6 329 661)	31.36%	(1 984 963)
Assets under right of use	(13 902 074)	28.98%	(4 028 518)	13 902 074	28.98%	4 028 518	-	-	-	-	-	-	-	-	-	-
	(1 028 726 092)	26.13%	(268 840 209)	57 345 189	26.50%	15 194 579	(558 741)	23.04%	(128 749)	5 135 161	0.00%	-	(674 783)	(966 804 484)	26.32%	(254 449 162)
	(82 677 273)	30.77%	(25 440 248)	119 977 157	26.07%	31 275 741	(558 741)	23.04%	(128 749)	-	-	-	(612 175)	36 741 143	13.87%	5 094 569

As stated in note 37.1, the AdP Group records deferred taxes whenever it is considered that there are temporary differences arising from the difference between the tax basis of assets and liabilities and their values in the consolidated financial statements, with this assessment performed annually and reflected in the respective accounts.

There are a number of Group companies with expected future taxable income failing to provide for the recovery of deferred tax assets generated by the reported losses and no deferred tax assets have therefore been calculated:

Year of generation	Year of reporting	Value of tax losses reportable
2015	2029	439 310
2016	2030	987 965
2017	2024	546 663
2018	2025	682 432
2019	2026	522 991
2020	2032	2 166 112
2021	2033	2 561 741
		7 907 214

38. Balances and transactions with related parties

38.1 Related parties

As of 31 December 2020, the AdP Group related parties were the following:

- Shareholders (Parpública, SGPS, S.A. and Caixa Geral de Depósitos, S.A.)
- Members of the Board of Directors of AdP;
- Members of the Board of Directors of shareholders;
- Municipalities, as minority shareholders of subsidiaries.

38.2 Balances and transactions with related parties

December 2021	Holding company	Other Shareholders	Executive commission	Other related parties
Assets				
CGD		9 828 321		
Municipalities				227 363 179
Liabilities				
Municipalities				41 532 562
Income				
Sales and provision of services to municipalities				334 584 232
Other income - municipalities				3 868 780
Costs				
Costs with non-executive directors				
Costs with executive directors			370 527	
Other costs – municipalities				3 974 154
Dividends	22 275 000	5 225 000		2 359 046
	22 275 000	15 053 321	370 527	613 681 953

December 2020	Holding company	Other Shareholders	Executive commission	Other related parties
Assets				
CGD		5 584 062		
Municipalities				239 083 214
Liabilities				
Municipalities				39 104 708
Income				
Sales and provision of services to municipalities				358 550 650
Other income - municipalities				2 845 738
Costs				
Costs with non-executive directors				
Costs with executive directors			309 317	
Other costs – municipalities				4 062 271
Dividends	22 275 000	5 225 000		2 778 228
	22 275 000	10 809 062	309 317	646 424 809

39. Contractual investment

The estimated financial commitments made by the AdP Group, deriving from the awarding of concession contracts relative to initial, replacement, renovation and expansion investments occurring during the remaining concession terms, are as follows:

	Contractual investment	Investment already made	Investment in progress	Contractual investment not carried out (N+1)	Contractual investment not carried out (N+2 .. N+5)	Contractual investment not carried out (>N+5)
December 2021	7 957 674 488	5 731 554 871	213 793 147	233 538 707	457 986 884	1 327 115 691
	7 957 674 488	5 731 554 871	213 793 147	233 538 707	457 986 884	1 327 115 691

	Contractual investment	Investment already made	Investment in progress	Contractual investment not carried out (N+1)	Contractual investment not carried out (N+2 .. N+5)	Contractual investment not carried out (>N+5)
December 2020	7 938 774 015	5 631 123 485	197 094 947	201 633 720	490 001 109	1 418 920 762
	7 938 774 015	5 631 123 485	197 094 947	201 633 720	490 001 109	1 418 920 762

40. Auditor and statutory audit fees

The fees of the AdP Group Auditor and Statutory Auditor for the financial year ending on 31 December 2021 were the following:

	Statutory audit	Other services related with audit	Other services	Total
PricewaterhouseCoopers & Associados - Sociedade de Revisores de Contas, Lda.	149 452	24 500	9 950	179 952
Grant Thornton & Associados SROC, Lda.	35 723	-	-	35 723
	185 175	24 500	9 950	215.675

41. Other matters – COVID-19

The years 2020 and 2021 were greatly impacted by the spread of infection with the new COVID-19 coronavirus, which generated highly significant consequences for socioeconomic activities with their impacts still not fully quantifiable in terms of their respective magnitudes. In keeping with European Union practices, Portugal has adopted various measures to mitigate the impact of this event

on the national economy. These measures include initiatives to support corporate cash flow and that are expected to return positive consequences in terms of maintaining employment and income within the scope of sustaining domestic demand and keeping the economy running. These measures also include specific measures in support of operating services in the general economic interest, which includes the scope of AdP Group activities.

For all supply and sanitation activities, among other services, the authorities determined that the entities and companies managing the systems should define the necessary teams to ensure the continuity and non-interruption to the provision of public water supply services for human consumption.

In AdP's separate accounts for the year ending on 31 December 2021, there are no significant impacts. In terms of the financial statements and reporting of subsidiary activities, we would highlight the following impacts that occurred in 2021:

- **Assets**

No impairments were recorded for AdP Group assets, nor are they expected to be, as COVID-19 is not forecast to permanently impact on any AdP Group assets and prevent them from generating present and future economic benefits.

- **OC/BT ratio**

- **As for business turnover**

There was a drop in sales and services provided by some operating companies due to the downturn in economic activities which was not offset by the rise in domestic consumption resulting from national confinement of the population.

These falls were more significant in EPAL and AdSA with the effects on sales directly reflected in this year's results and, consequently, in the consolidated AdP Group result. Regarding the economic effects on the Multi-municipal Systems and State-Municipality Partnerships, the same was and will continue to be registered by the cost recovery deviation for the year.

The services provided in 2021 experienced no interruptions given the contingency plans implemented for operations, workers and suppliers.

- **As regards operating costs**

2021 saw a significant increase in the following operating costs: **i)** cleaning and disinfection of workplaces and facilities; **ii)** personnel expenditure to ensure the response capacity of teams, which both increased in number and extended in terms of their duration, as well as overtime work; **iii)** personal protective equipment; and **iv)** additional costs with preventive maintenance to reduce the probability of failures.

AdP Group companies, whenever possible, whether in terms of the stock capacity or the type of the respective reagents, maximised their stocks in a policy more demanding in terms of cash flow but that safeguarded service continuity while minimising exposure to critical suppliers. This circumstance naturally requires the delivery of smaller quantities to replenish stock levels, and therefore incurring higher unit costs, given the greater weighting of the fixed logistics costs thereby incurred with transport and delivery.

On the other hand, there were reductions in travel, accommodation and fuel costs.

- **Debt variation ratio**

In 2021, there was a reduction in the payments associated with investment due to the lesser availability of the teams of equipment suppliers and contractors, which generated a positive impact on the treasury position. However, income deteriorated as a result of declines in the liquidity of municipalities and consequent delays in payment to the AdP Group.

The AdP Group does not anticipate any of its companies shall encounter operational continuity problems over the next twelve months. As mentioned in Note 5.3, the AdP Group has medium- and long-term credit lines contracted with the EIB for the amount of EUR 341 million and short-term credit lines contracted with Portuguese commercial banks for the amount of EUR 125 million, with the Board of Directors holding the conviction that these lines shall suffice to deal with the debt commitments assumed and cope with any eventual reduction in liquidity as a consequence whether of potential delays to client receivables or any downturn in business turnover.

In 2021 the AdP Group did not request deferrals, restructurings or any other type of changes to commitments, whether contracted or not, with its creditors and suppliers, nor does it anticipate any such request.

The Board of Directors



José Carlos Athaíde dos Remédios Furtado
(Executive Chair)



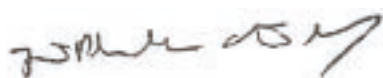
José Manuel Leitão Sardinha
(Executive Vice-Chair)



Carla da Conceição Afonso Correia
(Executive Director)



Catarina Isabel Clímaco Monteiro d'Oliveira
(Executive Director)

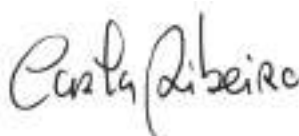


João Pedro Moura Castro Neves
(Executive Director)



Jaime Serrão Andrez
(Non-Executive Director)

The Chartered Accountant



Carla Isabel Costa Pinto Ribeiro

Report and opinion of the Audit Board

REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE CONSOLIDATED ACCOUNTING STATEMENTS

REPORT

1. In compliance with the applicable legal and statutory provisions, the Supervisory Board hereby issues this Report and Opinion on the Annual Report and Accounts and other consolidated accounting documents of AdP - Águas de Portugal, S.G.P.S., S.A., submitted by the Board of Directors and relating to the 2021 financial year.
2. The Supervisory Board monitored the management of AdP - Águas de Portugal, S.G.P.S., S.A., and the evolution of its activities especially via contacts with its directors and by reading the minutes of the meetings of the Board of Directors and Executive Committee. It held regular meetings which were normally attended by the Financial Director, the Statutory Auditor, the External Auditor and the Director of Planning ,Control and Regulation. The Supervisory Board was given all the clarifications requested and the documentation that it deemed necessary to perform its supervisory duties.
3. The Supervisory Board also verified compliance with the applicable legal and statutory provisions and exercised its powers in accordance with Article 420 of the Commercial Companies Code.
4. Under the powers invested in it by paragraphs 1 and 3 of Article 33 of Decree Law 133/2013 of 3 October, the Supervisory Board verified the company's compliance with the obligations set out therein and issued quarterly reports, which were sent to the competent authorities.
5. The 2021 Annual Report and Accounts presents information on compliance with sustainability objectives with analysis of the Group in this regard benefiting from the presentation of the 2021 Sustainability Report, revealing material compliance with these objectives.
6. Article 508-G of the Companies Code was complied with and a Non-Financial Statement for the year was presented separately from the Annual Report and Accounts containing, through reference to the 2021 Sustainability Report, information on the performance and evolution of the company with regard to environmental issues, in particular combating climate change, social issues as well as matters relating to employees, gender equality, non-discrimination, respect for human rights and the fight against corruption.
7. In the same sense, analysis according to the disclosure obligations established in article 44 of Decree-Law no. 133/2013, of October 3 demonstrates compliance.
8. The Supervisory Board was aware of the content of the certifications of accounts concerning the invested companies and has not been informed of any materially relevant non-compliance that has not been subject to correction during the consolidation of accounts process.

9. The Supervisory Board also took note of the Report issued by the External Auditors on the consolidated accounts, with no objections as to its contents.
10. The Supervisory Board examined the Legal Certification of Consolidated Accounts, issued in accordance with the Statutory Auditor enacted regulations, incorporating the relevant auditing matters and other legal requirements, which are reproduced here, and which met the agreement of the Board.
11. As regards compliance with the legislation in force, in particular the application of the Public Procurement Code, the Supervisory Board was informed of the full compliance of the instrumental and operational companies of AdP Group. It should be noted that the Public Procurement Procedures Manual, produced in 2019, is now implemented and aims to standardise processes and ensure compliance with legal requirements and internal guidelines.
12. During 2021, AdP Group advanced with investments of 155.8 M€, of which 139.5 M€ (71 M€ refers to new investment and 68.5 M€ to rehabilitation/ substitution) for the construction or restructuring of water supply infrastructure (70.2 M€) and wastewater sanitation (69.3 M€). It is noted that the investments made in the year reflected a year-on-year increase of 15%.
13. Regarding the operating efficiency ratio, Operating Expenses - Turnover (OPEX), this demonstrates an improvement of 2 p.p., from 46.2% on 31-12-2020 to 46% on 31-12-2021. It should be noted that the value of this ratio is considered irrespective of the impacts of the SARS-COV-2 virus (COVID19) pandemic, through the application of the necessary adjustments both in terms of turnover and operating expenses in accordance with the guidelines issued by the General Directorate of Treasury and Finance (DGTf). When excluding the adjustments made in compliance with the guidelines identified, the ratio is 47.4%, identical to that of 2020.
14. The net result for 2021 stood at about 83.3 M€, growth of 6.0% (4.7 M€) in relation to the previous financial year, influenced by: i) the reduction in financial costs; ii) the effect of the decrease in the rate of the Portuguese State's 10-year Treasury Bonds, an index that serves to determine the Net Result of the Multi-municipal Systems and State-Municipal Partnerships, from 0.41% in 2020 to 0.30% in 2021.
15. Turnover amounted to 725.2 M€ (399.8 M€ sales and 325.4 M€ services rendered) increasing by about 1.4% (9.9 M€), compared to the same period of 2020, explained by a generalised increase in the turnover of almost all subsidiaries. However, there was a decrease in some group operating companies, specifically EPAL SA (-0.3 M€), and Águas do Douro e Paiva SA (-1.77 M€) related to the slowdown in economic activities due to the SARS-COV2 virus pandemic and Águas do Tejo Atlântico, S.A. (-0.78 M€). In 2021, the total turnover of these companies accounted for 35% of the group's turnover in contrast to 35.9% in 2020.
16. In the year of 2021, AdP Group recorded an increase (3M€) in Personnel Costs compared to 2020, resulting mainly from the increase in the number of employees, who now total 3,501, the occasional regularization of situations arising from and provided for in the ACT, the increase in spending on hours of labour and individual protection equipment driven by the COVID-19 pandemic and the measures resulting from the contingency plans implemented by Group companies, especially spending on uniforms, the acquisition of protection and safety

equipment and cleaning services.

17. The Supervisory Board would highlight the slight annualised reduction in the gross customer debt balance (-8.6%), reflecting a total value of 361.2 M€ in 2021, of which 256 M€ refer to debts owed by local authorities, municipal and inter-municipal services and municipal and inter-municipal companies, and here reporting a reduction of 13.5% (-40.1 M€). Thus, we may perceive how the AdP Group continued with its efforts to recover and securitize the debt of municipalities and municipal companies for water supply and sanitation and correspondingly noting that the debt due in the same year declined by about 25% (-7.5 M€).
18. It should be further noted that the consolidation of the group's operations favoured the positive evolution of the cost recovery deviation, generating a 2021 surplus of 58.9M€. Notwithstanding the 'record' for this aggregate amount, it should be noted that the tariff deviation, which amounted to 590.7 M€ at the end of the year, should continue to deserve the best attentions of the management body in keeping with its materiality.
19. Also noteworthy in the current financial year is the consolidation of the group's financial management policy, implemented through contracting loans at the level of the parent company AdP, SGPS, S.A., which in turn grants loans to its subsidiaries. This centralised financial management has been steadily reducing the ratio of net debt to adjusted EBITDA, reducing it from 4 in 2020 to 3.6 in 2021 in consolidated terms.
There was also a year-on-year reduction in gross debt totalling in the region of 85 M€ as well as a drop of over 10.5% (3.9 M€) in financial costs, contrasting with an increase in financial income of about 10.3% (1.4 M€).
20. In 2021, there was a slight increase in spending on External Supplies and Services (ESS), by around 1.5 M€, compared to 2020, although there was a substantial reduction in spending on electricity (-17% -12.1 M€), resulting from the adoption of energy efficiency measures under PEPE - the Energy Efficiency and Production Plan, which seeks to reduce consumption, costs and increasing the internal production of energy for self-consumption, which allows for minimizing the impact of increases in electricity prices.
The rise in the ESS stems essentially from increased expenditure on maintenance and repairs, 4.4 M€ (+11.6%), explained by the rehabilitation and remodelling of the infrastructures for waste, sludge and effluent treatment by 2.7 M€ (+16.3%), especially for sludge treatment processes, consultancy and audits, up 1.2 M€ (1.2%) and increased costs from the cleaning and disinfection of infrastructures (0.9 M€), alongside higher expenditure on temporary work(0.4 M€), due to the COVID effect.
21. The Supervisory Board noted that the first project phase to implement the Group's Internal Control System was concluded in 2021, based on the internationally accepted methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and believes that the continuity of the ongoing work aimed at implementing the remaining phases of the Group-wide system should be maintained as a priority action deserving increased efforts so that greater maturity of the existing internal controls may be pursued through effective recognition of those controls already in place capable of responding to the risks

identified, benefiting from the synergies arising from the existence of common information systems and the deployment of a transversal vision of the entire internal control system.

22. As a consequence of the work performed, the Supervisory Board is of the opinion that the Board of Directors Report and the consolidated Financial Statements (which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit and loss by nature and of comprehensive income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement for the year then ended and the Notes to the Consolidated Financial Statements) are suitable to understanding the financial position of the Group led by AdP - Águas de Portugal, SGPS, SA, as of December 31, 2021, as well as the way how the results were formed and the activities developed.

23. The Supervisory Board would hereby emphasise all of the collaboration it has obtained from the Board of Directors, the Statutory Auditor, the External Auditor and the respective services of AdP - Águas de Portugal, SGPS, SA.

OPINION

In accordance with that stated above, the Supervisory Board hereby concurs with the 2020 Management Report and Consolidated Accounts of AdP - Águas de Portugal, SGPS, SA, granting a favourable opinion that they be approved by the General Meeting.

Lisbon, 27 April 2022

ON BEHALF OF THE SUPERVISORY BOARD

Carla Maria Lamego Ribeiro
Digitally signed by Carla Maria Lamego Ribeiro
Date: 2022.04.27
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Carla Maria Lamego Ribeiro
(President)

Relatório e Parecer do Conselho Fiscal



RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE OS DOCUMENTOS DE PRESTAÇÃO DE CONTAS CONSOLIDADAS

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RELATÓRIO

1. Em cumprimento das disposições legais e estatutárias aplicáveis, o Conselho Fiscal emite o presente Relatório e Parecer sobre o Relatório de Gestão e restantes documentos da prestação de contas consolidadas da sociedade AdP – Águas de Portugal, SGPS, SA, apresentadas pelo Conselho de Administração, relativamente ao exercício de 2021.
2. O Conselho Fiscal acompanhou a gestão da AdP – Águas de Portugal, SGPS, SA, e a evolução dos seus negócios, designadamente mediante contactos com os seus principais responsáveis, bem como através da leitura das atas das reuniões do Conselho de Administração e da Comissão Executiva. Efetuou reuniões, nas quais, sempre que solicitado, contou com a presença da Administradora responsável pelo pelouro financeiro, do Revisor Oficial de Contas, do Auditor externo, da Diretora Financeira e da Diretora de Regulação, Planeamento e Controlo de Gestão. O Conselho Fiscal obteve todos os esclarecimentos solicitados e dispõe da documentação que considerou necessária ao desempenho das suas funções de fiscalização.
3. O Conselho Fiscal procedeu ainda, à análise do cumprimento das normas legais e estatutárias aplicáveis, e exerceu as suas competências em conformidade com o estabelecido no artigo 420.º do Código das Sociedades Comerciais.
4. No âmbito das competências que lhe são atribuídas pelos números 1 e 3, do artigo 33.º do Decreto-Lei n.º 133/2013, de 3 de outubro, o Conselho Fiscal verificou o cumprimento pela sociedade das obrigações aí estabelecidas, tendo emitido os Relatórios Trimestrais que foram remetidos às entidades competentes.
5. O Relatório & Contas de 2021 apresenta informação relativa ao cumprimento de objetivos de sustentabilidade, não obstante a análise completa para o Grupo neste âmbito beneficiar da apresentação do Relatório de Sustentabilidade relativo a 2021, revelando-se o cumprimento material daqueles.
6. Foi dado cumprimento ao artigo 606.ºG do Código das Sociedades Comerciais, sendo apresentado em relatório separado do Relatório de Gestão e Contas, uma Demonstração não Financeira relativa ao exercício que contém, por remissão para o Relatório de Sustentabilidade de 2021, informação referente ao desempenho e evolução da sociedade quanto a questões

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ambientais, nomeadamente o combate às alterações climáticas, sociais e relativas aos trabalhadores, igualdade de género, não discriminação, respeito pelos direitos humanos e combate à corrupção.

7. No mesmo sentido observou-se o cumprimento, na parte respeitante à prestação de contas anual aqui sujeitas a análise, das obrigações de divulgação estabelecidas no artigo 44.º do Decreto-Lei n.º 133/2013, de 3 de outubro.
8. O Conselho Fiscal teve conhecimento do teor das certificações de contas relativas às empresas participadas não tendo chegado ao seu conhecimento situações de incumprimento materialmente relevantes que não tenham sido objeto de correção no exercício de consolidação de contas.
9. Tomou igualmente conhecimento do Relatório emitido pelos Auditores Externos sobre as contas consolidadas, nada havendo a objetar quanto ao seu conteúdo.
10. O Conselho Fiscal apreciou a Certificação Legal das Contas Consolidadas, emitida nos termos da legislação em vigor pelo Revisor Oficial de Contas, a qual integra as matérias relevantes de auditoria e os outros requisitos legais, que aqui se dão como reproduzidos e que mereceu o seu acordo.
11. No que respeita ao cumprimento da legislação vigente, designadamente à aplicação do Código dos Contratos Públicos, foi o Conselho Fiscal informado do cumprimento integral do mesmo por parte das empresas instrumentais e operacionais do Grupo AdP. Salienta-se que se encontra implementado o Manual de Procedimentos de Contratação Pública, elaborado no ano de 2019, que visa uniformizar processos e garantir a observância dos requisitos legais e das orientações internas.
12. Durante o ano de 2021, o Grupo AdP desenvolveu investimentos no valor de 155,8ME, dos quais 139,5ME (71ME em investimento novo e 68,5ME em reabilitação/substituição) referentes à construção ou remodelação de infraestruturas de abastecimento de água (70,2ME) e de saneamento de águas residuais (69,3ME). Constata-se que os investimentos efetuados no ano tiveram um aumento de 15%, face ao ano de 2020.
13. Relativamente ao rácio de eficiência operacional, Gastos Operacionais/Volume de Negócios (GO/VN), este regista uma melhoria, de 0,2 p.p. passando de 46,2% em 31-12-2020 para 46% em 31-12-2021. Salienta-se que o valor deste rácio, encontra-se expurgado do impacto da pandemia associada ao vírus SARS-COV-2 (COVID19), por via da aplicação dos necessários ajustamentos, quer ao nível do Volume de Negócios, quer ao nível de gastos operacionais.

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conforme orientações emanadas pela Direção Geral do Tesouro e Finanças (DGTF). Quando excluídos os ajustamentos efetuados em cumprimento das orientações acima identificadas, o rácio cifra-se nos 47,4%, idêntico ao do ano de 2020.

14. O resultado líquido do ano de 2021, foi de cerca de 83,3 ME, verificando-se um crescimento de 6,0% (4,7ME) relativamente ao exercício anterior, encontrando-se este influenciado por: i) redução dos gastos financeiros; ii) efeito da descida da taxa das Obrigações do Tesouro a 10 anos do Estado Português, indexante utilizado para a determinação dos Resultados Líquidos dos Sistemas Multimunicipais e Parcerias Estado-Autarquias, passando de 0,41%, em 2020 para 0,30%, em 2021.
15. O Volume de Negócios (VN) ascendeu aos 725,2ME (399,8ME vendas e 325,4ME prestações de serviços) verificando-se um aumento em cerca de 1,4% (9,9ME), face ao período homólogo de 2020, explicado por um aumento generalizado do VN de quase todas as participadas, no entanto, verifica-se um decréscimo em algumas empresas operacionais do grupo, nomeadamente na EPAL S.A. (-0,3ME), e Águas do Douro e Paiva S.A. (-1,77ME) relacionada com a redução das atividades económicas devido à pandemia associada ao vírus SARS-COV-2 e das Águas do Tejo Atlântico, S.A. (-0,78ME). O somatório do VN destas empresas representa, em 2021, 35% do VN do grupo, enquanto que no ano de 2020 estas representavam cerca de 35,9% do VN do grupo.
16. O Grupo AdP, no ano de 2021, registou um incremento (3ME) dos Gastos com o Pessoal face a 2020, resultante essencialmente do aumento do número de colaboradores, passando este a ser de 3501, a regularização pontual de situações decorrentes e previstas no ACT, do aumento dos gastos com horas extraordinárias e com equipamentos de proteção individual, no âmbito da pandemia COVID19 e das medidas decorrentes dos planos de contingência implementados nas empresas do Grupo nomeadamente gastos com fardamento, aquisição de equipamentos de proteção e segurança ou de serviços de limpeza.
17. O Conselho Fiscal destaca a ligeira redução, face a 2020, do saldo bruto da dívida de clientes (-8,6%), alcançando esta em 2021 um valor de 361,2 milhões de euros, dos quais, 266 ME são referentes a dívida de autarquias locais, serviços municipalizados e intermunicipalizados e empresas municipais e intermunicipais, verificando-se aqui uma redução de 13,5% (-40,1ME). Constata-se que o Grupo AdP deu continuidade ao esforço de recuperação e titularização da dívida dos municípios e das empresas municipais de abastecimento e saneamento, verificando-se que a dívida vencida no próprio ano reduziu em cerca de 25% (-7,5ME).

18. Deve ser relevado que a consolidação das operações do grupo favoreceu a evolução positiva do desvio de recuperação de gastos, atingindo em 2021 um superávit de 58,8ME. Não obstante o registo deste agregado, assinala-se que o desvio tarifário que se cifrou, no final do exercício, em 590,7ME, deverá continuar a merecer a melhor atenção por parte do órgão de administração atenta a respetiva materialidade.

19. Destaca-se ainda no presente exercício a consolidação da gestão financeira do grupo por via da política implementada, assente na contratação de empréstimos ao nível da empresa-mãe, a AdP, SGPS, S.A., que por sua vez concede empréstimos às suas subsidiárias. Esta gestão financeira centralizada tem vindo sustentadamente a reduzir o rácio de endividamento líquido sobre o EBITDA ajustado, em termos consolidados, reduzindo este de 4 no ano de 2020 para 3,6, em 2021.

Constata-se igualmente a diminuição do endividamento bruto, face a 2020, em cerca de 85M€, bem como dos gastos financeiros em mais de 10,5% (3,9M€), contrapondo com um aumento dos rendimentos financeiros de cerca de 10,3% (1,4M€).

20. Verificou-se em 2021, comparativamente a 2020, um ligeiro aumento dos gastos com Fornecimentos e Serviços Externos (FSE) em cerca de 1,5 milhões de euros, embora se tenha verificado uma redução substancial dos gastos com eletricidade (-17% → 12,1 ME), resultado da adoção de medidas de eficiência energética no âmbito do Plano de Eficiência e Produção de Energia (PEPE), visando a redução dos consumos, dos gastos e o aumento da produção própria de energia para autoconsumo, o que permite minimizar o impacto do aumento dos preços da eletricidade.

O aumento dos FSE resulta essencialmente do acréscimo do gasto com a Conservação e reparação de 4,4 milhões de euros (+11,6%), explicado pela reabilitação e remodelação das infraestruturas do grupo, do Tratamento de resíduos, lamas e efluentes em 2,7 milhões de EUR (+15,3%) nomeadamente com o tratamento de lamas, dos Estudos, Consultorias e Auditorias em 1,2ME (1,2%) e o acréscimo dos gastos com limpeza e desinfestação das infraestruturas (0,8ME), e dos gastos com trabalho temporário (0,4ME), devido ao efeito COVID.

21. Constatou este Conselho Fiscal que no ano de 2021 foi concluída a primeira fase do projeto de implementação do Sistema de Controlo Interno (SCI) do Grupo, assente na metodologia internacionalmente aceite do Committee of Sponsoring Organizations of the Treadway Commission (COSO), e entende que deve ser mantida entre as ações prioritárias e merecedoras de um crescido esforço e continuidade dos trabalhos em curso tendentes à implementação das fases remanescentes do SCI transversal ao Grupo, de modo a que seja prosseguida uma maior maturidade do controlo interno existente, por via do efetivo reconhecimento dos controlos já existentes capazes de responder aos riscos identificados.

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beneficiando da sinergia que decorre da existência de sistemas de informação comuns e do recurso a uma visão transversal de todo o controlo interno.

22. Em consequência do trabalho desenvolvido, o Conselho Fiscal considera que o Relatório do Conselho de Administração e as Demonstrações Financeiras consolidadas (as quais compreendem a Demonstração consolidada da posição financeira em 31 de dezembro de 2021, as Demonstrações consolidadas dos resultados por naturezas e do rendimento integral, a Demonstração consolidada das variações do capital próprio, a Demonstração consolidada dos fluxos de caixa do exercício findo naquela data e as Notas às Demonstrações Financeiras consolidadas) são adequados à compreensão da situação patrimonial do Grupo empresarial liderado pela AdP - Águas de Portugal, SGPS, SA em 31 de dezembro de 2021, e da forma como se formaram os resultados e se desenvolveu a atividade.

23. O Conselho Fiscal salienta toda a colaboração que obteve do Conselho de Administração, do Revisor Oficial de Contas, do Auditor Externo e dos Serviços da AdP - Águas de Portugal, SGPS, SA.

PARECER

Em conformidade com o acima referido, o Conselho Fiscal dá a sua concordância ao Relatório de Gestão e Contas Consolidadas do exercício de 2021 da AdP - Águas de Portugal, SGPS, SA, dando o seu parecer favorável a que sejam aprovados pela Assembleia Geral.

Lisboa, 27 de abril de 2022,

Pelo Conselho Fiscal,
**CARLA
MARIA
LAMEGO
RIBEIRO**
Assinado de
forma digital por
CARLA MARIA
LAMEGO RIBEIRO
Dados: 2022.04.27
17:51:45 +01'00'
Carla Maria Lamego Ribeiro
(Presidente)

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Legal Certification of the Accounts

Legal Certification of Accounts

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the attached consolidated financial statements of AdP - Águas de Portugal, SGPS, SA (the Group), which include the consolidated statement of the financial position as at 31 December 2021 (reporting a total of EUR 6,119,999,580 and total equity of EUR 1,770,472,933, including net income of EUR 83,284,856), the consolidated income statement by type, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended therein, and the accompanying notes to the consolidated financial statements, which includes a summary of the main accounting policies.

In our opinion, the attached consolidated financial statements present fairly and appropriately the consolidated financial position of AdP - Águas de Portugal, SGPS, SA in all material respects as at 31 December 2021 and its financial performance and consolidated cash flows for the year ended therein in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Accounting Standards (IAS) and the other technical and ethical standards and guidelines of the Order of Statutory Auditors. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of Financial Statements" below. We are independent of the Group as stipulated by the law and we further comply with the legal requirements of the Statutory Auditor code of ethics.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

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Areas relevant to the audit

The areas relevant to the audit are those that, in our professional judgment, played a major role in auditing the consolidated financial statements for the current year. These areas were considered within both the context of auditing the consolidated financial statements as a whole and the formulation of our opinion and we do not express a separate opinion on these matters.

Our audit approach, which included the requirements of ISA 600 - Group Audit, was based on risk assessment at the level of financial reporting and, in the case of the Group, the following relevant audit issues were identified:

Most significant risks of material distortion

• Recognition and measurement of contractual investment

The right to use infrastructures is amortised on a systematic basis in accordance with the scheduled receipt of economic benefits subject to approval by the Regulator.

These amortisations are calculated based on the flows (water and effluents) billed in any given year and the amounts to be billed through to the concession expiring, which are provided for in the Economic and Financial Feasibility Study attached to the concession agreement (EVEF) and the Tariff Design Budget (OPT) for the year.

In addition, in compliance with the provisions of the concession, the partnership management contracts and other regulatory rules, an estimated amount is recorded under expenses for the fiscal year to cover the liabilities related to contractual investments. These are also calculated based on the aforementioned EVEF, which also details the investment requirements.

These EVEFs and OPTs include a number of assumptions regarding both the level of future concession / partnership activity and the investment requirements thus reflecting an area involving substantial levels of judgment.

As regards this issue, notes 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.6, 6, 21.2, 22, 26, 27, 30 and 39 to the consolidated financial statements related to the disclosure of the accounting policies applied, as well as the estimates and critical accounting judgments made in the application of these accounting policies, provide further information.

Summary of the identified audit approach

Our approach to this risk included a number of procedures related to the internal and substantive controls, including:

- Contacts made with the Statutory Auditors of subsidiaries, obtaining and analysing the relevant documentation;
- Analysis of the consistency of the value of the contractual investment used to calculate the depreciation with the investment value stated in the EVEF approved by the Grantor;
- Comparison of the flows applied for the calculation of the amortisations with the information produced by the commercial department with tests carried out to guarantee the reliability of this information;
- Recalculating the aforementioned amortisations according to the established criteria;
- Obtaining and analysing the financial statements of subsidiaries and their Legal Certifications of Accounts;

Analysing the disclosures made in order to ensure they comply with the provisions of all applicable accounting standards.

Most significant risks of material distortion

• *Recognition and measurement of cost recovery deviations*

The Cost Recovery Deviations (CRD) correspond to the correction (positive in the case of default, negative in the case of surplus) to be recorded in regulated activity revenues to ensure this revenue complies with the provisions of the various concession / partnership agreements, specifically as regards fully recovering all expenditure (including tax on collective income) and the annual compensation guaranteed to shareholders.

As mentioned in Note 2.4.5 to the consolidated financial statements, the CRD estimate is determined on an annual basis according to the best information available at the date of preparation of the financial statements, specifically the Budget and Tariff Project (OPT) and the management entity forecasts in accordance with the respective concession / partnership agreements, before delivering the CRD calculation to the Regulator for its approval.

As regards this issue, notes 2.4.5, 2.5, 12 and 26 to the consolidated financial statements detail the disclosure of the accounting policies applied, as well as the estimates and critical accounting judgments made in the application of these accounting policies, and provide further information.

• *Recoverability of the balances receivable from Municipalities*

As at 31 December 2021, the amount recorded in the Customers item referring to Municipalities amounted to EUR 224,468,118 and, as detailed in Note 13.3 of the notes to the financial statements, is composed of expired balances reflecting either the prevalence of financial difficulties at the Municipalities and/or the existence of divergences over the invoicing billed.

As a result of this situation, the accounts register an increase in the default interest item as determined in accordance with the law or with the settlement agreements. The current asset customer balance includes

Summary of the identified audit approach

Our approach to this risk consisted of a response that included a combined set of internal control and substantive procedures, including:

- Contacts made with the Statutory Auditors of subsidiaries, obtaining and analysing relevant documentation;
- Obtaining and analysing the financial statements of subsidiaries with regulated activities and their respective Legal Certifications of Accounts;
- Recalculating the Guaranteed Remuneration and the corresponding CRD in accordance with the criteria established in the concession agreements;
- Analysis of the correspondence / communications exchanged between the AdP Group and the Regulator (ERSAR) through to the date of reporting, particularly regarding the expenses incurred in the efficiency scenario and the Regulator's CRD approval process;
- Analysis of the disclosures made in order to ensure that they comply with the provisions of the applicable accounting standards

Our approach to this risk consisted of a response that included a combined set of internal control and substantive related procedures, specifically including:

- Contacts made with the Statutory Auditors of subsidiaries, obtaining and analysing relevant documentation, particularly with regard to the work carried out on the recoverability of municipality credits;
- Obtaining and analysing the financial statements and their respective Legal Certifications of Accounts;
- Testing the reasonableness both of the municipality balances as clients recorded by

Most significant risks of material distortion

the arrears incurred by the Municipalities as a consequence of these delays in payment amounting to EUR 14,062,879.

In the assessment made by the Board of Directors regarding the need to record impairment losses, the latter shall consider the measures feasible to ensuring the recoverability of these amounts, which include activating the mechanism attributing contradictory privilege, the reaching of debt settlement agreements and the decisions handed down in ongoing injunctions/ legal proceedings.

Given the relevance of this balance to the total assets, the non-recoverability of all the outstanding amounts may jeopardize the economic-financial balance of the concessions/partnerships and furthermore impacting on compliance with their contractual responsibilities.

On this matter, notes 13 and 32 of the consolidated financial statements, detailing the disclosure of the accounting policies in effect alongside the estimates and critical accounting judgments made in applying these accounting policies, provide further information.

- *Recognition of revenue from retail activities - estimates associated with sales of water and sanitation services*

Retail revenue recognition, the sale of water and sanitation services, occurs at the time of delivery and includes water sales based on actual consumption and water sales based on the estimated consumption in accordance with the history of each customer.

The calculation of estimated consumption for the purposes of billing water sales and the provision of retail services essentially involves the Aquamatrix system that deploys an algorithm produced in accordance with the criteria defined by the Group based on the average daily consumption of each customer, weighted by

Summary of the identified audit approach

the subsidiaries and of the joint balance considered in the consolidated financial statements;

- Analysing the replies from lawyers to direct requests for information regarding ongoing legal proceedings;
- Analysing the disclosures made in order to ensure they comply with the provisions of the applicable accounting standards.

Our approach to this risk consisted of carrying out a combined set of procedures related to internal and substantive control, namely:

- Contacts made with the Statutory Auditors of the subsidiaries, obtaining and analysing relevant documentation;
- Obtaining and analysing the financial statements of the subsidiaries and the respective Legal Certificates of Accounts;
- Analysis of the disclosures made in order to ensure they comply with the provisions of the applicable accounting standards.

Most significant risks of material distortion

Summary of the identified audit approach

consumption, and post-priori rollback analysis of actual consumption is also carried out.

The estimated quantities are valued based on the defined tariff.

We consider estimating water sales a relevant auditing matter due to the high complexity of the methodology used by the Group to estimate the water consumption of its customers and the degree of judgement involved, especially as regards consumption volumes.

On this matter, notes 13 and 25 to the consolidated financial statements, regarding the disclosure of the accounting policies used, as well as the critical accounting estimates and judgements made in the application of these accounting policies, provide further information.

Responsibilities of the management body and the supervisory body for the consolidated financial statements

The management body is responsible for the:

- preparation of the consolidated financial statements that fairly and appropriately present the Group's financial position, the financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory framework;
- implementation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;
- adoption of the appropriate accounting policies and criteria under these circumstances; and
- assessment of the Group's capacity to remain operational and disclosing, whenever applicable, any issues that may give rise to significant changes in the continuity of activities.

In turn, the supervisory body is responsible for overseeing the preparation and disclosure of the Group's financial information.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable certainty is a high level of safety but this does not guarantee that an audit performed in accordance with the IAS shall always detect material misstatements when existing. Distortions may arise from fraud or error and are considered material when, whether in isolation or in conjunction, they can reasonably be expected to influence the economic decisions of users based on the respective financial statements.

As part of an IAS audit, we make professional judgments and maintain professional scepticism throughout the audit and also:

- identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to providing a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting material misrepresentation due to error as fraud may involve collusion, forgery, intentional omissions, false declarations or overlapping internal control;
- obtain an understanding of the internal control system relevant to the audit for the purpose of designing audit procedures appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Group's internal control system;
- evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- conclude on the appropriateness of the management's adoption of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that might give rise to significant doubts about the Group's ability to continue activities. When concluding that there is material uncertainty, we duly draw attention in our report to the related disclosures included in the consolidated financial statements or, when these disclosures are not appropriate, we correspondingly modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to discontinue its activities;
- evaluate the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether these consolidated financial statements represent the underlying transactions and events in order to convey an appropriate presentation;
- obtain sufficient and appropriate audit evidence regarding Group financial information and the respective activities in order to express an opinion on the consolidated financial statements. We are responsible for the structure, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion;
- communicate with those responsible for governance, including the supervisory body, the scope and timing of the audit, among other issues, as well as any significant audit findings, including any significant internal control weaknesses identified during the audit;
- as regards issues communicated to governance officials, including the supervisory body, we determined those most important to auditing the financial statements and the consolidated financial statements for this financial year and which were the relevant auditing matters. We describe these matters in our report except when legal or regulatory stipulations prohibit their public disclosure;
- declare to the supervisory body that we comply with the relevant ethical requirements relating to independence and communicating all relationships and other matters potentially perceived as reflecting on our independence and, when applicable, the respective safeguards.

Our responsibility also includes verifying the consistency of the information contained in the management report with that in the consolidated financial statements as well as verifying the presentation of the non-financial statement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the consolidated management report

Pursuant to Article 451 (3) of the Rules of Procedure, e) of the Commercial Companies Code, it is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained therein is correspondingly consistent with the audited consolidated financial statements and, taking into account our knowledge and evaluation of the Group, we do not identify any material misreporting.

On the consolidated non-financial statement

In compliance with Article 451 (5) of the Commercial Companies Code, we hereby inform that the Group has prepared a report separate to the management report which includes non-financial information, as provided for under Article 506 (G) of the Commercial Companies Code, published in conjunction with the management report.

On the additional stipulations provided for in Article 10 of Regulation (EU) No 537/2014

In compliance with Article 10 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 18 April 2014, and in addition to the relevant audit issues identified above, we would also report the following:

- We were appointed as the Statutory Auditor for the first time following the unanimous approval of the resolution proposed by the shareholder Parpública - Participações Públicas (SGPS, SA) on 27 December 2018 for the term between 2018 and 2020 and remained in function for 2021.
- The management body has confirmed that it is unaware of the occurrence of any fraud or suspected fraud with any material effect on financial reporting. In planning and performing our audit in accordance with the ISA, we have maintained professional scepticism and devised audit procedures able to respond to the scope for material distortion of the financial statements due to fraud. As a result of our work, we do not identify any material distortions in the financial statements resulting from fraud.
- We here confirm that the audit opinion issued is consistent with the additional report prepared and delivered to the Fiscal Council of the Group on the same date.
- We would furthermore declare that we did not provide any services prohibited under the terms of article 77, paragraph 8 of the Statutes of the Order of Statutory Auditors and have maintained our independence from the Group throughout the performance of this audit.

Digitally signed by: PEDRO MIGUEL RAPOSO LISBOA NUNES
Identification no.: 8810320871
Date: 2022.04.27
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Grant Thornton & Associados – SROC, Lda.

Represented by Pedro Lisboa Nunes

Chartered Accountant registered with the CMVM (Portuguese Securities Market Commission) under no. 20160813



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Certificação Legal das Contas

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS CONSOLIDADAS

Opinião

Audítamos as demonstrações financeiras consolidadas anexas da AdP – Águas de Portugal, S.G.P.S., S.A. (o Grupo), que compreendem a demonstração consolidada da posição financeira em 31 de dezembro de 2021 (que evidencia um total de 6.119.882.550 euros e um total de capital próprio de 1.770.472.933 euros, incluindo um resultado líquido de 83.284.855 euros), a demonstração consolidada dos resultados por naturezas, a demonstração consolidada do rendimento integral, a demonstração consolidada das alterações no capital próprio e a demonstração consolidada dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas, que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada da AdP – Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data, de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revendedores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção “Responsabilidades do auditor pela auditoria das demonstrações financeiras” abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revendedores Oficiais de Contas.

Estamos convicidos que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.



Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras consolidadas do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras consolidadas como um todo, e na formação da nossa opinião, e não emitimos uma opinião separada sobre essas matérias.

A nossa abordagem de auditoria, que contemplou os requisitos constantes da ISA 600 – Auditoria de Grupos, foi baseada na avaliação dos riscos ao nível do reporte financeiro, tendo, no caso deste Grupo, sido identificadas as seguintes matérias relevantes de auditoria:

Riscos de distorção material mais significativos identificados

• Reconhecimento e mensuração do investimento contratual

O direito de utilização de infraestruturas é amortizado numa base sistemática de acordo com o padrão de obtenção dos benefícios económicos, os quais são aprovados pela Entidade Reguladora.

As amortizações são calculadas tendo como base os caudais (água e efluentes) faturados num determinado exercício e os caudais a faturar até ao final da concessão, os quais se encontram previstos no Estudo de Viabilidade Económica e Financeira anexo ao contrato de concessão (EVEF) e no Orçamento de Projeto de Tarifário para o exercício (OPT).

Adicionalmente, em cumprimento do estipulado nos contratos de concessão e de gestão de parcerias e demais regras regulamentares, é registada nos gastos do exercício uma quantia estimada para fazer face às responsabilidades quanto a investimentos contratuais. Também estes acréscimos são calculados com base no referido EVEF, o qual também prevê os investimentos a realizar.

Os referidos EVEF e OPT incluem diversos pressupostos relativamente ao nível de atividade futura de concessão/parceria e dos investimentos a realizar, sendo desta forma uma área de julgamento elevado.

Sobre esta matéria, as Notas 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.6, 6, 21.2, 22, 26, 27, 30 e 39 às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações.

Síntese da abordagem de auditoria

A nossa abordagem a este risco consistiu na realização de um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o ROC das subsidiárias, obtenção e análise de documentação relevante;
- Análise de coerência do valor do investimento contratual utilizado para o cálculo das amortizações com o valor de investimento que consta do EVEF aprovado pelo Concedente;
- Comparação dos caudais utilizados no cálculo das amortizações com a informação produzida pelo departamento comercial, tendo sido efetuados testes para garantir a fiabilidade desta informação;
- Recálculo das referidas amortizações de acordo com os critérios estabelecidos;
- Obtenção e análise das demonstrações financeiras das subsidiárias e das respetivas Certificações Legais das Contas;

Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.

Riscos de distorção material mais significativos identificados
• Reconhecimento e manuseio dos direitos de recuperação de gastos

Os Direitos de Recuperação de Gastos (DRG) correspondem à correção (positiva no caso de défice, negativa no caso de superávit) a registar ao rédito das atividades reguladas, para que este rédito obedeça ao disposto nos diversos contratos de concessão/parceria, nomeadamente no que diz respeito à recuperação integral dos gastos (incluindo imposto sobre o rendimento coletivo) e remuneração anual garantida aos acionistas.

Tal como mencionado na Nota 2.4.5 às demonstrações financeiras consolidadas, a estimativa dos DRG é, em cada exercício, determinada com base na melhor informação disponível à data da preparação das demonstrações financeiras, nomeadamente o Orçamento e Projeto Tarifário (OPT), devendo as entidades gestoras, nos termos dos respetivos contratos de concessão/parceria, enviar à Entidade Reguladora o cálculo do DRG para que esta o aprove.

Sobre esta matéria, as Notas 2.4.5, 2.5, 12 e 26 às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações.

• Recuperabilidade dos saldos a receber dos Municípios

O montante registado na rubrica de Clientes referente a Municípios a 31 de dezembro de 2021 é de 224.488.118 euros e tal como detalhado na nota 13.3 das notas às demonstrações financeiras consolidadas, é composto por saldos que apresentam uma elevada antiguidade, o que indica a existência de dificuldades financeiras por parte dos Municípios e/ou existência de divergência na faturação efetuada.

Em virtude desta situação, são registados acréscimos de rendimentos relativos aos juros de mora, os quais são determinados de acordo com a lei ou com os acordos de regularização de dívida. O saldo de clientes do ativo corrente inclui

Síntese da abordagem de auditoria

A nossa abordagem a este risco consistiu numa resposta que incluiu um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o ROC das subsidiárias, obtenção e análise de documentação relevante;
- Obtenção e análise das demonstrações financeiras das subsidiárias com atividade regulada e das respetivas Certificações Legais das Contas;
- Recálculo da Remuneração Garantida e do correspondente DRG de acordo com os critérios estabelecidos nos contratos de concessão;
- Análise da correspondência/comunicações que existam, até à data de reporte, entre o Grupo AdP e a Entidade Reguladora (ERSAR), em particular no que respeita aos gastos permitidos em cenário de eficiência e à aprovação do DRG por parte da Entidade Reguladora;
- Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.

A nossa abordagem a este risco consistiu numa resposta que incluiu um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o ROC das subsidiárias, obtenção e análise de documentação relevante, nomeadamente quanto ao trabalho realizado sobre a recuperabilidade dos créditos aos Municípios;
- Obtenção e análise das demonstrações financeiras das subsidiárias e das respetivas Certificações Legais das Contas;
- Teste à razoabilidade dos saldos dos Municípios enquanto clientes registados pelas

Riscos de distorção material mais significativos identificados **Síntese da abordagem de auditoria**

juros de mora debitados aos Municípios em consequência destes atrasos, os quais ascendem a 14.062.879 euros.

Na avaliação efetuada pelo Conselho de Administração quanto à necessidade de registo de perdas de imparidade, este tem em consideração a adoção das medidas possíveis tendentes a assegurar a recuperabilidade dos saldos, entre as quais, a ativação do mecanismo associado ao privilégio contraditório, a realização de acordos de regularização de dívida e a interposição de injunções/ações judiciais.

Dada a relevância do saldo no total do ativo, a não recuperabilidade da totalidade dos valores em dívida poderá colocar em causa o equilíbrio económico-financeiro das concessões/perceiras, afetando o cumprimento das responsabilidades contratuais.

Sobre esta matéria, as Notas 13 e 32 às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações

subsidiárias e do saldo conjunto considerado nas demonstrações financeiras consolidadas;

- Análise das respostas dos advogados aos pedidos diretos de informação sobre os processos judiciais em curso;
- Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.

- **Reconhecimento do rédito da Atividade em baixa** – estimativas associadas a vendas de água e prestação de serviços de saneamento.

O reconhecimento do rédito relativo à atividade em baixa de venda de água e prestação de serviços de saneamento ocorre no momento da entrega da água e incorpora vendas de água efetuadas com base em consumos efetivos e como venda de água efetuadas com base em consumos estimados no histórico de cada cliente.

O apuramento dos consumos estimados para efeitos de faturação de vendas de água e prestação de serviços em baixa é realizado essencialmente através do sistema Aquamatrix com recurso a um algoritmo produzido de acordo com os critérios definidos pelo Grupo baseados no consumo médio diário de cada cliente, ponderado de acordo com os perfis históricos de consumo. O referido algoritmo é testado com recurso à contagem de uma amostra de

A nossa abordagem a este risco consistiu na realização de um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o RQC das subsidiárias, obtenção e análise de documentação relevante;
- Obtenção e análise das demonstrações financeiras das subsidiárias e das respetivas Certificações Legais das Contas;
- Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.



Riscos de distorção material mais significativos – Síntese da abordagem de auditoria identificados

consumos, sendo ainda efetuada à posteriori uma análise de roll-back dos consumos reais.

As quantidades estimadas são valorizadas tendo por base a tarifa definida.

Consideramos a estimativa de vendas de água uma matéria relevante de auditoria, devido à elevada complexidade da metodologia utilizada pelo Grupo para estimar os consumos de água dos seus clientes e o grau de julgamento envolvido nomeadamente no que diz respeito a volumes de consumo.

Sobre esta matéria, as Notas 13 e 20, às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras consolidadas

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira consolidada, o desempenho financeiro e os fluxos de caixa consolidados do Grupo de acordo com Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório consolidado da gestão e da demonstração não financeira consolidada, nos termos legais e regulamentares aplicáveis;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras consolidadas livres de distorções materiais devido a fraude ou a erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade do Grupo se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira do Grupo.

Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras consolidadas como um todo estão livres de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção

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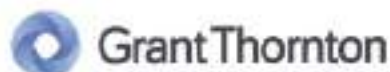


material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras consolidadas, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver colusão, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Grupo;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto de continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Grupo para dar continuidade às suas atividades. Se concluímos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras consolidadas ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Grupo descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- obtemos prova de auditoria suficiente e apropriada relativa à informação financeira das entidades ou atividades dentro do Grupo para expressar uma opinião sobre as demonstrações financeiras consolidadas. Somos responsáveis pela orientação, supervisão e desempenho da auditoria do Grupo e somos os responsáveis finais pela nossa opinião de auditoria;
- comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificada durante a auditoria;
- das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras consolidadas do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública;
- declaramos ao órgão de fiscalização que cumpriremos os requisitos éticos relevantes relativos à independência e comunicamos-lhe todos os relacionamentos e outras matérias que possam ser percecionadas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante de relatório consolidado de gestão com as demonstrações financeiras consolidadas, bem como a verificação de que a demonstração não financeira consolidada foi apresentada.



RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório consolidado de gestão

Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório consolidado de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, e informação nele constante é concordante com as demonstrações financeiras consolidadas auditadas e, tendo em conta o conhecimento e apreciação sobre o Grupo, não identificamos incorreções materiais.

Sobre a demonstração não financeira consolidada

Dando cumprimento ao artigo 451.º, n.º 6, do Código das Sociedades Comerciais, informamos que o Grupo preparou um relatório separado do relatório consolidado de gestão que inclui a demonstração não financeira consolidada, conforme previsto no artigo 508.º-G do Código das Sociedades Comerciais, tendo o mesmo sido divulgado juntamente com o relatório consolidado de gestão.

Sobre os elementos adicionais previstos no artigo 10.º do Regulamento (UE) n.º 537/2014

Dando cumprimento ao artigo 10.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além das matérias relevantes de auditoria acima indicadas, relatamos ainda o seguinte:

- Fomos nomeados pela primeira vez como Revisor Oficial de Contas por deliberação social unânime por escrito da Acionista Pública – Participações Públicas (SOPB, S.A.), realizada em 27 de dezembro de 2018, para o mandato compreendido entre 2018 e 2020, tendo-nos mantido em funções em 2021.
- O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras consolidadas. No planeamento e execução da nossa auditoria de acordo com as ISA, mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras consolidadas devido a fraude. Em resultado do nosso trabalho não identificamos qualquer distorção material nas demonstrações financeiras consolidadas devido a fraude.
- Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparamos e entregámos ao Conselho Fiscal da Entidade nesta mesma data.
- Declaramos que não prestámos quaisquer serviços proibidos nos termos do artigo 77.º, número 8, do Estatuto da Ordem dos Revisores Oficiais de Contas, e que mantivemos a nossa independência face à Entidade durante a realização da auditoria.

Atribuído por: PEDRO MIGUEL RAPOSO LISBOA
NUNES
Num. de identificação: 10328671
Data: 2022.04.27 17:58:19+01'00'



Grant Thornton & Associados – SROC, Lda.

Representada por Pedro Lisboa Nunes

RCC registado na CMVM com o n.º 20160813

SOPB S.P.A. - Sociedade por Quotas
31 de dezembro de 2021
T. 26 T

Report of the External Auditor

PWC

Auditor's Report

Audit report on the consolidated financial accounts

Opinion

We have audited the attached Consolidated Financial Statements of AdP - Águas de Portugal, S.G.P.S., S.A. (the Group), which include the Consolidated Statement of Financial Position as at 31 December 2021 (showing a total of EUR 6,119,869,550 and total equity of EUR 1,770,472,933, including a net profit of EUR 83,284,856), the Consolidated Income Statement by Type, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the financial year ending on that date and the Notes to the Consolidated Financial Statements, including a summary of the main accounting policies.

In our opinion, the attached Consolidated Financial Statements give a true, appropriate picture, in all material aspects, of the consolidated financial position of AdP - Águas de Portugal, S.G.P.S., S.A. as at 31 December 2021, its consolidated financial performance and consolidated cash flows during the period that ended on that date in accordance with the International Financial Reporting Standards as adopted in the European Union.

Bases for Opinion

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Portuguese Statutory Auditors Association. Our responsibilities pursuant to these standards are described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section below. We are independent of the entities that make up the Group pursuant to law and we comply with other ethical requirements under the code of ethics of the Portuguese Statutory Auditors Association.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

Areas relevant to the audit

The material audit matters are those that, in our professional judgment, were of the greatest importance in the audit of the consolidated financial statements for the current year. These matters were considered in the context of the audit of the consolidated financial statements, and in forming the opinion, and we do not express a separate opinion on these matters. We consider the matters described below to be the relevant audit matters to be communicated in this report.

Areas relevant to the audit	Summary of the identified audit approach
Measurement of right of use infrastructures and contractual investments associated with concessions/partnerships of the managing entities of multi-municipal systems Disclosures relating to measuring the right of use infrastructures and the contractual investment associated with their concessions/partnership appear in notes 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.5, 6, 21,22, 30 and 39. The right of use infrastructures, which as at December 31, 2021 amounted to 3,705,188,000 Euros (December 31, 2020: 3,744,533,000 Euros), as well as the corresponding subsidies, for the total amount of 1,445,287,000 Euros (December 31, 2020: 1,484,046,000 euros), are amortised on a systematic basis according to the pattern of obtaining economic benefits, which are approved by the Regulatory Entity (ERSAR) or by the respective Partnership Commission, in the case of concessions and partnerships, respectively, The amortisations associated with contractual investment are calculated based on the flows (water and effluent) billed and the flows expected to be billed through to the end of each concession/partnership, which are provided for in the respective Economic and Financial Feasibility Study (EVEF) attached to each concession/partnership contract. In addition, in compliance with the concession contract stipulations, the partnership management contracts and other regulatory rules, the estimated share of costs to meet liabilities for future contractual investments is recorded annually. This increase, with an accumulated value, as detailed in note 21, amounting to 551,410,000 euros as at 31 December 2021 (31 December 2020: 526,118,000 euros) is calculated based on the respective EVEF, a document that states the respective investment.	Our approach to this relevant matter consisted of: • analysis of the consistency of the amount of the contractual investment serving to calculate the amortisations of the total investment amount in the respective EVEFs approved by the Grantor or Partnership Commission, whether it is a Concession Contract or a Partnership Contract, respectively; • comparison of the flows used in the calculation of amortisations with the information produced by the commercial area of the managing entities; • recalculation of the amortisation of the rights of use and of the related subsidies in accordance with the criteria established; • obtaining and analysing the correspondence and exchange of information that has existed to date between the management entities of the multi-municipal systems, ERSAR and the partnership commissions, particularly as regards the level of activities and investments to be made under each Concession Contract/ Partnership Contract. • request information from the Board of Directors about the reasons the EVEF review is not yet approved for several multi-municipal system managing entities; and • inquire the Board of Directors about the reasons for several addenda to not yet signed concession contracts.

Areas relevant to the audit	Summary of the identified audit approach
The relevance of this matter to our audit arises from the material nature of the amounts associated with the right of use infrastructures and the contractual investments of the concessions/partnerships in the consolidated financial statements, which impact on the amortisation of right of use infrastructures – IFRIS 12, the recycling of the respective subsidies and the corresponding increase in the costs of contractual investments.	We also reviewed the disclosures related to these investments.
Recognition and Measurement of Cost Recovery Deviations	
<i>Disclosures related to recognition and measurement of the Cost Recovery Deviations presented in notes 2.4.5, 2.5, 12 and 26</i> The Cost Recovery Deviations (CRDs) correspond to the corrections (positive in the case of deficits, negative in the case of surpluses) recorded to the regulated activity revenues so that this remains in full accordance with the provisions of the Concession/Partnership Contract, especially as regards full recovery of the expenses (including corporate income tax) and the guaranteed annual remuneration of shareholders taking into account, in the case of concessions, the costs allowed for under the efficiency scenario based on indicators subject to prior approval by the Regulatory Entity (ERSAR). The amount recognised in the income statement under the caption "Tariff cost recovery deficit/surplus" shows a surplus of EUR 58,888,000 as at 31 December 2020 (31 December 2020: surplus of EUR 55,352,000). In each financial year, estimates of the CRDs are determined based on the best information available at the date of preparation of the consolidated financial statements, and the managing entities of the multi-municipal systems, under the terms of each Concession Contract, shall send the CRD calculations to ERSAR for their approval and, under the terms of each Partnership Contract, shall send the respective accountancy documents to the respective Partnership Committees for their appraisal and later deliberation on approving the CRDs. The relevance of this matter in our audit results from the complexity and level of judgment inherent to these assessments of the CRD estimates as well as the from the unpredictability associated with their respective approval.	The audit procedures performed included: • analysis of the rationale for the metrics calculated by the Group and assessment of their respective compliance; • mathematical re-calculation of the Guaranteed Remuneration and the corresponding CRDs in accordance with the criteria established in the concession/partnership contracts; • obtaining and analysing the correspondence and exchange of relevant information that existed between the concession entities and ERSAR, in particular as regards the expenditure allowed under an efficiency scenario and ERSAR's appraisal of the CRDs, through to the date of our report; • obtaining and analysing the correspondence and exchange of relevant information that existed between the managing bodies of the partnerships and each Partnership Committee, in particular as regards the appreciation of the CRDs by the Partnership Committee, through to the date of our report; We furthermore undertook the review of the figures disclosed for these deviations in the consolidated financial statements.

identified, benefiting from the synergies arising from the existence of common information systems and the deployment of a transversal vision of the entire internal control system.

22. As a consequence of the work performed, the Supervisory Board is of the opinion that the Board of Directors Report and the consolidated Financial Statements (which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit and loss by nature and of comprehensive income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement for the year then ended and the Notes to the Consolidated Financial Statements) are suitable to understanding the financial position of the Group led by AdP - Águas de Portugal, SGPS, SA, as of December 31, 2021, as well as the way how the results were formed and the activities developed.
23. The Supervisory Board would hereby emphasise all of the collaboration it has obtained from the Board of Directors, the Statutory Auditor, the External Auditor and the respective services of AdP - Águas de Portugal, SGPS, SA.

OPINION

In accordance with that stated above, the Supervisory Board hereby concurs with the 2020 Management Report and Consolidated Accounts of AdP - Águas de Portugal, SGPS, SA, granting a favourable opinion that they be approved by the General Meeting.

Lisbon, 27 April 2022

ON BEHALF OF THE SUPERVISORY BOARD

Carla Maria Lamego Ribeiro
Digitally signed by Carla Maria Lamego Ribeiro
Date: 2022.04.27
17:51:45 +01'00'

Carla Maria Lamego Ribeiro
(President)

Retail activities - estimates associated with water sales and provision of sanitation services

Disclosures related to water sales and provision of sanitation services presented in notes 13 and 26

The recognition of the revenue related to the retail activity of water sales and provision of sanitation services occurs at the time of delivery of the water and includes water sales based on actual consumption, as well as water sales based on estimated consumption according to each customer's history.

The calculation of estimated consumption for the purpose of invoicing water sales is calculated essentially through Aquamatrix and the application of an algorithm produced according to the criteria defined by the Group based on the average daily consumption of each customer, weighted according to historical consumption profiles. The Group then tests this algorithm by counting a consumption sample. Rollback analysis of the actual consumptions is also performed afterwards.

The estimated quantities are valued on the basis of the defined tariff.

The high complexity of the methodology applied by the Group to estimate the water consumption of its clients and the degree of judgment involved, particularly with regard to volumes of consumption and the associated tariff, justifies this being a relevant matter for the purposes of our audit.

Our approach included performing the following procedures:

- identifying and testing the design and operational effectiveness of key controls related to the recognition of revenue associated with the write-off of water sales made, specifically in the Aquamatrix system, and in particular those relating to the estimated sales at the end of each period;
- obtaining the algorithm with the calculations for the estimated volumes and verifying it on a sample basis for each type of customer and tariff in conjunction with compliance with the criteria defined by the Group and the reasonability of the adjustments made;
- obtaining the water balance and assessing the reasonableness, in the light of historical data, of the differences between the water entering the network and the water both billed and estimated;
- carrying out analytical review procedures for the main components of the Sales and Services Rendered items, including analysis of significant annualised variations and compared with expectations and contracted/budgeted activities;
- re-execution of the calculation of the estimate for water consumed and not invoiced on 31 December 2021 based on historical invoicing.

We also analysed the disclosures presented in the consolidated financial statements.

Responsibilities of the management body and the supervisory body for the financial statements

The management body is responsible for the:

- a) preparation of the consolidated financial statements that fairly and appropriately present the Group financial position, the financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- b) preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory framework;
- c) implementation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;

- d) adoption of the appropriate accounting policies and criteria under these circumstances; and
- e) assessment of the Group's capacity to remain operational and disclosing, whenever applicable, any issues that may give rise to significant changes in the continuity of activities.

In turn, the supervisory body is responsible for overseeing the preparation and disclosure of the Group's financial information.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable certainty is a high level of safety but this does not guarantee that an audit performed in accordance with the IAS shall always detect material misstatements when existing. Distortions may arise from fraud or error and are considered material when, whether in isolation or in conjunction, they can reasonably be expected to influence the economic decisions of users based on the respective financial statements.

As part of an IAS audit, we make professional judgments and maintain professional scepticism throughout the audit and also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to providing a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting material misrepresentation due to error as fraud may involve collusion, forgery, intentional omissions, false declarations or overlapping internal control;
- b) obtain an understanding of the internal control system relevant to the audit for the purpose of designing audit procedures appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Group's internal control system;
- c) evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- d) conclude on the appropriateness of the management's adoption of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that might give rise to significant doubts about the Group's ability to continue activities. When concluding that there is material uncertainty, we duly draw attention in our report to the related disclosures included in the consolidated financial statements or, when these disclosures are not appropriate, we correspondingly modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to discontinue its activities;
- e) evaluate the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether these consolidated financial statements represent the underlying transactions and events in order to convey an appropriate presentation;
- f) obtain sufficient and appropriate audit evidence regarding Group financial information and the respective activities in order to express an opinion on the consolidated financial statements. We are responsible for the structure, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion;

- g) communicate with those responsible for governance, including the supervisory body, the scope and timing of the audit, among other issues, as well as any significant audit findings, including any significant internal control weaknesses identified during the audit;

Our responsibility also includes verifying the consistency of the information contained in the management report with that in the consolidated financial statements as well as verifying the presentation of the consolidated financial statement.

Report on other legal and regulatory requirements

On the management report

It is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained therein is correspondingly consistent with the audited consolidated financial statements and, taking into account our knowledge and evaluation of the Group, we do not identify any material misreporting.

27 April 2022

PricewaterhouseCoopers & Associados

- Sociedade de Revisores Oficiais de Contas, Lda.

represented by:

(one illegible signature)

José Alves Bizarro Duarte, Chartered Account no. 1957

registered with the CMVM (Portuguese

Securities Market Commission) under no.

20200003



Relatório de Auditoria

Relato sobre a auditoria das demonstrações financeiras consolidadas

Opinião

Auditámos as demonstrações financeiras consolidadas anexas da AdP - Águas de Portugal, S.G.P.S., S.A. (o Grupo), que compreendem a demonstração consolidada da posição financeira em 31 de dezembro de 2021 (que evidencia um total de 6.119.869.550 euros e um total de capital próprio de 1.770.472.933 euros, incluindo um resultado líquido de 83.284.856 euros), a demonstração consolidada dos resultados por naturezas, a demonstração consolidada do rendimento integral, a demonstração das variações do capital próprio consolidado e a demonstração dos fluxos de caixa consolidados relativos ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada da AdP - Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISAs) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas" abaixo. Somos independentes das entidades que compõem o Grupo nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras consolidadas do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras consolidadas como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias. Consideramos que as matérias descritas abaixo são as matérias relevantes de auditoria a comunicar neste relatório.

Praceta de Contas e Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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Tel: +351 213 592 000, Fax: +351 213 592 090, www.prc.pt
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161482

Praceta de Contas e Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence a uma entidade que não tem a natureza de entidade pública e não presta serviços de natureza pública.

Matérias relevantes de auditoria	Síntese da abordagem de auditoria
Mensuração dos direitos de utilização de infraestruturas e dos investimentos contratuais associados às concessões/parcerias das entidades gestoras dos sistemas multimunicipais <i>Divulgações relacionadas com a mensuração dos direitos de utilização de infraestruturas e do investimento contratual associado às concessões/parcerias apresentadas nas notas 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.5, 6, 21, 22, 30 e 38</i> O direito de utilização de infraestruturas, que em 31 de dezembro de 2021 ascende a 3.705.188 milhares de euros (31 de dezembro de 2020: 3.744.533 milhares de euros), assim como os subsídios correspondentes, no montante de 1.445.287 milhares de euros (31 de dezembro de 2020: 1.484.046 milhares de euros), são amortizados numa base sistemática de acordo com o padrão de obtenção dos benefícios económicos, os quais são aprovados pela Entidade Reguladora (ERSAR) ou pela respetiva Comissão de Parceria, caso se trate de concessões ou parcerias, respetivamente. As amortizações associadas ao investimento contratual são calculadas tendo como base os caudais (água e efluentes) faturados e os caudais que se estima faturar até ao final de cada concessão/parceria, os quais se encontram previstos no respetivo Estudo de Viabilidade Económica e Financeira (EVEF) anexo a cada contrato de concessão/parceria. Adicionalmente, em cumprimento do estipulado nos contratos de concessão, nos contratos de gestão das parcerias e demais regras regulamentares, é anualmente registada a quota parte dos gastos estimados para fazer face às responsabilidades quanto a investimentos contratuais futuros. Este acréscimo, cujo valor acumulado, conforme referido na nota 21, ascende a 551.410 milhares de euros em 31 de dezembro de 2021 (31 de dezembro de 2020: 528.118 milhares de euros), é calculado com base nos respetivos EVEF, documento onde	A nossa abordagem a esta matéria relevante consistiu em: • análise da coerência dos caudais estimados e do montante do investimento contratual utilizado para o cálculo das amortizações com o montante de investimento que consta dos respetivos EVEF aprovados pelo Concedente ou Comissão de Parceria, consoante se trate do Contrato de Concessão ou Contrato de Parceria; • comparação dos caudais reais utilizados no cálculo das amortizações com a informação produzida pela área comercial das entidades gestoras; • reexecução matemática das amortizações dos direitos de utilização e dos respetivos subsídios de acordo com os critérios estabelecidos; • obtenção e análise da correspondência e troca de informação que existiu até à data entre as entidades gestoras dos sistemas multimunicipais, a ERSAR e as respetivas Comissões de Parceria, em particular no que respeita ao nível de atividade e investimento a realizar ao abrigo de cada Contrato de Concessão / Contrato de Parceria; • inquirir o Conselho de Administração sobre os motivos pelo qual a revisão do EVEF de diversas entidades gestoras dos sistemas multimunicipais não se encontrar ainda aprovada; e • inquirir o Conselho de Administração sobre os motivos para diversos aditamentos a contratos de concessão não se encontrarem ainda aprovados.

Matérias relevantes de auditoria	Síntese da abordagem de auditoria
consta a estimativa dos investimentos a realizar. A relevância deste assunto na nossa auditoria resulta da materialidade dos montantes associados aos direitos de utilização de infraestruturas e aos investimentos contratuais das concessões/parcerias nas demonstrações financeiras consolidadas, que impactam a amortização dos direitos de utilização de infraestruturas – IFRIC 12, a reciclagem dos respetivos subsídios e o acréscimo de gastos de investimento contratual.	Procedemos, igualmente, à revisão das divulgações relacionadas com estes investimentos.
Reconhecimento e mensuração dos Desvios de Recuperação de Gastos <i>Divulgações relacionadas com o reconhecimento e mensuração dos Desvios de Recuperação de Gastos apresentadas nas notas 2.4.5, 2.5, 12 e 26</i> Os Desvios de Recuperação de Gastos (DRG) correspondem à correção (positiva no caso de défices, negativa no caso de superavit) a registar ao rédito das atividades reguladas, para que este se apresente conforme o disposto no Contrato de Concessão/Parceria, nomeadamente no que diz respeito à recuperação integral dos gastos (incluindo imposto sobre o rendimento das pessoas coletivas) e remuneração anual garantida aos acionistas, tendo em consideração, no caso das concessões, os gastos permitidos em cenário de eficiência com base nos indicadores aprovados previamente pela Entidade Reguladora (ERSAR). O montante reconhecido na Demonstração dos resultados na rubrica de "Desvio de recuperação de gastos (Superavit Tarifário)" apresenta a 31 de dezembro de 2021 um superavit de 55.888 milhares de euros (31 de dezembro de 2020: superavit de 55.352 milhares de euros). A estimativa dos DRG é, em cada exercício, determinada com base na melhor informação disponível à data da preparação das demonstrações financeiras consolidadas,	Os procedimentos de auditoria realizados incluíram: • análise da fundamentação das métricas calculadas pelo Grupo e avaliação do cumprimento das mesmas; • reexecução matemática da Remuneração Garantida e do correspondente DRG de acordo com os critérios estabelecidos nos contratos de concessão/parceria; • obtenção e análise da correspondência e troca de informação relevante que existiu até à data do nosso relatório entre as entidades concessionárias e a ERSAR, em particular no que respeita aos gastos permitidos em cenário de eficiência e a apreciação dos DRG por parte da ERSAR; • obtenção e análise da correspondência e troca de informação relevante que existiu até à data do nosso relatório entre as entidades gestoras das parcerias e cada Comissão de Parceria, em particular no que respeita à apreciação dos DRG por parte da Comissão de Parceria. Procedemos, igualmente, à revisão das divulgações relacionadas com estes desvios

Matérias relevantes de auditoria	Síntese da abordagem de auditoria
devendo as entidades gestoras dos sistemas multimunicipais, nos termos de cada Contrato de Concessão, enviar à ERSAR o cálculo dos DRG para que esta o aprove, e, nos termos de cada Contrato de Parceria, enviar os documentos de prestação de contas à respetiva Comissão de Parceria para que esta aprecie e posteriormente delibere no sentido de aprovação dos DRG. A relevância deste assunto na nossa auditoria resulta da complexidade e do nível de julgamento inerente à apreciação da estimativa dos DRG, assim como ao nível da imprevisibilidade associado à respetiva aprovação.	nas demonstrações financeiras consolidadas.
Recuperabilidade dos saldos a receber de Municípios e entidades municipais	
<i>Divulgações relacionadas com a recuperabilidade dos saldos a receber dos Municípios e entidades municipais apresentadas nas notas 2.5, 13 e 32</i> Em 31 de dezembro de 2021 o Grupo apresenta registado no Ativo, corrente e não corrente, saldos a receber de Municípios e entidades municipais que ascendem a 224.468 milhares de euros (31 de dezembro de 2020: 265.488 milhares de euros). Tal como evidenciado na nota 13, os referidos saldos apresentam uma elevada antiguidade, o que indica a existência de dificuldades financeiras por parte dos Municípios e/ou a existência de divergências quanto a faturação emitida. Adicionalmente, são registados acréscimos de rendimentos relativos aos juros de mora, os quais são determinados de acordo com a legislação aplicável. Genericamente o Grupo não reconhece perdas por imparidade sobre entidades públicas, por entender que, a esta data, o risco de insolvência é remoto.	A nossa abordagem incluiu a execução dos seguintes procedimentos: • executar procedimentos de revisão analítica para as principais componentes das rubricas de Vendas e Prestações de Serviços, incluindo a análise das variações significativas face ao exercício anterior e face às expectativas e à atividade contratada/orçamentada; • confirmação externa de uma amostra de saldos com os Municípios e entidades municipais e análise da respetiva reconciliação, quando aplicável; • obtenção e análise da informação constante das respostas aos pedidos de confirmação dos processos judiciais em curso a cargo dos advogados externos; • teste à antiguidade de saldos, com foco nos prazos previstos de prescrição do direito de cobrança, comparando-a com as respostas obtidas dos advogados;

Matérias relevantes de auditoria	Síntese da abordagem de auditoria
Na avaliação efetuada quanto à necessidade de registo de perdas por imparidade, o Conselho de Administração adota medidas possíveis tendentes a assegurar a recuperabilidade dos saldos, entre as quais, a ativação do mecanismo associado ao privilégio crediário (o qual incide sobre as dívidas correntes), a realização de acordos de regularização de dívida e a interposição de injunções/joções judiciais. São também consideradas situações particulares de incumprimento e de prescrições do direito a cobrar. Considerando a relevância do saldo no total do ativo do Grupo, a não recuperação do montante em dívida poderá colocar em causa o equilíbrio económico e financeiro das concessões/parcerias, e consequentemente o cumprimento das responsabilidades contratuais. Por este motivo, consideramos esta uma matéria relevante de auditoria.	• leitura dos acordos de regularização de dívida celebrados com os Municípios e análise ao seu cumprimento; • reexecução do cálculo de juros de mora, face aos pressupostos constantes dos contratos de regularização de dívida e à legislação vigente, considerando a antiguidade dos saldos; Analisamos, ainda, as divulgações apresentadas nas demonstrações financeiras consolidadas, assim como a correta apresentação em Ativo corrente e não corrente.
Atividade em baixa – estimativas associadas a vendas de água e prestação de serviços de saneamento <i>Divulgações relacionadas com as vendas de água e prestação de serviços de saneamento apresentadas nas notas 13 e 26.</i> O reconhecimento do rédito relativo à atividade em baixa de venda de água e prestação de serviços de saneamento ocorre no momento da entrega da água e incorpora vendas de água efetuadas com base em consumos efetivos, assim como vendas de água efetuadas com base em consumos estimados com base no histórico de cada cliente. O apuramento dos consumos estimados para efeitos de faturação de vendas de água e prestação de serviços em baixa é realizado essencialmente através do sistema Aquamatrix com recurso a um algoritmo produzido de acordo com os critérios definidos pelo Grupo,	A nossa abordagem incluiu a execução dos seguintes procedimentos: • identificação e teste ao desenho e à eficácia operacional dos controlos chave relacionados com o reconhecimento do rédito associado à atividade da baixa de venda de água, nomeadamente no sistema Aquamatrix e, em particular, dos relacionados com as vendas estimadas no final de cada período; • obtenção do algoritmo com os cálculos relativos aos volumes estimados tendo sido verificado, numa base amostral para cada tipo de cliente e tarifa, o cumprimento dos critérios definidos pelo Grupo e a razoabilidade dos ajustamentos efetuados;

Matérias relevantes de auditoria	Síntese da abordagem de auditoria
baseados no consumo médio diário de cada cliente, ponderado de acordo com os perfis históricos de consumo. O referido algoritmo é testado com recurso à contagem de uma amostra de consumos, sendo ainda efetuada à posteriori uma análise de "rollback" dos consumos reais. As quantidades estimadas são valorizadas tendo por base a tarifa definida. A estimativa de vendas de água foi considerada uma matéria relevante de auditoria, tendo em conta a elevada complexidade da metodologia utilizada pelo Grupo para estimar os consumos de água dos seus clientes e o grau de julgamento envolvido, nomeadamente no que respeita a volumes de consumo.	• obtenção do balanço hídrico e avaliada a razoabilidade face ao histórico das diferenças apuradas entre a entrada de água na rede e a água faturada e estimada; • execução de procedimentos de revisão analítica para as principais componentes das rubricas de Vendas e Prestações de Serviços, incluindo a análise das variações significativas face ao exercício anterior e face às expectativas e à atividade contratada/orçamentada; • reexecução do cálculo da estimativa de água consumida e não faturada em 31 de dezembro de 2021 com base nos históricos de faturação. Analisamos, ainda, as divulgações apresentadas nas demonstrações financeiras consolidadas.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras consolidadas

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira consolidada, o desempenho financeiro e os fluxos de caixa consolidados do Grupo de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório consolidado de gestão nos termos legais e regulamentares aplicáveis;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras consolidadas livres de distorções materiais devido a fraude ou a erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e



e) avaliação da capacidade do Grupo de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira do Grupo.

Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras consolidadas como um todo estão isentas de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISAs detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISAs, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- a) identificamos e avaliamos os riscos de distorção material das demonstrações financeiras consolidadas, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- b) obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Grupo;
- c) avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- d) concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Grupo para dar continuidade às suas atividades. Se concluímos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras consolidadas ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Grupo descontinue as suas atividades;
- e) avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;

f) obtemos prova de auditoria suficiente e apropriada relativa à informação financeira das entidades ou atividades dentro do Grupo para expressar uma opinião sobre as demonstrações financeiras consolidadas. Somos responsáveis pela orientação, supervisão e desempenho da auditoria do Grupo e somos os responsáveis finais pela nossa opinião de auditoria;

g) comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificada durante a auditoria;

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras.

Relato sobre outros requisitos legais e regulamentares

Sobre o relatório consolidado de gestão

Em nossa opinião, o relatório consolidado de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras consolidadas auditadas e, tendo em conta o conhecimento e a apreciação sobre o Grupo, não identificámos incorreções materiais

27 de abril de 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:



José Alves Bizarro Duarte, ROC n.º 1957
Registado na CMVM com o n.º 20200003

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Separate Financial Statements

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Statement of the financial position

	Notes	2021	2020
ASSETS			
Non-current assets			
Intangible assets	5	46 911	53 170
Tangible fixed assets	6	9 932	15 334
Right-of-use assets	7	336 826	633 887
Other financial assets		43 676	24 744
Investments in subsidiaries and holdings	8	713 377 702	712 654 702
Loans to Group companies	9	619 005 800	640 350 982
Total of non-current assets		1 332 820 847	1 353 732 819
Assets current			
Loans to Group companies	9	69 462 475	68 208 182
Clients	10	3 136 915	5 893 041
Other current assets	11	688 430	953 488
Cash and cash equivalents	12	33 466 508	11 522 666
Total of current assets		106 754 328	86 577 377
Total assets		1 439 575 175	1 440 310 196
OWN CAPITAL			
Share capital	13	434 500 000	434 500 000
Adjustments to capital holdings in subsidiaries and holdings		25 571 780	25 571 780
Legal reserve		42 208 231	39 179 944
Retained earnings		327 499 880	297 462 431
Net annual result	13	56 038 209	60 565 736
Total own capital		885 818 100	857 279 891
LIABILITIES			
Non-current liabilities			
Provisions	14	5 000 000	5 000 000
Loans	15	387 500 000	544 318 182
Lease liabilities	7	14 974	231 264
Total of non-current liabilities		392 514 974	549 549 446
Current liabilities			
Loans	15	156 879 450	28 818 182
Lease liabilities	7	211 445	294 983
Suppliers and other current liabilities	16	3 119 476	3 071 957
Tax on financial year earnings	27	1 031 730	1 295 737
Total of current liabilities		161 242 101	33 480 859
Total of liabilities		553 757 075	583 030 305
Total liabilities and own capital		1 439 575 175	1 440 310 196

The Board of Directors

José Carlos Athaide dos Remédios Furtado (Executive Chair)
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 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)

The Chartered Accountant

Carla Isabel Costa Pinto Ribeiro

Statement of the annual results

	Notes	2021	2020
Income from client contracts	18	16 535 551	13 852 682
Supplies and external services	19	(4 075 972)	(2 817 660)
Personnel costs	20	(7 161 793)	(5 897 672)
Financial year amortisations, depreciations and reversals	21	(290 692)	(177 308)
Other operating expenses and losses	22	(64 436)	(65 263)
Other operating income and gains	23	1 993 753	672 439
Operating income		6 936 411	5 567 218
Financial costs	24	(2 870 398)	(4 525 499)
Financial income	25	18 053 601	19 933 371
Financial investment gains / losses	26	39 939 442	44 997 620
Financial results		55 122 645	60 405 492
Profit before tax		62 059 056	65 972 710
Tax for the year	27	(6 020 847)	(5 405 824)
Deferred tax	27	-	(1 150)
Net profit from continued operations		56 038 209	60 565 736
Net annual result		56 038 209	60 565 736
Net result per share (basic and diluted)	13	0.64	0.70

Statement of comprehensive income

	Notes	2021	2020
Net annual result		56 038 209	60 565 736
Fair value of the instruments for cashflow coverage	13	-	350 431
Comprehensive income		56 038 209	60 916 167
Comprehensive income per share		0,64	0,70

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The Chartered Accountant

Carla Isabel Costa Pinto Ribeiro

Statement of changes in own capital

	Notes	Share capital	Adjustments in own capital	Other reserves - cash flow cov. Instr.	Legal reserve	Retained earnings	Net annual result	TOTAL
Balance on 31 December 2019		434 500 000	25 571 780	(350 431)	35 922 364	263 068 404	65 151 607	823 863 724
Appropriation of results for 2019		-	-	-	3 257 580	61 894 027	(65 151 607)	-
Dividend paid		-	-	-	-	(27 500 000)	-	(27 500 000)
Change in fair value of hedging derivatives		-	-	350 431	-	-	-	350 431
Net annual result for 2020		-	-	-	-	-	60 565 736	60 565 736
Balance on 31 December 2020		434 500 000	25 571 780	-	39 179 944	297 462 431	60 565 736	857 279 891
Appropriation of results for 2020	13	-	-	-	3 028 287	57 537 449	(60 565 736)	-
Dividend paid	13	-	-	-	-	(27 500 000)	-	(27 500 000)
Net annual result for 2021		-	-	-	-	-	56 038 209	56 038 209
Balance on 31 December 2021		434 500 000	25 571 780	-	42 208 231	327 499 880	56 038 209	885 818 100

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Statement of cash flow

	Notes	2021	2020
Operating activities			
Trade receivables		40 051 082	35 094 786
Trade payables		(5 005 679)	(3 929 322)
Payments to staff		(7 179 409)	(5 866 342)
Operational generated earnings		27 865 994	25 299 122
Payment of income tax		(6 276 677)	(4 696 326)
Other payments related to operating activities		(515 054)	(2 553 842)
Other operating flows		(6 791 731)	(7 250 168)
Total operating activities (1)		21 074 263	18 048 954
Investment activities			
Receivables from:			
Treasury funding	9	100 450 000	127 889 316
Advances	9	48 518 182	55 739 017
Dividends	26	40 134 442	44 992 620
Sub-Total		189 102 624	228 620 953
Payments for:			
Investments in subsidiaries	8	(918 000)	(1 203 768)
Treasury funding	9	(100 630 000)	(115 586 133)
Advances	9	(27 173 000)	(11 289 017)
Sub-Total		(128 721 000)	(128 078 918)
Total of investment activities (2)		60 381 624	100 542 035
Financing activities			
Receivables from:			
Loans obtained	15	10 000 000	92 500 000
Sub-Total		10 000 000	92 500 000
Payments for:			
Loans obtained	15	(38 818 182)	(181 318 182)
Capital of lease liabilities		(299 831)	(267 191)
Interest and similar costs		(2 895 099)	(6 960 759)
Dividends	13	(27 500 000)	(27 500 000)
Sub-Total		(69 513 112)	(216 046 132)
Total financing activities (3)		(59 513 112)	(123 546 132)
Change in cash and cash equivalents (1 + 2 + 3)		21 942 775	(4 955 143)
Cash and cash equivalents at the beginning of the period	12	11 522 666	16 477 809
Cash and cash equivalents at the end of the period	12	33 465 441	11 522 666
Change in cash and cash equivalents		21 942 775	(4 955 143)

The Board of Directors

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The Chartered Accountant

Carla Isabel Costa Pinto Ribeiro

Notes to the financial statements

1. General information

1.1. Company identification

AdP - Águas de Portugal, SGPS, S.A. (hereinafter also referred to as AdP, or the company), with its head office at Rua Visconde Seabra no. 3, in Lisbon, was incorporated on September 29, 1993, and its main activity is the management of shareholdings in companies that provide public drinking water supply and urban wastewater treatment services.

The following are shareholders in AdP:

	% Capital	Subscribed amount	No. of shares	Type of shares
Parpública, SGPS, S.A.	81.00%	351 945 000	70 389 000	Nominative
Caixa Geral de Depósitos, S.A.	19.00%	82 555 000	16 511 000	Nominative
	100.00%	434 500 000	86 900 000	

AdP was entrusted with developing multi-municipal systems for the abstraction, treatment and distribution of water for public consumption in Portugal and for the collection, treatment and disposal of urban wastewaters. In 1998, the company's mission was expanded, beginning a process of diversifying its business segments and geographies, extending its direct intervention to water distribution and effluent collection systems to populations served in domestic and international markets.

1.2. Economic activity

AdP was incorporated 28 years ago and entrusted with developing multi-municipal systems for the abstraction, treatment and distribution of water for public consumption in Portugal and for the collection, treatment and disposal of urban wastewaters. In 1996, the company's mission took on greater depth and extended its scope of intervention to the sectors of water distribution and effluent collection, providing systems to directly serve the population.

On 1 August 2020, the Group underwent restructuring with its subsidiary AdP Valor (previously AdP Serviços), hitherto responsible for activities related to information systems, legal, procurement and general support, incorporated into AdP, which implied an increase in revenue from contracts with clients and in costs due to additional supply and external service and personnel costs.

1.3 Approval of financial statements

These financial statements were approved by the Board of Directors on 26 April 2022. It is the opinion of the Board of Directors that they reliably reflect the company's operations, as well as its position and financial performance and its cash flows. It is the expectation of the Board of Directors that these financial statements will be approved unchanged by the General Shareholders Meeting.

2. Relevant accounting policies, judgements and estimates

2.1 Bases of presentation o

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IAS / IFRS) issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or the former "Standing Interpretations Committee" ("SIC"), adopted by the EU, in force for fiscal years beginning after 1 January 2021.

The most significant accounting policies used in the preparation of these financial statements are set out below. These policies have been applied consistently in comparative periods, except when otherwise specified.

The amounts presented, unless otherwise specified, are expressed in euros (EUR).

AdP's financial statements were prepared based on the principle of continuity of operations and according to historical cost. The preparation of financial statements in accordance with IAS / IFRS requires estimates and assumptions that influence the reported amounts of assets and liabilities and the reported amounts of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge in relation to current events and actions, the actual results may ultimately differ

from these estimates. The management nonetheless believes that the adopted estimates and assumptions do not incorporate any significant risks that might require material adjustments to the value of assets and liabilities.

2.2 Estimates and judgements

The estimates and judgments with an impact on the financial statements of AdP are continuously evaluated, representing at the date of each report the Management's best estimate, taking into account historical performance, accumulated experience and expectations about future events that, under the circumstances, they believe are duly reasonable. The intrinsic nature of the estimates may mean that the actual reflection of the situations which have been estimated may, for the purpose of financial reporting, differ from the estimated amounts.

Estimates and judgments that present a significant risk of giving rise to a material adjustment to the book value of assets and liabilities in the following year are described in the Annex to the disclosures associated with the respective items:

- Note 8.2 – impairment for investments in subsidiaries and holdings
- Note 9.2 – impairment for financial assets – Loans to Group companies
- Note 10.2 - impairment for financial assets – Clients
- Note 14.2 – provisions

2.3 Subsequent events

Events occurring after the statement of financial position date that convey additional information on conditions prevailing at the balance sheet date are reflected in the statement of financial position. Post- statement of financial position date events that convey information on conditions occurring after the statement of financial position date are, whenever material, disclosed in the notes to the financial statements.

3. New standards and policy changes

3.1 Voluntary changes in accountancy policies

No voluntary changes to accounting policies were made during the annual period that ended on 31 December 2021, with respect to those considered in the preparation of the financial information relating to the year that ended on 31 December 2020 presented in the comparisons.

3.2 New standards, interpretations and alterations coming into effect from 1 January 2021

These standards and amendments are effective for annual periods beginning on or after 1 January 2021 and have been applied in the preparation of these financial statements.

Description	Amendment	Effective date
IFRS 16 – Rental subsidies related to COVID-19	Application of exemption in the accounting of sub-sidies granted by lessors related to COVID-19 as modifications	1 June 2020
IFRS 4 – deferral of the application of IFRS 9	End of the deferral of the start of application of IFRS 9 for entities with insurance activities, post-poned to 1 January 2023	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of key interest rates - Stage 2	Additional exemptions related to the impacts of the reform of the reference interest rates ("IBOR"), and especially the replacement of a reference interest rate by an alternative in traded financial instruments	1 January 2021

The application of these new standards had no material impact on AdP's financial statements.

3.3 New standards and interpretations already issued but not yet mandatory

The recently issued IASB standards and interpretations whose application is mandatory only in periods beginning on or after 1 January 2022 and which the Company has not pre-adopted are the following:

• Already endorsed by the EU

Description	Amendment	Effective date
IAS 16 – Income before commissioning	Prohibition of deducting income obtained from the sale of items produced during the testing phase from the acquisition cost of tangible assets.	1 January 2022
IAS 37 – Onerous contracts - costs of fulfilling a contract	Clarification on the nature of the costs to be considered when determining whether a contract has become onerous.	1 January 2022
IFRS 3 – References to the conceptual framework	Update to the references to the Conceptual Framework and clarification on the recording of provisions and contingent liabilities in a business combination.	1 January 2022
IFRS 16 – Rental subsidies related to COVID-19 after 30 June 2021	Extension of the period for the accounting exemption covering subsidies granted by lessors related to COVID-19, as modifications, until 30 June 2022.	1 April 2021
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.	1 January 2023
IFRS 17 – Insurance contracts (amendments)	Inclusion of amendments to IFRS 17 in areas such as: i) scope of application; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income Statement; and viii) disclosures.	1 January 2023
Improvements 2018 – 2020	Specific and one-off changes to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022

• Not yet endorsed by the EU

Description	Amendment	Effective date
IAS 1 – Presentation of financial statements - Classification of liabilities	Classification of a liability as current or non-current, depending on the right that an entity has to defer its payment. New definition for "settlement" of a liability	1 January 2023
IAS 1 – Disclosure of accounting policies	Requirement to disclose material accounting policies, rather than significant accounting policies	1 January 2023
IAS 8 – Disclosure of accounting policies	Definition of accounting estimates. Clarification on the distinction between changes in accounting policies and changes in accounting estimates	1 January 2023
IAS 12 - Deferred tax related to assets and liabilities associated with a single transaction	Requirement of recognition of deferred tax on the recording of right-of-use assets/lease liabilities and provisions for dismantling/related assets, when their initial recognition gives rise to equal amounts of tax-able temporary differences and deductible temporary differences as these are not relevant for taxation purposes	1 January 2023
IFRS 17 - Initial application of IFRS 17 and IFRS 9 - Comparative information	This amendment allows for avoiding temporary accounting discrepancies between financial assets and insurance contract liabilities in the comparative information presented by applying IFRS 17 for the first time. This amendment provides for the application of an overlay in the classification of a financial asset for which the entity does not update the comparative information under IFRS 9.	1 January 2023

The application of these changes to standards, new standards and interpretations is not expected to have any significant impacts on AdP's financial statements after 1 January 2022.

4. Financial risk management policies

4.1 Risk factors

AdP Group business operations are exposed to a number of financial risk factors: credit risk, liquidity risk and cash flow risk (associated with the interest rate). AdP Group has correspondingly developed and implemented a risk management program which, in addition to constantly monitoring the financial markets, seeks to minimise potential adverse effects on the financial performance of AdP and its subsidiaries. Risk management is the responsibility of the central treasury department according to 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 as well as policies covering 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 and also the exposure limits. All transactions undertaken using derivatives require the prior approval of the Board of Directors and the ministry, which both sets the parameters for each transaction and approves the formal documents describing the specific objectives.

4.2 Market risk

4.2.1 Interest rate risk

The risk of the Company's interest rate comes essentially from the contracting of loans, both long-term and short-term. In this context, loans obtained with interest calculated at variable rates expose the Company to the risk of cash flows and loans obtained with fixed interest rates expose the Company to the fair value risk associated with the interest rate. The table below presents the sensitivity analysis of the Company's financial charges.

Sensitivity analysis to interest rate fluctuation

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

Impact of an interest rate fluctuation measured for a twelve month period.

4.3 Liquidity and capital risks

Liquidity risk management requires maintaining available funds at a reasonable level, the viability of floating debt consolidation 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 policy strives to ensure the flexibility of floating debt, while maintaining available credit lines. AdP manages liquidity risk by contracting and maintaining credit and financing facilities with underwriting commitments to high credit rating national and international financial institutions that allow 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

In order to ascertain the variable future interest rate, this took into consideration (i) the coupon of interest known on 31 December 2020 and to be settled in 2021; and (ii) the following coupons considered the Euribor index on 31 December 2020 plus the contractually formalised spread.

In September 2017, AdP SGPS entered into a 25-year, EUR 220 million financing agreement 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 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 2021, the AdP Group has drawn down EUR 30 million from tranche A and EUR 41.8 million from 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 debt servicing forecast for the next 12 months.

Contracted short term credit lines

MEUR

Liquidity risk	Amount of ceiling available	Amount used	Amount unused
Bank overdrafts (attributable only to AdP SGPS)	57.5	-	57.5
Group company loans	90.0	-	90.0
Short term group company loans	(103.9)	(56.6)	(47.3)
Net available credit lines attributable to AdP SGPS	43.7	(56.6)	100.2
Bank overdrafts (AdP Group)	125.0	-	125.0

The AdP goal with respect to managing capital, a broader concept than the balance sheet disclosed capital, seeks to maintain an optimal capital structure through prudent recourse to debt to enable it to reduce capital costs. The goal of capital risk management involves safeguarding the Group as a going concern, with a reasonable return for shareholders and the generation of benefits for all stakeholders.

The Group policy is to have the parent company, AdP SGPS, contract loans with financial corporations (with the exception of investment loans) before, in turn, making loans to its subsidiaries. This policy aims to optimise the capital structure for greater tax efficiency while also reducing the average cost of capital.

	Notes	2021	2020
Non-current loans (bond loans)	15	387 500 000	544 318 182
Current loans (bond loans and Group 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 own capital		885 818 100	857 279 891
Capital		1 396 670 841	1 418 893 589
Net debt/total capital		0.37	0.40

The financing model of AdP is fundamentally based on two broad categories that allow for the balancing of the capital structure, shareholder financing and own capital.

4.4 Credit risk

Credit risk is primarily related to the risk that a counterparty will fail in its contractual obligations, resulting in a financial loss to AdP. AdP is subject to credit risk in its operating, investment and treasury activities.

4.4.1 Operating counterparty

The credit risk related to operations essentially stems from the credits for services provided to the subsidiaries and to advances/treasury funding granted to the same companies.

Subsidiary credit risks are low considering their financial situations and legal and regulatory frameworks. Indeed, in state-owned systems, financial autonomy ratios are high and the multi-municipal or partnership systems, concession or partnership agreements have mechanisms for restoring the economic-financial balance in order to ensure third parties comply with all their liabilities, including those arising from debt servicing.

In addition, in the case of multi-municipal systems and partnerships, the regulatory and legislative provision that ensures the recovery of the municipality debts owed to these systems has been consolidated in the context of calculating the Cost Recovery Deviation, which in turn has a recovery period defined by Decree Law.

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

Business sector Client typology	Major industrial clients and other entities	Group companies	TOTAL (Note 10)
Risk	Medium	Low	
Gross exposure	33 542	3 134 734	3 168 276
Impairment	(31 361)	-	(31 361)
Net exposure	2 181	3 134 734	3 136 915

4.4.2 Deposit counterparty

The following table represents AdP's maximum exposure to credit risk (not including the Trade receivables and Other debtors item balances) as of 31 December 2021 and 2020, without regard to any collateral held or other credit enhancements. For assets in the statement of the financial position, the defined exposure is based on its carried over amount as reported in the statement of the financial position.

Financial bank assets	2021	2020
Current accounts (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 ratings obtained from financial institution websites in January 2022.

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

5. Intangible assets

5.1 Accounting policies

Intangible assets (software development costs) are stated at cost net of accumulated amortisations. These items are amortised by the straight-line method normally over a period of three to ten years. Research and development costs that do not meet the criteria for recognition of development expenditure as intangible assets are recognised as expenses in the period when incurred. Development expenses previously recognised as costs for the year are not recognised as intangible assets in subsequent periods. Investments that increase the performance of software programs beyond their original specifications are added to the original cost of the software.

Software implementation costs recognised as assets are amortised using the straight-line method over their useful lives, in particular from three to six years.

5.2 Details and movements

The details of the intangible assets at 31 December 2021 and 2020 are as follows:

	2021	2020
IT software programs	46 911	-
Ongoing intangible assets	-	53 170
	46 911	53 170

The movements in intangible assets in the year ended 31 December 2021 are as follows:

	2020						2021		
	Gross amount	Accumulated amortisations	Net amount	Acquisitions	Amortisations for the year (Note 21)	Transfers	Gross amount	Accumulated amortisations	Net amount
IT software programs	-	-	-	-	(9 382)	56 293	56 293	(9 382)	46 911
Ongoing intangible assets	53 170	-	53 170	3 123	-	(56 293)	-	-	-
	53 170	-	53 170	3 123	(9 382)	-	56 293	(9 382)	46 911

6. Tangible fixed assets

6.1 Accounting policies

Recognition and measurement

Fixed tangible assets are measured at cost, minus the depreciations in keeping with their estimated useful life expectancy. Expenditure directly attributable to the acquisition of the assets and their preparation to enter into operation are considered in the balance sheet value.

The subsequent costs are included in the accounting value of the asset or recognised as separate assets as appropriate only when it is probable that the economic benefits shall flow to the company and the cost may be reliably measured. Their depreciation is carried out throughout their useful remaining life or through to the next repair, whichever of the two occurs first. Replaced asset components are identified and recognised in the results.

Other expenditures with repairs and maintenance are recognised as costs in the period during which they are incurred.

Tangible fixed assets are depreciated on the basis of their estimated useful life, beginning when they are ready to enter into operation. The depreciable amount is obtained by deducting the expected residual value at the end of the estimated useful life.

The estimated useful life spans of tangible fixed assets are set out according to the following average periods:

Type	Interval in years
Administrative equipment	4 - 10

The depreciation of assets for which there is the intention to sell is suspended with the respective assets then classified as assets held for sale.

At the end of each financial year, the Board of Directors reviews the depreciation methods and the estimated life span for each asset so as to ensure a fair reflection of the patterns of consumption of the benefit of assets throughout their years of utilisation by AdP. Eventual alterations in these assumptions are processed as if an alteration to an accounting estimate and subject to prospective application.

Impairment

Whenever there is evidence of a loss in value of tangible fixed assets, impairment tests are carried out in order to estimate the recoverable value of the asset and, whenever necessary, to register a loss due to impairments. The recoverable value is determined as the highest between the net sale price and the use value of the asset with the latter calculated based on the actual value of the estimated future cash flows, stemming from continuous usage and disposal of the asset at the end of its useful operational life span.

Determination of the recoverable asset amount

The recoverable amount is the higher of its net selling price or its value in use. In determining an asset's value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset in question. The recoverable amount for assets that do not in themselves generate independent cash flows is determined in conjunction with the cash-generating unit to which they belong.

Reversal of impairment losses

Impairment losses are reversed whenever there are changes in the estimates applied to determine the respective recoverable amount. Impairment losses are reversed up to the amount, net of amortisation or depreciation, that the asset would have had were the impairment loss not recognised.

Derecognition

Gains and losses stemming from writing off or disposal are determined by the difference between the amount received from the disposal and the accounting value of the asset and recognised as income or costs in the financial results.

6.2 Details and movements

Tangible fixed assets at 31 December 2021 and 2020 are detailed as follows:

	2021	2020
Administrative equipment	9 932	15 334
Other tangible assets	-	-
	9 932	15 334

The movement in tangible fixed assets during the years ending on 31 December 2021 and 2020 was as follows:

	2020			Financial year depreciations (Note 21)	2021		
	Gross amount	Accumulated depreciations	Net amount		Gross amount	Accumulated depreciations	Net amount
Administrative equipment	135 834	(120 500)	15 334	(5 402)	135 834	(125 902)	9 932
Other tangible assets	1 058	(1 058)	-	-	1 058	(1 058)	-
	136 892	(121 558)	15 334	(5 402)	136 892	(126 960)	9 932

	2019				Financial year depreciations (Note 21)	2020		
	Gross amount	Accumulated depreciations	Net amount	Acquisitions		Gross amount	Accumulated depreciations	Net amount
Administrative equipment	132 233	(115 459)	16 774	3 601	(5 041)	135 834	(120 500)	15 334
Other tangible assets	1 058	(1 058)	-	-	-	1 058	(1 058)	-
	133 291	(116 517)	16 774	3 601	(5 041)	136 892	(121 558)	15 334

7. Leases

7.1 Accounting policies

The leases in which the AdP Group is the lessee are recognised, measured and presented according to a single model. Through this model, the leases are accounted for in the financial position statements. On the lease commencement date, the AdP Group recognizes the liability relating to the future lease payments (i.e., the lease liability) and the assets representing the right to use the assets during the lease period (i.e., assets under right of use). The AdP Group separately recognises financial costs related to lease liabilities and the costs with depreciation or amortisation of the right-of-use asset.

AdP engages in leasing only as the lessee.

A) Identification of a lease

At the start of a contract, an entity must assess whether the contract is, or contains, a lease. A contract is or contains a lease whenever the contract conveys the right to control usage of an identified asset for a period of time in exchange for remuneration:

- a) The asset underlying the lease must be specifically identified or the asset is implicitly specified at the time it becomes available for use by the lessee; and
- b) The lease shall grant the right to control the use of the underlying asset for a specified period of time, i.e., the lease shall grant the lessee the right to obtain substantially all economic benefits from utilisation of the identified asset.

Separating contractual components

When a contract is or contains a lease, the AdP Group accounts for each lease component separately from the non-leasing component (e.g., the service rendered) implicit in the contract, except in cases where the AdP Group (as the lessee) chooses not to separate the non-leasing component from the lease component and, as such, accounts for everything as a single rental component.

The remuneration of the contract is separated between the rental and non-location components, based on the relative price on an individual basis for each rental component and on the sum of the prices on an individual basis for the non-lessee components. The relative price on an individual basis of the rental component equals the price a lessor/seller would separately charge for the rental component.

Unless the practical arrangements attributed to lessees are used, the lessee shall account for the non-lease component in accordance with the respective applicable IFRSs.

Lease terms

The lease term corresponds to the non-cancellable period in which the lessee retains the right to use an underlying asset in conjunction with the following conditions:

- a) periods covered by options to extend the lease when the lessee is reasonably certain about exercising that option; and
- b) periods covered by an option to terminate the lease when the lessee is reasonably certain about not exercising that option.

The lease term includes the months of grace for rental charges, whenever applicable. The lease commencement date corresponds to the date on which the lessor makes the underlying asset of the lease available for lessee usage.

b) Accounting for lessees

Lease recognition and initial measurement

On the lease start date, AdP Group recognises a right-of-use asset and a liability for the lease.

Initial measurement of the right-of-use asset

On the lease start date, the asset under right-of-use is measured at cost, which is equal to the value of the lease liability plus costs for dismantling the asset (where such is an obligation), the direct initial costs incurred in installing the asset and less any payments or incentives that may have occurred before the contract date.

Initial measurement of lease liability

On the lease start date, the lease liability is measured at the present value of the future fixed and variable rental payments, contractual penalties for advance payment, the residual value that it is expectable the lessee will pay and the purchase option, when applicable. Future variable lease payments do not include remuneration indexed to the lessee's business turnover.

Future lease payments are discounted according to the prevailing interest rate:

- a) In contracts where the implicit rate of the respective contract is applicable, this rate is applied (the interest rate that equals the fair value of the underlying asset applied to the total present value of the lease payments and the residual value);
- b) For other contracts, the incremental financing rate applies (the interest rate that would be obtained for financing the lease term corresponding to the acquisition of the underlying lease asset).

Subsequent lease measurement

Subsequent measurement of right-of-use assets

The asset under right-of-use is measured according to the cost model in which assets under right-of-use are measured at cost less their accumulated depreciation and impairment losses and then adjusted for any remeasurements of lease liabilities.

Depreciations are calculated on a straight-line basis from the lease start date onwards and over the useful life of the underlying asset in cases where there is a lease option to purchase and with this taken into account in the initial measurement of the right-of-use asset. In other cases, depreciation is calculated on a straight-line basis over the term of the lease. Depreciation is accounted for as an expense in the income statement.

The operational lives for right-of-use assets reflect the following average durations:

Type	Interval in years
Software licences	3
Transport equipment	1 - 4

Subsequent measurement of lease liabilities

Lease liabilities are measured at their amortised costs. After the lease start date, AdP measures their lease liabilities by:

- Increases to reflect accrued interest (calculated according to the discount rate applied in the initial measurement of the lease liability and recognised in the income statement);
- Reductions to reflect the lease payments made;;
- Remeasurements to reflect changes in the lease (e.g., term, rents):
 - This implies adjusting the accounting value of the right-of-use to the lease assets;
 - Whenever remeasurements result from changes to the lease term, then a new discount rate is set to apply from the date of change in the lease term.

Practical arrangements applied by AdP as a lessee

The AdP Group deploys the following practical arrangements under IFRS 16:

- In contracts with lease and service components, the service component is treated as a lease under IFRS 16;
- Leases with contractual terms of under 12 months are excluded from the scope of IFRS 16;
- Leasing contracts for which the underlying assets attain an estimated value of less than USD 5,000 (printers and photocopiers, water dispensers and similar) are excluded from the scope of IFRS 16.

In leases where AdP is the lessee and for underlying assets holding little value (such as personal computers) and short-term lease contracts (i.e., contracts with a 12 month or less duration), lease recognition and measurement does not take place according to the single model described above with these lease rentals recognised as expenses on a straight-line basis over the period of the lease in the income statement under "External supplies and services - Rents and leases".

7.2 Right-of-use assets

The details of the right-of-use assets as of 31 December 2021 and 2020 and their movement during the years ending on those dates are as follows:

Right-of-use assets	2020			Increases	Amortisations for the year	Amortisation		2021		
	Gross amount	Accumulated amortisations	Net amount			Gross amount	Accumulated amortisations	Gross amount	Accumulated amortisations	Net amount
Software licences	374 788	(10 411)	364 377	(Note 21)	(124 929)	-	-	374 788	(135 340)	239 448
Transport equipment	588 894	(319 384)	269 510	8 057	(150 979)	(53 031)	23 821	543 920	(446 542)	97 378
	963 682	(329 795)	633 887	8 057	(275 908)	(53 031)	23 821	918 708	(581 882)	336 826

Right-of-use assets	2019			Increases	Amortisations for the year (Note 21)	Settlements Amortisations	2020		
	Gross amount	Accumulated amortisations	Net amount				Gross amount	Accumulated amortisations	Net amount
Software licences	-	-	-	374 788	(10 411)	-	374 788	(10 411)	364 377
Transport equipment	473 424	(145 799)	327 625	115 470	(161 856)	(11 729)	588 894	(319 384)	269 510
	473 424	(145 799)	327 625	490 258	(172 267)	(11 729)	963 682	(329 795)	633 887

7.3 Lease liabilities

The details of the lease liabilities at 31 December 2021 and 2020 are as follows:

	2021	2020
Non-current	14 974	231 264
Current	211 445	294 983
	226 419	526 247

Capital outstanding by type of right-of-use asset	2021	2020
Software licences	125 018	248 940
Transport equipment	101 401	277 307
	226 419	526 247

Future minimum payments	2021	2020
Up to 1 year	213 871	303 671
From 1 to 5 years	15 400	234 158
Over 5 years	-	-
	229 271	537 829

Interest	2021	2020
Up to 1 year	2 426	8 688
From 1 to 5 years	426	2 894
Over 5 years	-	-
	2 852	11 582

Current value of minimum payments	2021	2020
Up to 1 year	211 445	294 983
From 1 to 5 years	14 974	231 264
Over 5 years	-	-
	226 419	526 247

7.4 Leasing payments

Total of leasing payments	2021	2020
Accounted for according to the single model stipulated in IFRS 16	308 236	278 272
Accounted for as expenditure in the results	37 456	19 275
	345 692	297 547

8. Investments in subsidiaries and holdings

8.1 Accounting policies

8.1.1 Financial holdings in subsidiaries

Subsidiaries are all those entities over which AdP maintains control. AdP controls an entity whenever exposed to, or holds rights over, the variable returns from its involvement with the entity and has the capacity to shape these returns through its powers over the entity. Subsidiaries are fully consolidated as from the date when control is transferred to AdP. This consolidation terminates from the date when such control comes to an end.

AdP applies the acquisition accounting methods to its business takeovers and acquisitions. The amount transferred in the acquisition of the subsidiary represents the fair value of the assets provided, the liabilities assumed or incurred as well as the former owners and the AdP issued capital instruments. The amount transferred includes the fair value of any asset and liability that results from any of the contingent agreements. The assets and liabilities thereby acquired and the contingent liabilities assumed on acquiring businesses are initially measured according to their fair value on the date of acquisition irrespective of the existence and of non-controlling interests. The attributable costs directly incurred in the acquisition are recognised in the financial results whenever incurred.

The subsidiaries are recognised in the statement of the AdP financial position on the date of obtaining control or significant influence or powers of negotiation or contracting, which is the date on which AdP commits to acquiring or disposing of the asset. During the transition, the financial holdings were recognised in accordance with the presumed cost or the considered cost, thus for the amount carried over in the financial statements prepared in accordance with the former norm in effect on that date as an alternative to the acquisition cost.

In the first phase, the subsidiaries are recognised at their acquisition cost plus the directly attributable transaction costs. These assets are subject to derecognition whenever: **(i)** the contractual rights of AdP to the receipt of its cash flows expire; **(ii)** AdP has substantially transferred all of the risks and benefits associated with its ownership; or **(iii)** despite still retaining a stake, but not substantially incurring all of the risks and benefits associated with its ownership as AdP has transferred control over the assets.

Recognition of dividends is recorded in the income statement on the date of their reporting.

8.1.2 Financial investments in associated companies

Investments in associated companies are reported according to the value resulting from the application of the patrimonial equivalence method. According to this method, the financial reporting includes the percentage share of AdP in the total gains and losses recognised since the date when this significant influence was first established before extending to when it effectively terminates for the associated companies in which AdP holds between 20% and 50% of the voting rights, or over which AdP holds significant influence but which cannot exercise their control. Gains or losses not deriving from transactions between AdP and its associates are eliminated. The dividends attributed by the associated company are considered reductions in the investment held.

When the quota share of associated company losses exceeds the investment made, the accounting value of the financial investment is reduced to zero and AdP recognises additional losses in the future relative to the already assumed responsibilities whenever having made the payment through the Associated Company account. Any excess in the acquisition cost of a financial investment by an AdP holding is registered in the fair value of assets, liabilities and contingent liabilities identified on the date of acquiring the stake gets accounted for as goodwill, which is then included in the value of the financial holding and its recovery is evaluated annually as an integral financial investment. Whenever the cost of acquisition is below that of the fair net value of the assets of the associated company acquired, the difference is registered directly in the statement of results.

8.1.3 Impairment of investments in subsidiaries and associated companies

Financial holdings in subsidiaries and associates are analysed on the date of each Financial Accounting Report in order to detect indications of any eventual losses due to impairment. Whenever such an indication exists, the financial amount recoverable from the stake is evaluated. Whenever the amount registered for a financial holding exceeds the sum receivable, this is reduced to the amount recoverable with this impairment loss recognised in the results for that financial year. The amount recoverable from the financial holdings in subsidiaries and associates corresponds to the greatest of the value of use and the value of sale. The losses through impairment are reverted through to the value that the asset would have held had the impairment loss not been recognised.

The companies directly and indirectly owned by AdP on 31 December 2021 are:

Business unit / Company	Headquarters	% of subscribed capital (*)	% of paid-up capital (*)	% of effective capital (**)		Share capital	Own capital	Net annual result
Water and Sanitation								
Águas do Algarve, S.A.	Faro	54.44%	54.44%	54.44%	EUR	29 825 000	30 556 589	365 764
Águas do Centro Litoral, S.A.	Coimbra	60.33%	60.71%	62.77%	EUR	39 974 968	102 292 938	1 548 134
Águas do Douro e Paiva, S.A.	Porto	51.00%	51.00%	51.00%	EUR	20 902 500	30 558 371	753 707
Águas do Norte, S.A.	Vila Real	68.73%	70.74%	72.50%	EUR	108 095 468	273 448 103	4 199 668
Águas de Santo André, S.A.	V. N. de Sto André	100.00%	100.00%	100.00%	EUR	1 000 000	29 691 248	5 221 976
AgdA - Águas Públicas do Alentejo, S.A.	Beja	51.00%	51.00%	51.00%	EUR	9 053 000	10 775 163	622 714
Águas do Tejo Atlântico, S.A.	Lisbon	50.68%	51.83%	51.61%	EUR	113 527 680	115 776 448	3 750 162
Águas do Vale do Tejo S.A.	Guarda	68.74%	68.74%	68.27%	EUR	83 759 578	211 138 070	3 131 675
SIMARSUL - Saneamento da Península de Setúbal, S.A.	Qta. do Conde	51.00%	51.00%	51.43%	EUR	25 000 000	67 845 701	943 070
SIMDOURO - Saneamento do Grande Porto, S.A.	V. N. de Gaia	58.52%	58.52%	58.61%	EUR	20 046 075	32 692 570	707 632
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	51.00%	51.00%	51.00%	EUR	17 500 000	18 745 081	600 372
EPAL, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	150 000 000	654 147 671	49 659 244
Águas do Alto Minho, S.A.	Viana do Castelo	51.00%	51.00%	51.00%	EUR	3 600 000	3 874 308	195 713
International								
AdP - Águas de Portugal Internacional - Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	175 000	238 429	38 215
AdP Timor-Leste, Unipessoal, Lda.	Timor	0.00%	0.00%	100.00%	USD	5 000	(502 712)	1 759
Aquatec, Lda.	Maputo Mozambique	0.00%	0.00%	100.00%	MZN	2 476 580	(67 796 195)	(1 588 447)
Águas do Brasil, S.A.	Rio de Janeiro Brazil	100.00%	100.00%	100.00%	BRL	2 050 100	(1 331 794)	-
Corporate services								
AdP Valor - Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	50 000	16 437 820	895 104
AdP Energias - Energias Renováveis e Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	1 250 000	798 848	(241 642)
Associated companies								
Trevo Oeste, S.A.	Alcobaca	43.20%	43.20%	43.20%	EUR	1 336 085	n.d.	n.d.

(*) % of directly held capital

(**) % of directly and indirectly held capital

8.2 Estimates and judgements

The determination of a possible impairment loss can be triggered by the occurrence of several events, in particular the generation of consecutive net negative results by the subsidiaries. The identification of impairment indicators, the estimation of future cash flows and the determination of the fair value of financial investments, subsidiaries and associates imply high degrees of judgment on the part of management in the identification and evaluation of the different indicators of impairment, expected cash flows, applicable discount rates, useful lives and residual values. In view of AdP's intention to maintain the financial holdings and not having any intention to sell, AdP assumes that the recoverable amount corresponds to the own capital value of these subsidiaries and associates.

For the subsidiaries that are concessions or partnerships, given the fact that the respective concession and partnership contracts provide for guaranteed returns, sensitivity analyses are not performed as the recoverability of the investment is not conditioned.

8.3 Details and movements

At 31 December 2021 and 2020, the details of Investments in subsidiaries and associated companies are as follows:

	2021	2020
Investments in subsidiaries	733 726 677	732 808 677
Impairments for investments in subsidiaries	(20 348 975)	(20 153 975)
	713 377 702	712 654 702
Investments in associated companies	572 991	572 991
Impairments for investments in associated companies	(572 991)	(572 991)
	-	-
	713 377 702	712 654 702

The movements in the financial investments in subsidiaries for the years ending 31 December 2021 and 2020 are as follows:

	Notes	2021	2020
Opening balance		712 654 702	711 595 934
Increase in capital	(a)	918 000	985 065
Distribution of losses	(b)	-	218 703
Reversal / (increase) of impairment	26 (c)	(195 000)	5 000
Transfer of impairment to advances granted		-	(150 000)
Closing balance		713 377 702	712 654 702

- (a) In the year ended 31 December 2021, AdP paid up the remaining capital in Águas do Alto Minho (EUR 918,000). In the year ended 31 December 2020, AdP paid the Increase in capital in Águas Públicas do Alentejo (EUR 617,865), and paid in capital to Águas do Alto Minho (EUR 367,200).
- (b) In the year ended 31 December 2020, AdP covered the losses of AdP Internacional (EUR 218,703).
- (c) In the year ended 31 December 2021, reflecting the results generated by the subsidiaries, AdP reinforced the impairment for the financial investment in the subsidiary AdP Energias by EUR 245,000 and reversed the impairment for the financial investment in the subsidiary AdP Internacional by EUR 50,000.

At 31 December 2021 and 2020, the details of Investments in subsidiaries and holdings by entity are as follows:

	2021			2020		
	Cost	Impairment	Total	Cost	Impairment	Total
Subsidiaries:						
EPAL	365 813 820	-	365 813 820	365 813 820	-	365 813 820
Águas do Vale do Tejo	79 347 548	-	79 347 548	79 347 548	-	79 347 548
Águas do Tejo Atlântico	34 623 897	-	34 623 897	34 623 897	-	34 623 897
SIMARSUL	18 866 926	-	18 866 926	18 866 926	-	18 866 926
Águas do Norte	111 404 246	-	111 404 246	111 404 246	-	111 404 246
Águas do Douro e Paiva	10 877 643	-	10 877 643	10 877 643	-	10 877 643
SIMDOURO	10 854 212	-	10 854 212	10 854 212	-	10 854 212
Águas do Centro Litoral	36 454 976	-	36 454 976	36 454 976	-	36 454 976
Águas do Algarve	25 834 640	-	25 834 640	25 834 640	-	25 834 640
AdP Internacional	15 651 636	(15 411 695)	239 941	15 651 636	(15 461 695)	189 941
Águas da Região de Aveiro	8 925 000	-	8 925 000	8 925 000	-	8 925 000
AdP Energias	5 733 226	(4 937 280)	795 946	5 733 226	(4 692 280)	1 040 946
Águas de Santo André	2 298 412	-	2 298 412	2 298 412	-	2 298 412
Águas Públicas do Alentejo	4 617 030	-	4 617 030	4 617 030	-	4 617 030
AdP Valor	587 465	-	587 465	587 465	-	587 465
Águas do Alto Minho	1 836 000	-	1 836 000	918 000	-	918 000
	733 726 677	(20 348 975)	713 377 702	732 808 677	(20 153 975)	712 654 702
Associated companies:						
Trevo Oeste	572 991	(572 991)	-	572 991	(572 991)	-
	734 299 668	(20 921 966)	713 377 702	733 381 668	(20 726 966)	712 654 702

9. Loans to Group companies

9.1 Accounting policies

Classification

On initial recognition, financial assets are classified according to one of the following categories:

- a) Financial assets at amortised cost;
- b) Financial assets at fair value through other comprehensive income; or
- c) Financial assets at fair value through profit or loss:
 - i. Financial assets held for disposal;
 - ii. Financial assets not held for disposal at fair value through profit or loss;
 - iii. Financial assets designated at fair value through profit or loss.

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of contractual flows to conclude whether they correspond only to payments of capital and/or interest on the outstanding capital) and the business model.

Given the nature of AdP activities, the company only holds financial assets at amortised cost. A financial asset is classified under the category "Financial assets at amortised cost" when the following two conditions are met:

- a. It is managed with a business model whose objective is to maintain financial assets to receive contractual cash flows; and
- b. The contractual conditions give rise to cash flows on specific dates, which are only payments of capital and interest on the amount of capital outstanding (SPPI).

This item includes debt instruments, mainly investments in credit institutions and loans and advances to customers and Group companies (advances and treasury funding).

Evaluating the financial asset business model

In relation to evaluating the business model, this does not depend on the outcomes of any single individual instrument but rather a set of instruments, taking into account the frequency, the value, the schedule of sales in previous financial years, the reasons for those sales and expectations regarding future sales. Infrequent or insignificant sales, or sales close to the asset maturing and sales motivated by increases in the credit risk of financial assets or to manage concentrations of risk, among others, may be compatible with the model of holding assets to receive contractual cash flows.

Assessment of the characteristics of financial asset contractual flows (SPPI)

Whenever a financial asset contains a contractual clause that may change the timing or value of the contractual cash flows (such as early repayment or extension clauses), AdP determines whether the cash flows that will be generated during the life of the instrument, due to the exercising of the contractual clause, represent only payments of the capital and/or interest on the capital outstanding.

The contractual terms of financial assets that, on initial recognition, have an effect on cash flows or are dependent on the occurrence of exceptional or highly unlikely events (such as liquidation by the issuer) do not preclude their classification in the portfolios at amortised cost or at fair value through other comprehensive income.

Initial recognition

At the time of initial recognition all active financial instruments are recorded at their fair value. For active financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting the transaction costs directly attributable to their acquisition or issue. These transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset, which would not have been incurred had AdP not made the transaction.

However, customer accounts without any significant financing component are initially measured at their transaction value as defined in IFRS 15 - Revenue from contracts with customers.

Subsequent measurement

After their initial recognition, the Group values financial assets at amortised cost or fair value through other comprehensive income or at fair value through profit or loss. Given the activity of AdP, the company only holds financial assets at amortised cost.

Income and expenses from financial instruments at amortised cost are recognised in accordance with the following criteria:

- a) Interest is recorded in the income statement according to the effective transaction interest rate on the gross book value of the transaction (except in the case of impaired assets where the interest rate applies to the net book value of the impairment);
- b) Other changes in value are recognised as income or cost when the instrument is derecognised from the balance sheet, when reclassified and, in the case of financial assets, when impairment losses or gains occur in their recovery.

When the contractual financial asset cash flows are subject to renegotiation or otherwise modified and the renegotiation or alteration does not result in the derecognition of the financial asset, AdP recalculates the gross value of the financial asset and recognises a gain or loss arising from the difference to the previous amortised cost against income. The gross value of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted according to the asset's original effective interest rate.

Customer balances and other receivables without a financing component correspond to amounts receivable from the sale of goods or services provided by AdP in the normal course of its activities. They are initially recorded at fair value and subsequently measured at amortised cost, less impairment losses. The amortised cost of these assets does not differ from their nominal value or fair value..

Credit written off from assets

AdP recognises a write-off when it has no reasonable expectation of recovering all or part of an asset. This recording occurs after all the recovery actions undertaken by AdP have ended unsuccessfully. Subsequent recoveries of amounts that have already been written off are recorded in the income statement.

Impairment of financial assets

As regards receivables under "Trade receivables" and "Loans to Group companies", AdP applies the simplified approach provided for under IFRS 9 according to which estimated credit losses are recognised from the initial recognition of receivables and for the entire period through to maturity considering a matrix of historical default rates for the maturity of receivables and adjusted by prospective estimates.

Accounts receivable have been grouped by business segment for the purpose of assessing expected credit losses.

The credit risk of receivables is assessed at each reporting date taking into account the customer's credit risk profile. Credit risk analysis is based on the probability of annual default and also takes into account the customer's credit risk profile. The probability of the inability to collect reflects the annual probability of default that incorporates the current position and future projections taking into account macroeconomic factors while the losses in the event of default represent the expected loss incurred when the default takes place.

The Accounts receivable are adjusted in each financial reporting period taking into account the management estimates of credit risk, which may differ from the impairment losses that actually incur.

Impairment losses are determined by the differences between the amounts recoverable and the balance sheet value of the financial assets and are registered as a counterparty in the income statement. The financial asset balance sheet value is reduced to reflect the amount recoverable by recourse to an impairment account.

Whenever receivables from customers or other debtors that have already fallen due are subject to the renegotiation of their terms, they are no longer considered as due and are again treated as new receivables.

Generally, AdP does not recognise impairment losses for public entities as on this date it believes the risk of their insolvency is remote.

Reclassification between financial instrument portfolios

In accordance with the requirements of IFRS 9, reclassification between financial instrument portfolios can only occur when the Group decides to change the business management model for financial asset portfolios. Such reclassifications take place prospectively as from the reclassification date. In accordance with the IFRS 9 approach, changes to the business model generally take place infrequently. Under the IFRS 9 approach, changes in business model generally occur infrequently.

Derecognition policy

A financial asset is derecognised in whole or in part when the contractual rights to the cash flows from the asset expire or are transferred to a third party independent of the entity.

The accounting treatment applied to transfers of assets depends on the degree and manner in which the risks and benefits associated with ownership of the assets are transferred to third parties:

- When the risks and rewards of ownership of a financial asset are substantially transferred to a third party (for example, unconditional sales, repurchase agreements at fair value on the repurchase date, sales of financial assets with an acquired call or put option issued without cash and in securitisations of assets in which the Grantor does not retain subordinated financing or grants any type of credit enhancement to the new holders), this asset is derecognised from the balance sheet, while recognising any right or obligation retained or resulting from the transfer;
- When the risks and rewards of ownership of a transferred financial asset are substantially retained (in the case of, among others, sales of financial assets with a repurchase agreement at a fixed price or at the sale price plus a lender's usual return, securities lending contracts in which the borrower has an obligation to return the same or similar) are not derecognised on the balance sheet and continue to be valued according to the same criteria as prior to the transfer with recognition in accounting terms of:
 - An associated financial liability for an amount equal to the consideration received, which is subsequently valued at amortised cost, unless it meets the requirements to be classified as other liabilities at fair value through profit or loss.
 - The income from the financial asset transferred, but not derecognised, and the expenses from the new financial liability, without any counterbalance.
- When the risks and benefits inherent to a transferred financial asset are not substantially transferred or even retained (in cases of, among others, sales of financial assets with call or put options, securitisations in which the originator assumes subordinated financing or other types of credit enhancement for a proportion of the transferred asset), a distinction is made between:

- When the lessor does not hold control of the asset transferred, it is derecognised from the balance and any right or obligation held or resulting from the transfer is recognised.
- When the lessor does not hold control of the financial asset transferred, they still recognise it on the balance sheet at the same value as the exposure, including any alterations made and recognised as a liability associated to the financial asset transferred. The net values of the transferred asset and of the associated liability reflect the amortised cost of the rights and obligations held when the assets are measured at the amortised cost or at the fair value of the rights and obligations held or when the transferred asset is measured at fair value.

9.2 Estimates and judgments

Impairment losses for loans to Group companies are calculated according to the expected loss, the risk profiles of clients and their financial positions. Loans to Group companies, due to their nature, have a reduced risk of impairment. Therefore, no sensitivity analysis was performed.

9.3 Details and movements

At 31 December 2021 and 2020, the details of loans to Group companies are as follows:

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Advances	619 076 115	11 818 182	630 894 297	640 421 297	11 818 182	652 239 479
Treasury funding	-	56 570 000	56 570 000	-	56 390 000	56 390 000
	619 076 115	68 388 182	687 464 297	640 421 297	68 208 182	708 629 479
Accrued interest (a)	-	1 074 293	1 074 293	-	-	-
	619 076 115	69 462 475	688 538 590	640 421 297	68 208 182	708 629 479
Impairment	(70 315)	-	(70 315)	(70 315)	-	(70 315)
	619 005 800	69 462 475	688 468 275	640 350 982	68 208 182	708 559 164

(a) At 31 December 2020, the accrued interest was recorded in the "Clients" item (EUR 1,027,765) - Note 10.3.

At 31 December 2021 and 2020, the loans to Group companies by entity are as follows:

	2021					2020				
	Advances			Treasury funding	Total	Advances			Treasury funding	Total
	Non-current	Current	Total			Non-current	Current	Total		
Águas do Norte	290 000 000	3 636 364	293 636 364	7 320 000	300 956 364	298 136 363	3 636 364	301 772 727	2 890 000	304 662 727
Águas do Vale do Tejo	97 500 000	909 091	98 409 091	30 000 000	128 409 091	90 909 091	909 091	91 818 182	30 000 000	121 818 182
Águas do Centro Litoral	58 000 000	909 091	58 909 091	-	58 909 091	72 909 091	909 091	73 818 182	6 000 000	79 818 182
Águas Públicas do Alentejo	35 300 000	454 545	35 754 545	-	35 754 545	28 181 546	454 545	28 636 091	5 000 000	33 636 091
Águas da Região de Aveiro	58 500 000	909 091	59 409 091	4 950 000	64 359 091	57 409 091	909 091	58 318 182	4 500 000	62 818 182
Águas do Douro e Paiva	12 000 000	-	12 000 000	-	12 000 000	23 000 000	-	23 000 000	-	23 000 000
Águas do Algarve	15 000 000	5 000 000	20 000 000	8 500 000	28 500 000	20 000 000	5 000 000	25 000 000	3 500 000	28 500 000
SIMDOURO	47 000 000	-	47 000 000	-	47 000 000	48 000 000	-	48 000 000	-	48 000 000
Águas do Alto Minho	-	-	-	3 900 000	3 900 000	-	-	-	2 000 000	2 000 000
AdP Internacional	3 600 000	-	3 600 000	400 000	4 000 000	1 700 000	-	1 700 000	2 500 000	4 200 000
AdP Valor	2 000 000	-	2 000 000	1 500 000	3 500 000	-	-	-	-	-
Águas do Brasil	105 800	-	105 800	-	105 800	105 800	-	105 800	-	105 800
Trevo Oeste	70 315	-	70 315	-	70 315	70 315	-	70 315	-	70 315
	619 076 115	11 818 182	630 894 297	56 570 000	687 464 297	640 421 297	11 818 182	652 239 479	56 390 000	708 629 479
Interest incurred					1 074 293					-
					688 538 590					708 629 479
Impairment	(70 315)	-	(70 315)	-	(70 315)	(70 315)	-	(70 315)	-	(70 315)
	619 005 800	11 818 182	630 823 982	56 570 000	688 468 275	640 350 982	11 818 182	652 169 164	56 390 000	708 559 164

The advances correspond to reimbursable loans with a maturity of over one year and the treasury funding identifies the reimbursable loans with a period of less than one year. Advances and treasury funding are remunerated with interest.

The movements in Loans to Group companies in the years ending on 31 December 2021 and 2020 were as follows:

	2021				
	Advances			Treasury funding	Total
	Non-current	Current	Total		
Opening balance	640 421 297	11 818 182	652 239 479	56 390 000	708 629 479
Utilisation of credit	27 173 000	-	27 173 000	100 630 000	127 803 000
Reimbursement of capital	(36 700 000)	(11 818 182)	(48 518 182)	(100 450 000)	(148 968 182)
Non-current to current reclassifications	(11 818 182)	11 818 182	-	-	-
Closing balance	619 076 115	11 818 182	630 894 297	56 570 000	687 464 297

	2020				
	Advances			Treasury funding	Total
	Non-current	Current	Total		
Opening balance	684 871 297	11 818 182	696 689 479	68 693 183	765 382 662
Utilisation of credit	11 289 017	-	11 289 017	115 586 133	126 875 150
Reimbursement of capital	(43 920 835)	(11 818 182)	(55 739 017)	(127 889 316)	(183 628 333)
Non-current to current reclassifications	(11 818 182)	11 818 182	-	-	-
Closing balance	640 421 297	11 818 182	652 239 479	56 390 000	708 629 479

10. Account receivables

10.1 Accounting policies

For accounting policies regarding accounts receivables, see disclosures in Note 9.1.

10.2 Estimates and judgments

Losses due to impairments to accounts receivable are calculated according to the losses expected, the profile of client risk and their respective financial positions. The AdP accounts receivable derive from the provision of financial service to subsidiaries and hence with only a low risk of impairment. In this sense, no sensitivity analyses were carried out.

10.3 Details

At 31 December 2021 and 2020, the accounts receivables were as follows:

	2021	2020
Group companies	2 287 411	2 539 735
Other entities	33 542	33 542
	2 320 953	2 573 277
Contractual assets – Estimate of services for invoicing (i)	847 323	3 351 125
	3 168 276	5 924 402
Impairment	(31 361)	(31 361)
	3 136 915	5 893 041

(i) Contractual assets – Estimate of services for invoicing

At 31 December 2021 and 2020, the contractual assets referring to not yet invoiced revenues were as follows:

	2021	2020
Management fees	671 596	648 184
Established service levels (a)	145 779	1 275 276
Attendance of subsidiary Board of Director meetings	29 948	110 648
Interest (b)	-	1 027 765
Commissions (c)	-	284 132
Attendance of subsidiary general assemblies (c)	-	5 120
	847 323	3 351 125

(a) Revenue related to the activities transferred from the subsidiary AdP Valor as described in note 1.2.

(b) As of December 31 2021, accrued and non-invoiced interest is recorded in the item "Loans to Group companies - Current" (Note 9.3).

(c) As of 31 December 2021, non-invoiced commissions and participations in the Shareholder General Meetings of subsidiaries are recorded under "Other current assets" (Note 11.2).

As of December 31, 2021 the duration of the account receivables debt was as follows:

Client type	Large industrial clients and other entities				Group companies				Total net exposure
Age of debt	Gross exposure	Impairment	% Loss	Net exposure	Gross exposure	Impairment	% Loss	Net exposure	
Not due	-	-	0,0%	-	3 124 812	-	0,0%	3 124 812	3 124 812
Due for up to 180 days	-	-	0,0%	-	(765)	-	0,0%	(765)	(765)
Due for over 180 days	33 542	(31 361)	-93,5%	2 181	10 687	-	0,0%	10 687	12 868
	33 542	(31 361)	-93,5%	2 181	3 134 734	-	0,0%	3 134 734	3 136 915

11. Other current assets

11.1 Accounting policies

For the other current assets accounting policies, see disclosures in Note 9.1.

11.2 Details

At 31 December 2021 and 2020, there were the following other current assets:

		2021	2020
Other receivables	i)	548 461	691 533
Deferred charges	ii)	141 716	263 702
State and other public entities	iii)	807 286	807 286
		1 497 463	1 762 521
Impairment	iii)	(809 033)	(809 033)
		688 430	953 488

i) Other receivables

		2021	2020
Other receivables:			
Commissions for invoicing	(a)	268 314	-
Costs to reclaim from subsidiaries		107 678	250 475
Compensatory interest	(b)	71 000	425 773
Fiscal consolidation		46 747	-
Other receivables		54 722	15 285
		548 461	691 533

(a) As at 31 December 2020, accrued income from commissions was recorded under the "Account receivables" item (Note 10.3).

(b) The item "Compensatory interest" corresponds to the amount of compensatory interest paid in 2019 and related to 2015 and 2016 following a taxation process related to the Special Regime for General Corporate Taxation. AdP reclaimed these interest payments in a Court of Arbitration, with the sentence handed down favourable to AdP.

ii) Deferred charges

	2021	2020
Deferred charges:		
Insurance	105 472	71 983
Pre-payment of services	36 244	9 881
Bank charges (c)	-	181 838
	141 716	263 702

(c) As at 31 December 2021, deferred bank charges arising from the issuing of debenture loans are recorded in liabilities as a deduction to the "Loans" item (Note 15.2).

iii) The impairments to other current assets include EUR 807 286 referring to retentions at source carried out in previous years by the debt instruments then held with their periods of reimbursement withdrawn by the Taxation Authority and the costs accounted for in the Statement of Results for the financial year ending on 31 December 2018 under the "Tax on financial year earnings" item..

12. Cash and cash equivalents

12.1 Accounting policies

Cash and cash equivalents include cash, bank deposits, and other short-term liquidity investments with initial maturities of up to three months. Bank overdrafts are presented in statements of the financial position, in current liabilities, under the Loans obtained item, which are also considered in preparing the cash-flow statement.

12.2 Details

At 31 December 2021 and 2020, the details of Cash and cash equivalents were as follows:

	2021	2020
Current accounts	3 464 941	7 521 666
Term deposits	30 000 000	4 000 000
Cash	500	1 000
	33 465 441	11 522 666
Interest accrued from term deposits	1 067	-
	33 466 508	11 522 666

The term deposits were established with the IGCP (Treasury and Public Debt Management Agency - IGCP, E.P.E.) in December 2021 and matured on 3 January 2022.

13. Own capital

13.1 Accounting policies

Classification

An instrument is classified as an equity instrument:

- when there is no contractual obligation either to settle it by delivering cash or other financial assets to another entity or to exchange financial assets or financial liabilities with another entity according to terms potentially unfavourable to the issuer;;
- when the instrument will or may be settled by the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative settled only by the issuer exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Capital

Ordinary shares are classified in Equity. Costs incurred directly by the issuance of new shares or options are presented in Equity as a deduction, net of taxes, to the amount issued.

Dividends

Distributions made on account of capital instruments are deducted from own capital as dividends when declared.

13.2 Share capital

The capital, for the amount of 434,500,000, is represented by 86,900,000 shares of 5 euros each and is fully subscribed.

Shareholders as of 31.12.2021 and 31.12.2020	% Capital	Subscribed amount	No. of shares	Type of shares
Parpública, SGPS, S.A.	81%	351 945 000	70 389 000	Nominative
Caixa Geral de Depósitos, S.A.	19%	82 555 000	16 511 000	Nominative
	100%	434 500 000	86 900 000	

13.3 Net result and full earnings per share

	2021	2020
Net annual result	56 038 209	60 565 736
Number of shares	86 900 000	86 900 000
Result per share	0.64	0.70

	2021	2020
Comprehensive income	56 038 209	60 916 167
Number of shares	86 900 000	86 900 000
Result per share	0.64	0.70

In accordance with the Company's Articles of Association and the Portuguese Company Code, the Company is obliged to transfer at least 5% of the net profit for each year to the legal reserve, included in the Other Reserves item in Own Capital, until this reserve reaches 20% of the share capital. The legal reserve cannot be distributed to the shareholders but may, under certain circumstances, be applied to increase capital or to absorb losses after all other reserves have been exhausted.

The application of results for 2020 was approved as per the General Meeting held on 10 May 2021:

- i) Increase of the legal reserve in the amount of EUR 3,028,287;
- ii) Dividend paid in the amount of EUR 27,500,000; and
- iii) Transfer in the amount of EUR 30,037,449 to retained earnings.

14. Provisions, assets and contingent liabilities

14.1 Accounting policies

Provisions

Provisions are only recognised when an obligation exists that results from past events, the settlement of which is likely to require the allocation of internal resources of a reasonably estimated amount. Whenever any criterion is not met or the existence of the obligation depends on the (non-)occurrence of a particular future event, AdP discloses this as a contingent liability apart from whenever evaluation of the requirement to pay funds for its settlement is deemed unlikely. When there is a large number of similar obligations, the probability of generating an outflow of internal resources is determined for the group as a whole. This provision is recognised even when the likelihood of an outflow of internal resources due to an item in the same obligation class may only be small. Current obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract exists when the company is an integral party to a contract which has associated costs with respect to its compliance and which cannot be avoided and exceed the future economic benefits deriving from the same. The provisions are measured at the present value, on the balance

sheet date, according to the best estimate by the Board of Directors regarding the expenditure required to discharge the obligation. The discount rate in effect for calculating the present value reflects the then prevailing market expectation both for the period of the discount and for the risk of the provision in question.

Provisions for future operating losses are not recognised.

Contingent liabilities

Contingent liabilities correspond to the potential liabilities arising as a result of past events and with their recognition dependent on the occurrence or otherwise of one or more uncertain future events not totally under the control of the Company. This may also represent present obligations as a result of past events which, either due to the payment of economic benefits not being probable or due to the value not being susceptible to reliable estimation, are not recognised in the Financial Accounts. The Company proceeds with their disclosure through notes to the accounts whenever the probability of their future reimbursements is not deemed remote. This then leads to their recognition or constitution as a provision whenever the payment of economic benefits not only becomes probable but also with the value susceptible to estimation with some degree of reliability.

Contingent assets

Contingent assets are potential Company assets that result from past events but with recognition depending on the occurrence of one or more future events, which fall beyond the scope of its control. The Company proceeds with their identification through notes to the accounts, whenever the receipt of future economic benefits becomes probable. Their recognition in the Financial Accounts takes place whenever their receipt proves virtually certain.

14.2 Estimates and judgments

AdP regularly analyses any obligations arising from past events and which require recognition or disclosure. AdP is party to several ongoing legal proceedings in relation to which it has made a judgement, based on the opinion of its lawyers, to decide on whether provisions should be set aside for these contingencies.

The subjectivity inherent in determining the likelihood and amount of outflows of internal resources needed to discharge such obligations may lead to significant adjustments, either due to changes in those assumptions or through the future recognition of provisions previously disclosed as contingent liabilities.

14.3 Details

As at 31 December 2021 and 2020, provisions in the amount of EUR 5,000,000 relate to a lawsuit in progress against the Company for contractual responsibilities inherent to the sale of a subsidiary that occurred in previous years.

Ongoing legal cases

AdP makes careful evaluations of its risks and contingencies and, subsequently, constitutes the provisions that, in keeping with the risks identified and the probability of actual liability, are deemed appropriate for recognition. From the evaluations made and in addition to the provisions recorded, no other liabilities were identified that require disclosure as contingent liabilities.

Guarantees

The financial commitments and liabilities of the Company not shown in the Statement of Financial Position were as follows as of 31 December 2021:

	Instituições financeiras
Guarantees - EIB	1 082 615 402
Guarantees – Group Banking Overdrafts	125 000 000
Other guarantees	2 867 229
	1 210 482 631

The guarantees refer to the guarantee given by AdP to the European Investment Bank within the scope of financing for AdP Group subsidiaries.

The credit risk of the subsidiaries is low, considering their respective financial situations and the legal and regulatory frameworks in effect. In fact, throughout the state-owned system, the financial autonomy ratios are high and in the multi-municipal systems or under the partnership regimes, the concession or partnership contracts contain mechanisms for restoring the economic and financial balance to ensure compliance with all third party responsibilities, in particular in terms of debt servicing liabilities.

Furthermore, in the case of multi-municipal systems and partnerships, the regulatory and legislative provision that ensures the recovery of the debts owed by Municipalities to these systems was consolidated within the scope of the Cost of Deviation Recovery mechanism, which in turn deploys Decree-Law stipulated recovery periods.

Contingent assets

AdP is the claimant in a judicial appeal filed on 9 October 2020 regarding the dismissal by the Large Taxpayers Unit of the request for an ex-officio review of the IRC - Corporate Income Tax assessment of the group of which AdP was the holding company for the year of 2014 with AdP claiming the deduction of financial costs from the 2014 tax liability for the amount of EUR 97,420,829, which was then added to the taxable profit for previous years in compliance with article 32 (2) of the Statute of Tax Benefits and Circular no. 7/2004, and the consequent restitution of the unduly paid tax, quantified as EUR 22,941,309.

15. Loans

15.1 Accounting policies

Classification

Financial liabilities are classified into two categories: **i)** Financial liabilities at fair value through profit or loss; and **ii)** Financial liabilities at amortised cost.

The category "Financial liabilities at amortised cost" includes those liabilities presented under "Loans", "Group company loans" and "Suppliers". These liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost according to the effective interest rate.

AdP has only recognised liabilities classified as "Financial liabilities at amortised cost".

Financial liabilities are derecognised when the underlying obligations are terminated by payment, cancellation or expiry.

Loans obtained

Loans (bond loans and Group loans) are recorded as liabilities at the nominal value received, net of commissions related to the issuance of those loans. Financial expenses are calculated based on the effective interest rate and are recorded under the item "Financial expenses" in the consolidated income statement on an annualised basis. The portion of the effective interest charge relating to the fees for issuing loans, when not paid during the reporting period, is deducted from the book value of the loan whenever not settled over the course of the financial year.

Any loans obtained are classified as non-current liabilities unless AdP expects to settle the liability within 12 months of the balance sheet date, when they are therefore classified as current liabilities.

Reclassification between categories of financial instruments

Financial liabilities cannot be reclassified between categories.

15.2 Details and movements

At 31 December 2021 and 2020, the amounts of Loans were as follows:

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Bond loans	387 500 000	156 818 182	544 318 182	544 318 182	6 818 182	551 136 364
Group company loans	-	-	-	-	22 000 000	22 000 000
	387 500 000	156 818 182	544 318 182	544 318 182	28 818 182	573 136 364
Accrued interest (a)	-	193 841	193 841	-	-	-
Deferred bank charges (b)	-	(132 573)	(132 573)	-	-	-
	-	61 268	61 268	-	-	-
	387 500 000	156 879 450	544 379 450	544 318 182	28 818 182	573 136 364

(a) At 31 December 2020, accrued interest was recorded under the item "Suppliers and other current liabilities" (EUR 254,489).

(b) At 31 December 2020, deferred charges associated with initial issuing costs for bond loans were recorded in assets under the item "Other current assets". (Note 11.2).

Bond loans are subject to ownership clauses, which state that eventual changes in the shareholder structure of AdP may lead to the immediate maturity of the debt.

The loans obtained from group companies are contracted with terms of less than 12 months and bear interest.

Movement in the loans obtained

The movements in borrowings in the years ending on 31 December 2021 and 2020 and their reconciliation to the cash flow statement were as follows:

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Opening balance	544 318 182	28 818 182	573 136 364	551 136 364	110 818 182	661 954 546
Reclassification of non-current to current	(156 818 182)	156 818 182	-	(6 818 182)	6 818 182	-
Loans obtained	-	10 000 000	10 000 000	-	92 500 000	92 500 000
Loan capital reimbursed	-	(38 818 182)	(38 818 182)	-	(181 318 182)	(181 318 182)
Fluctuations in accrued Interest	-	61 268	61 268	-	-	-
Final balance	387 500 000	156 879 450	544 379 450	544 318 182	28 818 182	573 136 364

Loans by maturity

As at 31 December 2021 and 2020, the details of the loans, by interest rate type and principal repayment maturity, were the following:

Variable interest rate	2021	2020
Up to 1 year	156 818 182	6 818 182
From 1 to 2 years	206 818 182	156 818 182
From 2 to 3 years	6 818 182	206 818 182
From 3 to 4 years	6 818 182	6 818 182
From 4 to 5 years	6 818 182	6 818 182
Over 5 years	160 227 272	167 045 454
	544 318 182	551 136 364

Fixed interest rate	2021	2020
Up to 1 year	-	22 000 000
From 1 to 2 years	-	-
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
Over 5 years	-	-
	-	22 000 000
	544 318 182	573 136 364

Fair value

The loans obtained by AdP correspond to bond loans issued in 2007, 2008 and 2016. Considering the fact that bond loans were issued on those dates and that afterwards AdP did not resort to this type of loans, it is therefore not possible to determine at what rates AdP could be financed for the contracted maturities and it is thus correspondingly not possible to determine the fair value of the loans obtained in any reasonable way.

16. Suppliers and other current liabilities

16.1 Accounting policies

These items usually include balances from suppliers of goods and services that the Group acquired during the normal course of its business. The items therein are classified as current liabilities whenever the payment falls due within 12 months or less and are otherwise classified as non-current liabilities under the "Suppliers" item.

These financial liabilities are initially recognised at fair value. Subsequent to their initial recognition, the liabilities presented under "Suppliers" are measured at amortised cost using the effective interest rate method. Trade and other payables initially classified as current are recorded at their nominal value as they do not bear interest and the effect of discounting is deemed immaterial.

16.2 Details

At 31 December 2021 and 2020, the details of Suppliers and other current liabilities were as follows:

		2021	2020
General suppliers		300 122	125 450
Other payables	i)	258 271	412 570
Accrued expenses and deferrals	ii)	1 729 217	2 150 791
State and other public entities	iii)	831 866	383 146
		3 119 476	3 071 957

i) Other accounts payable

		2021	2020
Distribution of life insurance results for settling with subsidiaries	(a)	368 677	136 536
Insurance premiums for repaying to subsidiaries		(152 603)	(25 406)
Other creditors		42 197	180 395
Fiscal consolidation		-	121 045
		258 271	412 570

(a) This corresponds to profit sharing from life insurance policies with this amount received by the Company and to be paid out to Group companies in 2022.

ii) Additional costs and deferrals

	2021	2020
Staff holidays and holiday payments	845 548	770 558
Diverse services provided by suppliers and not invoiced	382 877	353 263
Commissions payable (b)	241 949	257 295
Training	233 832	241 585
Interest payable (c)	-	254 489
Operating subsidies received on behalf of subsidiaries	-	241 800
Other additional costs	25 011	31 801
	1 729 217	2 150 791

(b) This essentially corresponds to commissions to be paid to the General Directorate of Treasury and Finance for the guarantee issued by the Portuguese state for the loans obtained by the subsidiaries from the European Investment Bank.

(c) As of 31 December 2021, the accrued interest payable relating to the loans obtained is recorded under the item "Loans" (Note 15).

iii) State and other public entities

	2021	2020
Value added tax	577 052	151 239
Social security	143 617	124 662
Third party withholding taxes	109 288	103 108
Other taxation	1 909	4 137
	831 866	383 146

17. Financial instruments by IFRS 9 category

Classification of financial assets and liabilities (31.12.2021)	Financial assets at amor-tised cost	Financial liabilities at amortised cost	Total financial instruments
Other financial assets	43 676		43 676
Loans to Group companies	688 468 275		688 468 275
Clients	3 136 915		3 136 915
Cash and cash equivalents	33 466 508		33 466 508
Total assets	725 115 374	-	725 115 374
Loans		544 379 450	544 379 450
Suppliers		300 122	300 122
Total liabilities	-	544 679 572	544 679 572

Classification of financial assets and liabilities (31.12.2020)	Financial assets at amortised cost	Financial liabilities at amortised cost	Total financial instruments
Other financial assets	24 744		24 744
Loans to Group companies	708 559 164		708 559 164
Clients	5 893 041		5 893 041
Cash and cash equivalents	11 522 666		11 522 666
Total assets	725 999 615	-	725 999 615
Loans		573 136 364	573 136 364
Suppliers		125 450	125 450
Total liabilities	-	573 261 814	573 261 814

18. Income from client contracts

18.1 Accounting policies

This revenue corresponds to the fair value of the amounts received or receivable from transactions carried out with clients within the scope of normal AdP activities. Revenue is accounted for net of any taxes, commercial discounts and other inherent costs at the fair value of the amounts received or receivable.

IFRS 15 provides a five-step model for accounting revenue from contracts with customers and requires that revenue be recognised at an amount that reflects the remuneration expected by an entity in exchange for goods and / or services to be transferred to the customer. The five steps are: **(1)** identify the contract with the customer, **(2)** identify the performance obligations under the contract, **(3)** determine the transaction price, **(4)** allocate the transaction price to the contract performance obligations and **(5)** recognize income when the entity meets a performance obligation.

In determining the revenue value, AdP evaluates the performance obligations assumed in each transaction undertaken with clients, the transaction price to be allocated to each performance obligation identified in the transaction and the existence of variable pricing conditions that may trigger future corrections to the recorded total of earnings and for which AdP provides its best estimate.

In the provision of services by AdP, there is only one performance obligation, hence the revenue is recognised immediately as the provision of client services.

18.2 Details

In the financial years ending on 31 December 2021 and 2020, the levels of income from client contracts were as follows:

	2021	2020
Management fees	12 097 274	12 045 014
Established service levels (NSE's)	4 298 016	1 807 668
Attendance of subsidiary Board of Director meetings	140 261	-
	16 535 551	13 852 682

The revenue from contracts with customers corresponds to the management fee charged to Group companies and corresponds to a set rate applied to the business turnover of each subsidiary and with no subsequent change in the rate of the AdP charged management fee.

The NSEs correspond to the revenue for the activities carried out by AdP Valor and transferred to AdP on 1 August 2020 (information systems, procurement, logistics and legal services).

As a holding company, AdP debits its subsidiaries for the remuneration of the non-executive members it appoints. In 2020, this revenue was recorded under the item "Other operating income and gains - Performance of social duties at subsidiaries" (Note 23).

19. Supplies and external services

19.1 Accounting policies

Expenses and losses are recorded in the period to which they relate, regardless of the time of their payment or receipt on an accruals base (accruals principle).

19.2 Details

In the years ending on 31 December 2021 and 2020, the details of the supplies and external services was as follows:

		2021	2020
Specialised works- Technical assistance	(a)	1 471 084	866 332
Specialised works- Audits		32 338	46 219
Specialised works- Studies and consultancy		197 248	57 696
Specialised works- Financial consultancy		41 832	55 723
Specialised works- Legal consultancy		97 238	64 251
Specialised works- IT consultancy		166 858	45 701
Specialised works- Leasing of spaces		1 297 736	992 837
Specialised works- Others		202 987	243 728
Advertising and publicity		250 932	238 530
Rentals and leasing		37 456	19 275
Travel and accommodation		48 125	29 796
Insurance		77 805	76 747
Other external supplies and services		154 333	80 825
	(b)	4 075 972	2 817 660

- (a) Technical assistance costs include: (i) costs of engineering services provided by AdP Valor; and (ii) costs related to the IT infrastructure provided by AdP Valor (although the activities of AdP Valor have been transferred to AdP, the costs of software and hardware for information systems continue to be contracted to AdP Valor with the recognition of costs related to the infrastructures provided to AdP continuing in 2021).
- (b) The general increase in costs with external supplies and services in 2021 is explained by the incorporation on 1 August 2020 of the Information Systems, Purchasing and Logistics and Legal Departments, which formerly constituted AdP Valor.

20. Personnel costs

20.1 Accounting policies

Short-term employee benefits and termination benefits are recognised in the income statement.

Short-term employee benefits include salaries, wages and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (when payable within twelve months following the ending of the contracted period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) related to current employee and with their payment expected within 12 months.

The Company recognises a liability and an expense related to termination benefits when the Company can no longer withdraw the offer of such benefits.

20.2 Details

In the years ending on 31 December 2021 and 2020, the details of the personnel costs were as follows:

	2021	2020
Remuneration of the Governing Bodies	439 039	380 513
Remuneration of staff	4 977 007	3 747 691
Compensation	148 126	370 862
Charges on remunerations	1 255 274	957 074
Insurance	255 533	221 991
Social welfare costs	8 629	8 969
Other costs with staff	78 185	210 572
	7 161 793	5 897 672

The increase in the cost of staff in 2021 results from the reorganisation carried out on 1 August 2020 at AdP and AdP Valor, in which the Information Systems, Procurement and Logistics and Legal departments were transferred from AdP Valor to AdP.

Remunerations of governing bodies

	2021	2020
Board of Directors	370 527	309 317
Supervisory Board	31 967	31 967
Chartered Accountant (*)	36 545	39 229
	439 039	380 513

The current Board of Directors was appointed on 4 May 2020.

(*) Grant Thornton & Associados – SROC, Lda.) - the annual fees for the Statutory Audit (excluding VAT) amount to EUR 35,723.

Number of people working for the company

Type	Average number		Year end	
	2021	2020	2021	2020
Board of Directors	6	5	6	6
Supervisory Board	3	3	3	3
Permanent / temporary workers	99	73	100	93
	108	81	109	102

21. Financial year amortisations, depreciations and reversals

In the years ending on 31 December 2021 and 2020, the amounts of amortisations, depreciations and reversals were the following:

	Note	2021	2020
Intangible assets	Note 5	9 382	-
Tangible fixed assets	Note 6	5 402	5 041
Right-of-use assets	Note 7	275 908	172 267
		290 692	177 308

22. Other operating expenses and losses

For the years ending on 31 December 2021 and 2020, there were the following other operating expenses and losses:

	2021	2020
Donations and membership fees	56 800	51 389
Taxes and charges	3 908	14 132
Taxes and penalties	517	1 029
Other operating expenses	3 211	(1 287)
	64 436	65 263

23. Other operating income and gains

For the years ending on 31 December 2021 and 2020, there were the following other operating income and gains:

		2021	2020
Value added tax	(a)	1 934 935	-
Loaning of staff to subsidiaries		53 837	34 305
Performance of social duties by subsidiaries		1 370	210 262
Compensatory interest	Note 12.2.i)b)	-	425 773
Other operating income and gains		3 611	2 099
		1 993 753	672 439

(a) In 2020, following analysis of the Value Added Tax deduction methodology, AdP switched over to real allocation (applying the pro-rata method until 31 December 2019). Following this change in 2021, AdP recovered the VAT related to the years from 2016 to 2019.

(b) In 2020, this included income from the participation of Board members in subsidiaries (EUR 202,041).

24. Financial costs

In the years ending on 31 December 2021 and 2020, the details of the financial costs were as follows:

		2021	2020
Interest paid - Bond loans	(a)	556 733	1 080 130
Interest paid - Group company loans		3 131	418 746
Interest paid - Lease liabilities		8 405	11 081
Interest paid - Interest rate swap (hedging coverage)	(b)	-	387 615
Interest paid - Other interest		50	22
Penalty interest charges		-	8
Bank commission	(c)	2 194 143	2 308 551
Financial commissions	(d)	20 000	234 690
Other costs and financial losses		87 936	84 656
		2 870 398	4 525 499

(a) The reduction in the costs of bond loan interest payments stems from the reduction in the outstanding capital debt and the negative reference rates prevailing in the market (Euribor).

(b) At 31 December 2019, AdP had contracted a cash flow hedge derivative (interest rate swap) with a notional amount of EUR 20 million, maturing in January 2023 and valued at the negative amount of EUR 2,788,817 as of 31 December 2019. On 23 January 2020, the counterparty exercised the cancellation option, having been paid the amount of EUR 2,826,000 by AdP. Consequently, the negative fair value reserve recorded for the amount of EUR 350,431 in own capital was recognised in the income statement.

- (c) The bank commissions correspond to the guarantee provided by the Portuguese Government for the loans granted by the EIB to the subsidiaries of AdP (0.2% of the outstanding capital). This charge is re-debited to the subsidiaries with the re-debit recorded under the item "Financial income".
- (d) Commissions relating to the use of the EIB V loan.

25. Financial income

In the years ending on 31 December 2021 and 2020, there was the following financial income:

	2021	2020
Interest on treasury funding and advances to Group companies	11 390 030	12 966 118
Commissions	6 662 448	6 967 253
Term deposit interest	1 123	-
	18 053 601	19 933 371

The commissions item includes the amount attributable to the Portuguese state for the guarantees on the EIB granted loans.

26. Financial investment gains / losses

In the years ending on 31 December 2021 and 2020, the gains / (losses) on financial investments were as follows:

		2021	2020
EPAL		37 577 765	41 986 763
Águas do Tejo Atlântico		1 839 259	2 106 512
Águas do Douro e Paiva		376 360	354 347
Águas de Santo André		40 920	45 000
Águas da Região de Aveiro		300 138	329 355
Águas Públicas do Alentejo		-	170 643
Águas do Algarve		-	-
Dividends	(a)	40 134 442	44 992 620
Financial investment impairment losses/reversals	Note 8	(195 000)	5 000
		39 939 442	44 997 620

(a) The amounts presented correspond to the dividends declared and paid to AdP.

27. Income tax

27.1 Accounting policies

Corporate Income Tax

The Company is subject to taxation as an individual entity in accordance with IRC – Corporate Income Tax based upon the respective taxable amount at the taxation rate in effect.

The Company is taxed at the rate of 21% in addition to the 1.5% municipal surcharge levy on taxable profits. Furthermore, there is the 3% state surcharge levied on taxable profits in excess of EUR 1.5 million up to a limit of EUR 7.5 million, 5% on the amount of taxable profits of over EUR 7.5 million up to a limit of EUR 35 million with profits in excess of EUR 35 million subject to a 9% surcharge rate.

Income tax for the period includes current tax and deferred tax. Income tax is recognised in the income statement, except when relating to items recognised directly in equity. Calculating the amount of current tax payable is based on the pre-tax profit, adjusted according to the taxation framework in effect.

The determination of income tax requires certain interpretations. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle. Therefore, AdP complies with the

guidance of IFRIC 23 - Uncertainty over Income Tax Treatment, regarding the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty over the income tax treatment, not having resulted in any material impact on the financial statements. AdP understands that any review of the tax returns will not result in material adjustments in the financial statements that require any provision for taxes.

Deferred tax

Deferred tax is recognised according to the balance sheet liability method that considers the temporary differences between the asset and liability tax base and their carried over amounts on the financial statements. Deferred tax that arises from the initial recognition of an asset or liability in a non-merger transaction, and which has not affected either the accounting outcome or the tax outcome on the transaction date, is not recorded.

Deferred tax assets are recognised whenever there is the probability that future taxable profit will be available against which temporary differences are applicable or when the reversal of a deferred tax asset is forecast for the same time and with the same authority.

Deferred taxes are calculated based on the current rate or the rate officially in effect on the balance sheet date and expected to apply on the date on which the deferred tax assets are realised or deferred tax liabilities are paid. Any differences arising from expected changes in the rates that then reverse the temporary tax differences are detailed in the income statement.

Deferred taxes are recognised for temporary differences arising from investments in subsidiaries and associates except when AdP is able to control the timing of the reversal in the temporary difference and the temporary difference is unlikely to be reversed in the foreseeable future.

Deferred taxes are recorded either in the net profit item or in the "Other reserves" in accordance with how the original transaction or event is recorded.

27.2 Detail and movement

The balance of the income tax payable at 31 December 2021 and 2020 is as follows:

	2021	2020
Estimated financial year tax	(5 903 784)	(5 458 593)
Advance payment of tax on earnings	3 949 770	3 298 056
Taxation withheld at source by third parties	165 546	248 794
Additional payments of tax on earnings	756 738	616 006
Tax payable	(1 031 730)	(1 295 737)

At 31 December 2021 and 2020, the total tax burden was as follows:

	2021	2020
Estimate of taxation for the financial year	(5 903 784)	(5 458 593)
Current tax adjustments from previous years	(117 063)	52 769
Deferred tax	-	(1 150)
Tax for the year	(6 020 847)	(5 406 974)
Pre-tax results	62 059 056	65 972 710
Effective taxation rate	9.70%	8.20%

As at 31 December 2021 and 2020, the reconciliation between the nominal and the effective tax rate was the following:

	2021			2020		
	Base	Rate	Tax	Base	Rate	Tax
Pre-tax results	62 059 056			65 972 710		
Nominal taxation rate (*)	1 500 000	22.50%	337 500	1 500 000	22.50%	337 500
	6 000 000	25.50%	1 530 000	6 000 000	25.50%	1 530 000
	27 500 000	27.50%	7 562 500	27 500 000	27.50%	7 562 500
	27 059 056	31.50%	8 523 603	30 972 710	31.50%	9 756 404
Expected taxation		28.93%	17 953 603		29.08%	19 186 404
Permanent differences:						
. Dividends	(40 134 442)	-18.71%	(11 610 841)	(44 992 620)	-19.83%	(13 084 904)
. Fines and charges	567	0.00%	164	1 037	0.00%	302
. Unaccepted impairment provisions	195 000	0.09%	56 413	(5 000)	0.00%	(1 454)
. Compensatory interest	-	0.00%	-	(425 773)	-0.19%	(123 825)
. Donations	35 106	0.02%	10 156	27 094	0.01%	7 880
. Shares	(9 047)	0.00%	(2 617)	(15 034)	-0.01%	(4 372)
. Others	25 227	0.01%	7 298	-	0.00%	-
Savings from the State Surcharge rate		-0.82%	(511 893)		-0.79%	(520 597)
Corrections to current taxation from previous years		0.19%	117 063		-0.08%	(52 769)
Autonomous taxation		0.00%	1 501		0.00%	310
Estimated annual IRC		9.70%	6 020 847		8.20%	5 406 974

(*) Taxation on the earnings of Collective Entities (21%) + Municipal Surcharge (1.5%) + State Surcharge on EUR 6 000 000 (3%) + State Surcharge on EUR 27 500 000 (5%) + State Surcharge on taxable profit in excess of EUR 35 000 000 (9%).

The movements in deferred taxes for the financial year ending on 31 December 2020 were as follows:

	31.12.2019			Increases net of reversions			31.12.2020		
	Base	Rate	Tax	Base	Rate	Tax	Base	Rate	Tax
Deferred tax assets:									
. Lease liabilities	332 737	22.5%	74 866	(332 737)	22.5%	(74 866)	-	0.0%	-
Deferred tax liabilities									
. Right-of-use assets	(327 625)	22.5%	(73 716)	327 625	22.5%	73 716	-	0.0%	-
	5 112	22.5%	1 150	(5 112)	22.5%	(1 150)	-	0.0%	-

28. Balance of transactions with related parties

28.1 Related parties

On 31 December 2021, the related AdP parties were the following:

- Shareholders (Parública, SGPS, S.A. and Caixa Geral de Depósitos, S.A.)
- Entities held by AdP (Note 2.3);
- Members of the AdP Board of Directors;
- Members of the shareholder Boards of Directors.

28.2 Balance with related parties

On 31 December 2021, the balance (net of impairments) of transactions with related parties was the following:

	Asset					Liabilities			Net
	Loans to Group companies	Clients	Other current assets	Cash and cash equivalents	Total	Loans	Suppliers and other current liabilities	Total	
Total item balance	688 468 275	3 136 915	688 430	33 466 508	725 760 128	(544 379 450)	(3 119 476)	(547 498 926)	178 261 202
AdP Valor	3 502 256	(9 239)	-	-	3 493 017	-	(214 896)	(214 896)	3 278 121
Águas do Algarve	28 615 797	64 176	36 334	-	28 716 307	-	-	-	28 716 307
Águas Públicas do Alentejo	35 830 908	4 211	3 288	-	35 838 407	-	-	-	35 838 407
SIMDOURO	47 019 975	101 803	1 151	-	47 122 929	-	-	-	47 122 929
Águas do Douro e Paiva	12 005 856	20 795	4 554	-	12 031 205	-	-	-	12 031 205
Águas do Tejo Atlântico	-	8 620	58 274	-	66 894	-	-	-	66 894
SIMARSUL	-	69 303	17 801	-	87 104	-	-	-	87 104
EPAL	-	185 592	49 240	-	234 832	(1 419)	(2 213)	(3 632)	231 200
Águas de Santo André	-	191 183	9 509	-	200 692	-	-	-	200 692
Águas da Região de Aveiro	64 501 606	(30 227)	-	-	64 471 379	-	-	-	64 471 379
Águas do Norte	301 498 068	912 248	56 798	-	302 467 114	-	(4 286)	(4 286)	302 462 828
Águas do Alto Minho	3 900 000	1 178 989	8 767	-	5 087 756	-	-	-	5 087 756
Águas do Centro Litoral	58 988 329	161 689	30 346	-	59 180 364	-	-	-	59 180 364
Águas do Vale do Tejo	128 489 850	170 711	67 681	-	128 728 242	-	-	-	128 728 242
Trevo Oeste	-	11 422	-	-	11 422	-	-	-	11 422
AdP Internacional	4 009 830	93 033	77 145	-	4 180 008	-	(2 007)	(2 007)	4 178 001
Águas do Brasil	105 800	427	-	-	106 227	-	-	-	106 227
Parública	-	-	-	-	-	-	(6 674)	(6 674)	(6 674)
Caixa Geral de Depósitos	-	-	-	1 983	1 983	-	-	-	1 983
Total intra-group balance	688 468 275	3 134 736	420 886	1 983	692 025 880	(1 419)	(230 076)	(231 495)	691 794 385
Total external group balance	-	2 179	267 544	33 464 525	33 734 248	(544 378 031)	(2 889 400)	(547 267 431)	(513 533 183)

28.3 Related party transactions

In the year ending on 31 December 2021, there were the following transactions with related parties:

	Income from client contracts	Supplies and external services	Personnel costs	Other operating expenses and losses	Other operating income and gains	Financial costs	Financial income	Gains/losses from financial investments	Total
Total item balance	16 535 551	(4 075 972)	(7 161 793)	(64 436)	1 993 753	(2 870 398)	18 053 601	39 939 442	62 349 748
AdP Valor	42 112	(2 864 491)	-	-	-	-	2 256	-	(2 820 123)
Águas do Algarve	1 208 563	-	-	-	-	-	1 404 425	-	2 612 988
Águas Públicas do Alentejo	397 802	-	-	-	775	-	652 221	-	1 050 798
SIMDOURO	311 322	-	-	-	-	-	853 185	-	1 164 507
Águas do Douro e Paiva	808 052	-	-	-	-	-	451 314	376 360	1 635 726
Águas do Tejo Atlântico	1 841 733	-	-	-	845	-	1 256 416	1 839 259	4 938 253
SIMARSUL	387 184	72	-	-	-	-	450 640	-	837 896
EPAL	3 039 736	-	(844)	-	50 947	(1 711)	-	37 577 765	40 665 893
Águas de Santo André	552 114	2 966	-	-	-	-	-	40 920	596 000
Águas da Região de Aveiro	1 370 113	-	-	(2 500)	-	-	1 057 659	300 138	2 725 410
Águas do Norte	2 805 786	-	-	-	-	-	6 561 862	-	9 367 648
Águas do Alto Minho	468 438	-	-	-	-	-	29 110	-	497 548
Águas do Centro Litoral	1 152 653	(154)	-	-	-	-	1 997 200	-	3 149 699
Águas do Vale do Tejo	2 083 591	-	-	-	525	-	3 267 229	-	5 351 345
Trevo Oeste	-	-	-	-	-	-	1 211	-	1 211
AdP Internacional	65 670	-	-	-	-	-	67 750	-	133 420
AdP Energias	683	(199 560)	-	-	-	-	-	-	(198 877)
Parpública	-	-	(14 038)	-	-	-	-	-	(14 038)
Total intra-group balance	16 535 552	(3 061 167)	(14 882)	(2 500)	53 092	(1 711)	18 052 478	40 134 442	71 695 304
Total external group balance	(1)	(1 014 805)	(7 146 911)	(61 936)	1 940 661	(2 868 687)	1 123	(195 000)	(9 345 556)

29. Information required by law

Of the information legally required under other legislation, in particular articles 66, 324, 397 and 447 of the Commercial Companies Code (CSC), the current legal provisions of Decree-Law 328/95, of 9th December and the provisions referred to in Decree-Law 411/91, of 17th October, it should be noted that:

- (a) In compliance with Article 324, paragraph 2 of the CSC, this hereby declares the Company does not own any of its own shares and, to date, has not engaged in any transactions involving such securities.
- (b) In compliance with that stipulated by article 397, paragraph 4 of the CSC, this hereby informs that there were no transactions between the Company and the members of its corporate bodies throughout 2020.
- (c) In compliance with the provisions of article 21 of Decree-Law no. 411/91, of 17 September, this furthermore reports the Company has no outstanding social security or taxation debts, with the balances accounted for on 31 December 2020, resulting from withholding tax and contributions relating to the month of December at source, were duly paid out in January 2021, in accordance with the legally stipulated deadlines

30. Subsequent events

At the date of issue of these financial statements, no subsequent events affecting their presentation were known.

31. Other issues – COVID-19

The years 2020 and 2021 were greatly impacted by the spread of infection with the new Covid-19 coronavirus, which generated highly significant consequences for socioeconomic activities with their impacts still not fully quantifiable in terms of their respective magnitudes. In keeping with European Union practices, Portugal has adopted various measures to mitigate the impact of this event on the national economy. These measures include initiatives to support corporate cash flow and that are expected to return positive consequences in terms of maintaining employment and income within the scope of sustaining domestic demand and keeping the economy running. These measures also include specific measures in support of operating services in the general economic interest, which includes the scope of AdP Group activities.

For all supply and sanitation activities, among other services, the authorities determined that the entities and companies managing the systems should define the necessary teams to ensure the continuity and non-interruption to the provision of public water supply services for human consumption.

In AdP's separate accounts for the year ending on 31 December 2021, there are no significant impacts. In terms of the financial statements and reporting of subsidiary activities, we would highlight the following impacts that occurred in 2021:

- **Assets**

No impairments were recorded for AdP Group assets, nor are they expected to be, as COVID-19 is not forecast to permanently impact on any AdP Group assets and prevent them from generating present and future economic benefits.

- **OC/BT ratio**

- *As for business turnover*

There was a drop in sales and services provided by some operating companies due to the downturn in economic activities which was not offset by the rise in domestic consumption resulting from national confinement of the population.

These falls were more significant in EPAL and AdSA with the effects on sales directly reflected in this year's results and, consequently, in the consolidated AdP Group result. Regarding the economic effects on the Multi-municipal Systems and State-Municipality Partnerships, the same was and will continue to be registered by the cost recovery deviation for the year.

The services provided in 2020 experienced no interruptions given the contingency plans implemented for operations, workers and suppliers.

- *As regards operating costs*

2021 saw a significant increase in the following operating costs: **i)** cleaning and disinfection of workplaces and facilities; **ii)** personnel expenditure to ensure the response capacity of teams, which both increased in number and extended in terms of their duration, as well as overtime work; **iii)** personal protective equipment; and **iv)** additional costs with preventive maintenance to reduce the probability of failures.

AdP Group companies, whenever possible, whether in terms of the stock capacity or the type of the respective reagents, maximised their stocks in a policy more demanding in terms of cash flow but that safeguarded service continuity while minimising exposure to critical suppliers. This circumstance naturally requires the delivery of smaller quantities to replenish stock levels, and therefore incurring higher unit costs, given the greater weighting of the fixed logistics costs thereby incurred with transport and delivery.

On the other hand, there were reductions in travel, accommodation and fuel costs.

- **Debt variation ratio**

In 2021, there was a reduction in the payments associated with investment due to the lesser availability of the teams of equipment suppliers and contractors, which generated a positive impact on the treasury position. However, income deteriorated as a result of declines in the liquidity of municipalities and consequent delays in payment to the AdP Group.

The AdP Group does not anticipate any of its companies shall encounter operational continuity problems over the next twelve months. As mentioned in Note 4.3. the AdP Group has medium- and long-term credit lines contracted with the EIB for the amount of EUR 341 million and short-term credit lines contracted with Portuguese commercial banks for the amount of EUR 125 million, with the Board of Directors holding the conviction that these lines shall suffice to deal with the debt commitments assumed and cope with any eventual reduction in liquidity as a consequence whether of potential delays to client receivables or any downturn in business turnover.

The Board of Directors



José Carlos Athaíde dos Remédios Furtado
(Executive Chair)



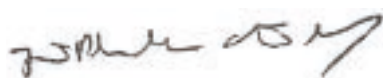
José Manuel Leitão Sardinha
(Executive Vice-Chair)



Carla da Conceição Afonso Correia
(Executive Director)



Catarina Isabel Clímaco Monteiro d'Oliveira
(Executive Director)

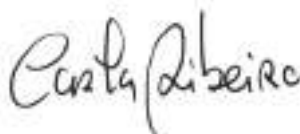


João Pedro Moura Castro Neves
(Executive Director)



Jaime Serrão Andrez
(Non-Executive Director)

The Chartered Accountant



Carla Isabel Costa Pinto Ribeiro

Report and opinion of the Audit Board

REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE SEPARATE ACCOUNTING STATEMENTS

I. FRAMEWORK

1. In compliance with the applicable legal and statutory provisions, the Supervisory Board hereby issues this report and opinion on the annual report and accounts and other separate accounting documents of AdP - Águas de Portugal, S.G.P.S., S.A., submitted by the Board of Directors and relating to the 2021 financial year.
2. The Supervisory Board monitored the management and business performance of AdP - Águas de Portugal, S.G.P.S., S.A., especially via contacts with its directors and by reading the minutes of the meetings of the Board of Directors and Executive Committee. It held regular meetings which were normally attended by the Financial Director and the Statutory Auditor. The Supervisory Board was given all the clarifications requested and the documentation that it deemed necessary to perform its supervisory duties.
3. The Supervisory Board also verified compliance with the applicable legal and statutory provisions and exercised its powers in accordance with Article 420 of the Commercial Companies Code.
4. Under the powers invested in it by paragraphs 1 and 3 of Article 33 of Decree Law 133/2013 of 3 October, the Supervisory Board verified the company's compliance with the obligations set out therein and issued quarterly reports, which were sent to the competent authorities.
5. The report by the non-executive director on the performance of the executive directors provides a globally positive appreciation of their performance in 2021.
6. The Board of Directors in office on 31 December 2021 was elected for the term of office 2020-2022, on 4 May 2020, in the midst of the State of Emergency resulting from the COVID-19 Pandemic. We would note that through a resolution passed at the General Meeting on 10 May 2021, the strategic guidelines, objectives and management indicators and respective quantifiable targets were set for the 2020-2022 term of office.
7. Following Order no. 1025/2021-SET, of 10 November, which authorised the regrouping of the corporate centre of the Aguas de Portugal Group, implementing the concentration, at the holding company level, of the provision of technical administration and management services to its subsidiaries (and put into practice through the transfer to AdP SGPS of areas previously the responsibility of AdP Valor: procurement, legal services and information systems), the PAO – the Activity and Budget Plan of AdP, SGPS for 2021 was approved by Order no. 1155/2021-SET of 10/12/2021.

II. ASSESSMENT OF ACCOUNTING DOCUMENTS

8. Complete analysis of the Group across the economic, social, environmental, innovation and equality fields is detailed in the 2021 Sustainability Report and demonstrating corresponding material fulfilment.

9. As regards the annual accounts rendered here, analysis according to the disclosure obligations established in article 44 of Decree-Law no. 133/2013 of October 3, demonstrates compliance.

10. In the field of the remuneration of workers and of governing bodies, the salary guidelines in effect in 2021 were duly complied with.

In general, compliance with the legal guidelines and budget execution was verified when framed and monitored against the 2021 PAO; with the exception of the set of costs related to travel, travel allowances and accommodation, and those associated with the vehicle fleet, which exceeded the authorised limit (€ 296.9 million) by about €17.7 million, and with the exception of the costs associated with vehicles (as per point 14).

11. As regards compliance with the targets set in the 2021 PAO, the results obtained generally met the targets defined in the documents reporting the accounts, highlighting an EBITDA execution of 107% resulting from positive net contributions from Turnover and ESI Funds and Other Operating Income and a financial investment execution in the order of 93%, which corresponds to the capitalisation of the company Aguas do Alto Minho.

PRC	Unit	2021 Fin. Year	2021 Bud.	Implementation
EBITDA	EUR	7 227 103	6 735 293	107%
Financial Investment	EUR	918 000	988 000	93%

Source: Annual Report 2021

12. Within the framework of compliance with legal guidelines, compliance with RCM 34/2008 as regards the PMP – the Average Term of Payment.

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

Source: Annual Report 2021

13. The limits relative to the communications ceilings were fully complied with, as shown in the following table.

Board Member (Name)	Communications Costs (EUR)		
	Defined Monthly Platform	Annual Amount	Observations
José Carlos Athaide dos Remédios Furtado	80	343.14	-
José Manuel Leitão Sardinha (*)	0	0	-
Catarina Isabel Climaco 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	-
		1048.97	

(*) Remuneration incurred by EPAL

Source: Annual Report 2021

14. The limits relative to the fuel ceilings and fuel surcharges were mostly complied with, as can be seen in the chart below, although they were not fully complied with due to professional reasons associated to one of the directors, according to the information provided.

BD Member (Name)	Monthly Limit Fuel and Tolls	Annual costs associated with vehicles (€)			
		Fuels	Tolls	Total	Observations
José Carlos Athaide 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	

Source: Annual Report 2021

15. - It should be noted that, although lines a), b) and c) of article 158.3 of the 2019 DLEO have not been complied with in 2021, with regard to personnel costs and all the costs related to travel, daily allowances and accommodation and the costs associated with the vehicle fleet as well as those related to the contracting of studies, opinions, projects and consultancy services respectively, the amounts recorded in these aggregates were within the limits defined in the 2021 PAO, with the exception of travel, subsistence and accommodation costs and those associated with the vehicle fleet, which exceeded the authorised limit (296.9m euros) by about 17.7m euros. It should also be noted that, although the first paragraph of Article 1589 of the above-mentioned law was not observed, the value registered by the OG/TO (67.9%) was within the limit established in the 2021 PAO (71.33%)

PRC	2021 Impl.	2021 Bud.	2020 Impl.	2019 Impl.	2021/2020		2021/2019	
					Δ Abs.	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%

PRC	2021 Impl.	2021 Bud.	2020 Impl.	2019 Impl.	2021/2020		2021/2019	
					Δ Abs.	Var. %	Δ Abs.	Var. %
III. Vehicle fleet costs ³⁾	275 747	284 195	256 937	222 176	18 810	7%	53 572	24%
(11) 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%

Source: Annual Report 2021

16. There was a year-on-year decrease of around 4.5M€ in the level of net profit for the year*, which mainly arises from by the drop of 5.3M€ in the Financial Result mainly due to the impact on financial investments resulting from lower dividend distributions by the subsidiaries, especially EPAL. Simultaneously, but not so expressively, there was also a reduction at other companies resulting from the trend in the 10-year Treasury Bond rate which is determinant to the net results of the managing entities of the Multi-Municipal Systems and State-Municipal partnerships. In fact, a downward evolution of this index has been ongoing since 2018, falling from 1.84% in that year, to 0.75% in 2019, 0.41% in 2020 and 0.30% in 2021.

17. The year of 2021 also reflects an improvement in the Operating Income totalling in the region of € 1.4 million: resulting from: i) revenue from the activities formerly performed by AdP Valor (NSEs), until August 2020 and then transferred to AdP SGPS (information systems, procurement and logistics and legal); and ii) the recovery of VAT paid out between 2016 and 2019 due to changing from the Pro-Rata to the real allocation methodology (+€ 1.9 M).

In terms of operating costs, due to the reorganisation carried out in August 2020, with the integration of three departments into AdP SGPS previously belonging to the AdP Valor organisational structure, there was an increase in staffing costs (+€1.3 million) and an increase in supplies and services (FSE) (€1.3 million).

18. Total financial investments in subsidiaries and associates, amounting to € 713.4 M as at 31 December 2021, represent about 49.5% of the total AdP, SGPS assets and, as such, constitute a materially significant asset and thus require monitoring in terms of the eventual investment impairment processes or the recognition of provisions for additional subsidiary liabilities.

19. 2021 experienced a continuation of the AdP Group's centralised policy for managing its financing and liquid assets, which has enabled the integrated management of Group financial needs. The centralisation of a significant proportion of funding in AdP SGPS has furthermore allowed for the cohesive and coherent of the financing needs, avoiding cash-flow shortages and insolvency problems, despite the serious financial problems the country experienced in the meanwhile. Complementing this medium and long-term framework, AdP SGPS has also focused on negotiating with the banking system to obtain short-term funding. reducing the capacity of individual banks to penalise any of the subsidiaries, either in terms of costs or credits.

20. In compliance with the legal guidelines, and in respect of the IGCP Order of 18/12/2020 on the request for exemption from complying with the UTE, which provided an exception for the years 2020 and 2021 for a set of services, the Group applied the cash surplus net of the Group's needs with the IGCP, and has also transferred the operating surplus in the banking system to that entity, although there is a set of residual commercial banking balances as detailed in the tables below.

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				

21. Following the recommendation of the Supervisory Board addressed to the Company, in 2018, the process of defining the Internal Control Model continued and with AdP SGPS approving the project for defining and implementing a transversal Group Internal Control System during 2019.
- It should be noted that, within the scope of the work carried out to assess the effectiveness of the controls implemented in the Purchasing Process, the tests carried out demonstrated the existence of a satisfactory Overall Control Level (91.4%). It should also be noted that the Public Procurement Monitoring Report identified no situations arising from the checks carried out on the different aspects of analysis.
- Notwithstanding the progresses made during the current financial year, the Supervisory Board believes that the conclusion of the works in progress to implement the Internal Control System across the Group, based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model, should be maintained as priority actions deserving increased efforts in order to ensure the greater maturity of the existing internal controls through the effective recognition of the already existing controls capable of responding to the identified risks, as well as the respective compliance testing, and thereby ascertaining the reliability of the AdP SGPS, SA internal control system.
22. The Corporate Governance Report submitted to this Supervisory Board includes current, complete and relevant information on the matters regulated in Section II (Good Governance Practices) of Chapter II of Decree-Law no. 133/2013 of 3 October.
23. The Statutory Audit Board took note of the Report issued by the External Auditors on the separate accounts, with no objections as to its contents.

24. The Supervisory Board considered the Legal Certification of Accounts, issued under the terms of the legislation in force by the Statutory Auditor, which includes the relevant audit matters and the other legal requirements, which are reproduced here, which deserved their agreement and took cognizance of the respective additional report of the same Statutory Auditor on the inspection carried out. The Supervisory Board also took note of the respective additional report of the same Statutory Auditor on the inspection carried out.
25. In accordance with the work performed, the Statutory Audit Board considers that the Annual Report, the separate Financial Statements (which include the Statement of Financial Position as of 31 December 2021, the Income Statements by nature and comprehensive income, the Statement of changes in equity, the Cash Flow Statement for the year then ended and the Notes to the Financial Statements), are appropriate to understanding not only the financial position of AdP - Águas de Portugal, SGPS, SA as at December 31, 2021 but also how the results were formed and the activities undertaken.
26. The Audit Committee would hereby emphasise all of the collaboration it has obtained from the Board of Directors, through the director responsible for the financial area, the Statutory Auditor, the External Auditor and the respective services of AdP - Águas de Portugal, SGPS, SA.

OPINION

As a result of the above, the Audit Committee is in favour of the approval by the General Meeting of AdP - Águas de Portugal, SGPS, SA:

- a) The Report and separate accounts and accounts for 2021;
- b) The proposal for the application of results formulated by the Board of Directors in its Report.

Lisbon, 27 April 2022

ON BEHALF OF THE SUPERVISORY BOARD

Carla Maria Lamego Ribeiro
Digitally signed by Carla Maria Lamego Ribeiro
Date: 2022.04.27
17:53:17 +01'00'

Carla Maria Lamego Ribeiro
(President)

Relatório e Parecer do Conselho Fiscal



RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE OS DOCUMENTOS DE PRESTAÇÃO DE CONTAS SEPARADAS

I. ENQUADRAMENTO

- 1- Em cumprimento das disposições legais e estatutárias aplicáveis, o Conselho Fiscal emite o presente Relatório e Parecer sobre o Relatório de Gestão e restantes documentos de prestação de contas separadas da sociedade AdP – Águas de Portugal, S.G.P.S., S.A., apresentadas pelo Conselho de Administração, relativamente ao exercício de 2021.
- 2- O Conselho Fiscal acompanhou a gestão da AdP – Águas de Portugal, SGPS, SA, e a evolução dos seus negócios, designadamente mediante contactos com os seus principais responsáveis, bem como através da leitura das atas das reuniões do seu Conselho de Administração e da sua Comissão Executiva. Efetuou reuniões com regularidade, nas quais, em regra, contou com a presença da Administradora responsável pelo pelouro financeiro e do Revisor Oficial de Contas. O Conselho Fiscal obteve todos os esclarecimentos solicitados e dispôs da documentação que considerou necessária ao desempenho das suas funções de fiscalização.
- 3- O Conselho Fiscal procedeu ainda à análise do cumprimento das normas legais e estatutárias aplicáveis, e exerceu as suas competências em conformidade com o estabelecido no artigo 420.º do Código das Sociedades Comerciais.
- 4- No âmbito das competências que são atribuídas pelos números 1 e 3, do artigo 33.º do Decreto-Lei n.º 133/2013, de 3 de outubro, o Conselho Fiscal verificou o cumprimento pela sociedade das obrigações aí estabelecidas, tendo emitido os Relatórios Trimestrais que foram remetidos às entidades competentes.
- 5- O Relatório do Administrador não executivo sobre o desempenho dos Administradores executivos referencia uma apreciação globalmente positiva do desempenho dos membros do órgão de administração em 2021.
- 6- O Conselho de Administração em funções a 31 de dezembro de 2021 foi eleito para o mandato 2020-2022, a 4 de maio de 2020, em pleno Estado de Emergência, decorrente do contexto de Pandemia Covid-19. Assinala-se que através de deliberação tomada em Assembleia Geral de 10 de maio de 2021 foram fixadas as orientações estratégicas, objetivos e indicadores de gestão e respetivas metas quantificáveis para o mandato 2020-2022.

1/8



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7- Na sequência do Despacho n.º 1025/2021-SET, de 10 de novembro, o qual autorizou a reorganização do centro corporativo do Grupo Águas de Portugal materializada na concentração, ao nível da holding, da prestação de serviços técnicos de administração e gestão às suas participadas (e consubstanciada na transferência para a esfera de intervenção da AdP SGPS, de áreas até então a cargo da AdP Valor, compras, serviços jurídicos e sistemas de informação), o Plano de Atividades e Orçamento (PAO) de AdP, SGPS, para 2021, foi objeto de aprovação pelo Despacho n.º 1155/2021-SET de 10/12/2021.

II. AVALIAÇÃO DOS DOCUMENTOS DE PRESTAÇÃO DE CONTAS

8- A análise completa para o Grupo nos domínios económico, social, ambiental, inovação e igualdade consta do Relatório de Sustentabilidade 2021, revelando-se um cumprimento material das metas.

9- Verifica-se o cumprimento, no que respeita à prestação de contas anual aqui sujeitas a análise, das obrigações de divulgação estabelecidas no artigo 44.º do Decreto-Lei n.º 133/2013, de 3 de outubro.

10- No domínio das remunerações dos órgãos sociais foi dado cumprimento às orientações remuneratórias vigentes em 2021.

Verificou-se, de uma forma geral, o cumprimento das orientações legais e da execução orçamental quando enquadrada e monitorizada face ao PAO 2021, com exceção do conjunto dos encargos com deslocações, ajudas de custo e alojamento, e os associados à frota automóvel que ultrapassaram o limite autorizado (296,9m€) em cerca de 17,7m€ e com exceção do que se refere aos gastos associados a viagens (conforme ponto 14).

11- No que se refere ao cumprimento das metas estabelecidas do PAO 2021, os resultados obtidos alcançaram, na sua generalidade, as metas definidas conforme consta dos documentos de prestação de contas destacando-se uma execução do EBITDA de 107% decorrente de contributos líquidos positivos do Volume de Negócios e FSE's e de Outros Rendimentos Operacionais e uma execução dos investimentos financeiros na ordem de 93%, a qual corresponde à realização de capital da empresa Águas do Alto Minho.

Ítem	Un.	2021 Est.	2021 Orç.	Execução
EBITDA	EUR	7 227 300	6 735 250	107%
Investimento Financeiro	EUR	912 000	988 000	93%

Fonte: B&C 363

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- 12- No quadro do cumprimento das orientações legais, deverá ser assinalado o cumprimento da RCM n.º 34/2008 referente ao Prazo Médio de pagamentos.

Índice	2021	2020	Varição 21/20 Valor	±%
Prazo (dias) a)	38	48	-10	-20,8%

Fonte: RRC 2021

- 13- Os limites relativos aos plafonds de comunicações, foram integralmente cumpridos conforme decorre do quadro infra.

Membro do CA (Nome)	Gastos com Comunicações (€)		
	Fatoral Mensal Definito	Valor Anual	Observações
José Carlos Athaide dos Remédios Furtado	80	343,14	-
José Manuel Leitão Sardinha (*)	0	0	-
Catarina Isabel Clímaco Monteiro d'Oliveira	80	113,62	-
Carla da Conceição Afonso Correia	80	336,65	-
João Pedro Moura Castro Neves	80	235,56	-
Jaime Semão Andrez, em rep. da Parpública, SGPS, S.A.	n.a.	n.a.	-
		1048,97	

(*) A remuneração é superior ao 1744
Fonte: RRC 2021

- 14- Os limites relativos aos plafonds de combustíveis e portagens foram maioritariamente cumpridos conforme se pode observar no quadro infra, não o tendo sido integralmente por motivos de ordem profissional associados a um dos administradores, de acordo com a informação prestada.

Membro do CA (Nome)	Regra Anual Combustível e Portagens	Gastos em que se associou a Multa (€)			
		Combustível	Portagens	Total	Observações
José Carlos Athaide dos Remédios Furtado	572,28	4357,20	1444,80	5801,20	
José Manuel Leitão Sardinha (*)	-	-	-	-	
Catarina Isabel Clímaco Monteiro d'Oliveira	457,82	763,80	324,80	1088,70	
Carla da Conceição Afonso Correia	457,82	543,58	187,70	790,38	
João Pedro Moura Castro Neves	457,82	5445,37	2192,73	7638,08	

Fonte: RRC 2021

- 15- Salienta-se que, ainda que não tenham sido observadas em 2021 as alíneas a), b) e c) do n.º 3 do artigo 156.º do DLEO 2019 referentes aos gastos com cessação e ao conjunto dos encargos com deslocações, ajudas de custo e alojamento, e os associados à frota automóvel, e encargos com contratação de estudos, pareceres, projetos e consultoria respetivamente, os montantes registados nestes agregados estiveram-se dentro dos limites evidenciados no PAO 2021, com

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exceção do conjunto dos encargos com deslocações, ajudas de custo e alojamento, e os associados à frota automóvel que ultrapassaram o limite autorizado (296,9m€) em cerca de 17,7m€. De igual modo, também se deverá assinalar que, pese embora não tenha sido observado o n.º 1 do artigo 158.º do supracitado diploma, o valor registado pelo agregado GOVN (67,5%) contive-se no limite estabelecido no PAO 2021 (71,3%).

Ítem	2021 (m€)	2020 (m€)	2019 (m€)	2018 (m€)	2021/2020		2021/2019	
					Δ Absol.	Var. %	Δ Absol.	Var. %
(0) EBITDA	7 227 108	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) Gastos com o pessoal	7 161 793	7 230 101	5 897 672	4 750 935	1 264 121	21%	2 410 858	51%
I. Indemnizações pagas por rescisão	148 126	150 000	170 862	0	-222 736	-60%	148 126	0%
II. Valorizações remuneratórias	48 238	48 237	39 586	9 763	8 651	22%	38 475	394%
III. Impacto da aplicação dos IRCT	0	0	35 754	0	-35 754	-100%	0	0%
(4) Gastos com o pessoal sem os impactos nos Gastos Operacionais *	6 965 429	7 001 864	5 452 070	4 741 172	1 513 359	28%	2 224 257	47%
(5) Impacto da Pandemia por COVID-19 nos Gastos Operacionais *	18 086	0	39 927	0	-21 841	-55%	18 086	0%
(6) Gastos Operacionais para efeitos do apuramento da eficiência operacional = (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) Volume de negócios (VN)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
Subsídios à exploração					0	0%	0	0%
Indemnizações Compensatórias					0	0%	0	0%
(8) Perda de receita decorrente da Pandemia por COVID-19 *	0	0	0	0	0	0%	0	0%
(9) Volume de negócios para efeitos do apuramento da eficiência operacional (7+8)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
(10) Peso dos Gastos/VN = (6)/(9)	67,5%	71,3%	62,9%	73,9%	5,0%	8%	0	-8%

NOTA: * Relatório - 2021 (2020) - 2019 - 2018 - 2017 - 2016 - 2015 - 2014 - 2013 - 2012 - 2011 - 2010 - 2009 - 2008 - 2007 - 2006 - 2005 - 2004 - 2003 - 2002 - 2001 - 2000 - 1999 - 1998 - 1997 - 1996 - 1995 - 1994 - 1993 - 1992 - 1991 - 1990 - 1989 - 1988 - 1987 - 1986 - 1985 - 1984 - 1983 - 1982 - 1981 - 1980 - 1979 - 1978 - 1977 - 1976 - 1975 - 1974 - 1973 - 1972 - 1971 - 1970 - 1969 - 1968 - 1967 - 1966 - 1965 - 1964 - 1963 - 1962 - 1961 - 1960 - 1959 - 1958 - 1957 - 1956 - 1955 - 1954 - 1953 - 1952 - 1951 - 1950 - 1949 - 1948 - 1947 - 1946 - 1945 - 1944 - 1943 - 1942 - 1941 - 1940 - 1939 - 1938 - 1937 - 1936 - 1935 - 1934 - 1933 - 1932 - 1931 - 1930 - 1929 - 1928 - 1927 - 1926 - 1925 - 1924 - 1923 - 1922 - 1921 - 1920 - 1919 - 1918 - 1917 - 1916 - 1915 - 1914 - 1913 - 1912 - 1911 - 1910 - 1909 - 1908 - 1907 - 1906 - 1905 - 1904 - 1903 - 1902 - 1901 - 1900 - 1899 - 1898 - 1897 - 1896 - 1895 - 1894 - 1893 - 1892 - 1891 - 1890 - 1889 - 1888 - 1887 - 1886 - 1885 - 1884 - 1883 - 1882 - 1881 - 1880 - 1879 - 1878 - 1877 - 1876 - 1875 - 1874 - 1873 - 1872 - 1871 - 1870 - 1869 - 1868 - 1867 - 1866 - 1865 - 1864 - 1863 - 1862 - 1861 - 1860 - 1859 - 1858 - 1857 - 1856 - 1855 - 1854 - 1853 - 1852 - 1851 - 1850 - 1849 - 1848 - 1847 - 1846 - 1845 - 1844 - 1843 - 1842 - 1841 - 1840 - 1839 - 1838 - 1837 - 1836 - 1835 - 1834 - 1833 - 1832 - 1831 - 1830 - 1829 - 1828 - 1827 - 1826 - 1825 - 1824 - 1823 - 1822 - 1821 - 1820 - 1819 - 1818 - 1817 - 1816 - 1815 - 1814 - 1813 - 1812 - 1811 - 1810 - 1809 - 1808 - 1807 - 1806 - 1805 - 1804 - 1803 - 1802 - 1801 - 1800 - 1799 - 1798 - 1797 - 1796 - 1795 - 1794 - 1793 - 1792 - 1791 - 1790 - 1789 - 1788 - 1787 - 1786 - 1785 - 1784 - 1783 - 1782 - 1781 - 1780 - 1779 - 1778 - 1777 - 1776 - 1775 - 1774 - 1773 - 1772 - 1771 - 1770 - 1769 - 1768 - 1767 - 1766 - 1765 - 1764 - 1763 - 1762 - 1761 - 1760 - 1759 - 1758 - 1757 - 1756 - 1755 - 1754 - 1753 - 1752 - 1751 - 1750 - 1749 - 1748 - 1747 - 1746 - 1745 - 1744 - 1743 - 1742 - 1741 - 1740 - 1739 - 1738 - 1737 - 1736 - 1735 - 1734 - 1733 - 1732 - 1731 - 1730 - 1729 - 1728 - 1727 - 1726 - 1725 - 1724 - 1723 - 1722 - 1721 - 1720 - 1719 - 1718 - 1717 - 1716 - 1715 - 1714 - 1713 - 1712 - 1711 - 1710 - 1709 - 1708 - 1707 - 1706 - 1705 - 1704 - 1703 - 1702 - 1701 - 1700 - 1699 - 1698 - 1697 - 1696 - 1695 - 1694 - 1693 - 1692 - 1691 - 1690 - 1689 - 1688 - 1687 - 1686 - 1685 - 1684 - 1683 - 1682 - 1681 - 1680 - 1679 - 1678 - 1677 - 1676 - 1675 - 1674 - 1673 - 1672 - 1671 - 1670 - 1669 - 1668 - 1667 - 1666 - 1665 - 1664 - 1663 - 1662 - 1661 - 1660 - 1659 - 1658 - 1657 - 1656 - 1655 - 1654 - 1653 - 1652 - 1651 - 1650 - 1649 - 1648 - 1647 - 1646 - 1645 - 1644 - 1643 - 1642 - 1641 - 1640 - 1639 - 1638 - 1637 - 1636 - 1635 - 1634 - 1633 - 1632 - 1631 - 1630 - 1629 - 1628 - 1627 - 1626 - 1625 - 1624 - 1623 - 1622 - 1621 - 1620 - 1619 - 1618 - 1617 - 1616 - 1615 - 1614 - 1613 - 1612 - 1611 - 1610 - 1609 - 1608 - 1607 - 1606 - 1605 - 1604 - 1603 - 1602 - 1601 - 1600 - 1599 - 1598 - 1597 - 1596 - 1595 - 1594 - 1593 - 1592 - 1591 - 1590 - 1589 - 1588 - 1587 - 1586 - 1585 - 1584 - 1583 - 1582 - 1581 - 1580 - 1579 - 1578 - 1577 - 1576 - 1575 - 1574 - 1573 - 1572 - 1571 - 1570 - 1569 - 1568 - 1567 - 1566 - 1565 - 1564 - 1563 - 1562 - 1561 - 1560 - 1559 - 1558 - 1557 - 1556 - 1555 - 1554 - 1553 - 1552 - 1551 - 1550 - 1549 - 1548 - 1547 - 1546 - 1545 - 1544 - 1543 - 1542 - 1541 - 1540 - 1539 - 1538 - 1537 - 1536 - 1535 - 1534 - 1533 - 1532 - 1531 - 1530 - 1529 - 1528 - 1527 - 1526 - 1525 - 1524 - 1523 - 1522 - 1521 - 1520 - 1519 - 1518 - 1517 - 1516 - 1515 - 1514 - 1513 - 1512 - 1511 - 1510 - 1509 - 1508 - 1507 - 1506 - 1505 - 1504 - 1503 - 1502 - 1501 - 1500 - 1499 - 1498 - 1497 - 1496 - 1495 - 1494 - 1493 - 1492 - 1491 - 1490 - 1489 - 1488 - 1487 - 1486 - 1485 - 1484 - 1483 - 1482 - 1481 - 1480 - 1479 - 1478 - 1477 - 1476 - 1475 - 1474 - 1473 - 1472 - 1471 - 1470 - 1469 - 1468 - 1467 - 1466 - 1465 - 1464 - 1463 - 1462 - 1461 - 1460 - 1459 - 1458 - 1457 - 1456 - 1455 - 1454 - 1453 - 1452 - 1451 - 1450 - 1449 - 1448 - 1447 - 1446 - 1445 - 1444 - 1443 - 1442 - 1441 - 1440 - 1439 - 1438 - 1437 - 1436 - 1435 - 1434 - 1433 - 1432 - 1431 - 1430 - 1429 - 1428 - 1427 - 1426 - 1425 - 1424 - 1423 - 1422 - 1421 - 1420 - 1419 - 1418 - 1417 - 1416 - 1415 - 1414 - 1413 - 1412 - 1411 - 1410 - 1409 - 1408 - 1407 - 1406 - 1405 - 1404 - 1403 - 1402 - 1401 - 1400 - 1399 - 1398 - 1397 - 1396 - 1395 - 1394 - 1393 - 1392 - 1391 - 1390 - 1389 - 1388 - 1387 - 1386 - 1385 - 1384 - 1383 - 1382 - 1381 - 1380 - 1379 - 1378 - 1377 - 1376 - 1375 - 1374 - 1373 - 1372 - 1371 - 1370 - 1369 - 1368 - 1367 - 1366 - 1365 - 1364 - 1363 - 1362 - 1361 - 1360 - 1359 - 1358 - 1357 - 1356 - 1355 - 1354 - 1353 - 1352 - 1351 - 1350 - 1349 - 1348 - 1347 - 1346 - 1345 - 1344 - 1343 - 1342 - 1341 - 1340 - 1339 - 1338 - 1337 - 1336 - 1335 - 1334 - 1333 - 1332 - 1331 - 1330 - 1329 - 1328 - 1327 - 1326 - 1325 - 1324 - 1323 - 1322 - 1321 - 1320 - 1319 - 1318 - 1317 - 1316 - 1315 - 1314 - 1313 - 1312 - 1311 - 1310 - 1309 - 1308 - 1307 - 1306 - 1305 - 1304 - 1303 - 1302 - 1301 - 1300 - 1299 - 1298 - 1297 - 1296 - 1295 - 1294 - 1293 - 1292 - 1291 - 1290 - 1289 - 1288 - 1287 - 1286 - 1285 - 1284 - 1283 - 1282 - 1281 - 1280 - 1279 - 1278 - 1277 - 1276 - 1275 - 1274 - 1273 - 1272 - 1271 - 1270 - 1269 - 1268 - 1267 - 1266 - 1265 - 1264 - 1263 - 1262 - 1261 - 1260 - 1259 - 1258 - 1257 - 1256 - 1255 - 1254 - 1253 - 1252 - 1251 - 1250 - 1249 - 1248 - 1247 - 1246 - 1245 - 1244 - 1243 - 1242 - 1241 - 1240 - 1239 - 1238 - 1237 - 1236 - 1235 - 1234 - 1233 - 1232 - 1231 - 1230 - 1229 - 1228 - 1227 - 1226 - 1225 - 1224 - 1223 - 1222 - 1221 - 1220 - 1219 - 1218 - 1217 - 1216 - 1215 - 1214 - 1213 - 1212 - 1211 - 1210 - 1209 - 1208 - 1207 - 1206 - 1205 - 1204 - 1203 - 1202 - 1201 - 1200 - 1199 - 1198 - 1197 - 1196 - 1195 - 1194 - 1193 - 1192 - 1191 - 1190 - 1189 - 1188 - 1187 - 1186 - 1185 - 1184 - 1183 - 1182 - 1181 - 1180 - 1179 - 1178 - 1177 - 1176 - 1175 - 1174 - 1173 - 1172 - 1171 - 1170 - 1169 - 1168 - 1167 - 1166 - 1165 - 1164 - 1163 - 1162 - 1161 - 1160 - 1159 - 1158 - 1157 - 1156 - 1155 - 1154 - 1153 - 1152 - 1151 - 1150 - 1149 - 1148 - 1147 - 1146 - 1145 - 1144 - 1143 - 1142 - 1141 - 1140 - 1139 - 1138 - 1137 - 1136 - 1135 - 1134 - 1133 - 1132 - 1131 - 1130 - 1129 - 1128 - 1127 - 1126 - 1125 - 1124 - 1123 - 1122 - 1121 - 1120 - 1119 - 1118 - 1117 - 1116 - 1115 - 1114 - 1113 - 1112 - 1111 - 1110 - 1109 - 1108 - 1107 - 1106 - 1105 - 1104 - 1103 - 1102 - 1101 - 1100 - 1099 - 1098 - 1097 - 1096 - 1095 - 1094 - 1093 - 1092 - 1091 - 1090 - 1089 - 1088 - 1087 - 1086 - 1085 - 1084 - 1083 - 1082 - 1081 - 1080 - 1079 - 1078 - 1077 - 1076 - 1075 - 1074 - 1073 - 1072 - 1071 - 1070 - 1069 - 1068 - 1067 - 1066 - 1065 - 1064 - 1063 - 1062 - 1061 - 1060 - 1059 - 1058 - 1057 - 1056 - 1055 - 1054 - 1053 - 1052 - 1051 - 1050 - 1049 - 1048 - 1047 - 1046 - 1045 - 1044 - 1043 - 1042 - 1041 - 1040 - 1039 - 1038 - 1037 - 1036 - 1035 - 1034 - 1033 - 1032 - 1031 - 1030 - 1029 - 1028 - 1027 - 1026 - 1025 - 1024 - 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860 - 859 - 858 - 857 - 856 - 855 - 854 - 853 - 852 - 851 - 850 - 849 - 848 - 847 - 846 - 845 - 844 - 843 - 842 - 841 - 840 - 839 - 838 - 837 - 836 - 835 - 834 - 833 - 832 - 831 - 830 - 829 - 828 - 827 - 826 - 825 - 824 - 823 - 822 - 821 - 820 - 819 - 818 - 817 - 816 - 815 - 814 - 813 - 812 - 811 - 810 - 809 - 808 - 807 - 806 - 805 - 804 - 803 - 802 - 801 - 800 - 799 - 798 - 797 - 796 - 795 - 794 - 793 - 792 - 791 - 790 - 789 - 788 - 787 - 786 - 785 - 784 - 783 - 782 - 781 - 780 - 779 - 778 - 777 - 776 - 775 - 774 - 773 - 772 - 771 - 770 - 769 - 768 - 767 - 766 - 765 - 764 - 763 - 762 - 761 - 760 - 759 - 758 - 757 - 756 - 755 - 754 - 753 - 752 - 751 - 750 - 749 - 748 - 747 - 746 - 745 - 744 - 743 - 742 - 741 - 740 - 739 - 738 - 737 - 736 - 735 - 734 - 733 - 732 - 731 - 730 - 729 - 728 - 727 - 726 - 725 - 724 - 723 - 722 - 721 - 720 - 719 - 718 - 717 - 716 - 715 - 714 - 713 - 712 - 711 - 710 - 709 - 708 - 707 - 706 - 705 - 704 - 703 - 702 - 701 - 700 - 699 - 698 - 697 - 696 - 695 - 694 - 693 - 692 - 691 - 690 - 689 - 688 - 687 - 686 - 685 - 684 - 683 - 682 - 681 - 680 - 679 - 678 - 677 - 676 - 675 - 674 - 673 - 672 - 671 - 670 - 669 - 668 - 667 - 666 - 665 - 664 - 663 - 662 - 661 - 660 - 659 - 658 - 657 - 656 - 655 - 654 - 653 - 652 - 651 - 650 - 649 - 648 - 647 - 646 - 645 - 644 - 643 - 642 - 641 - 640 - 639 - 638 - 637 - 636 - 635 - 634 - 633 - 632 - 631 - 630 - 629 - 628 - 627 - 626 - 625 - 624 - 623 - 622 - 621 - 620 - 619 - 618 - 617 - 616 - 615 - 614 - 613 - 612 - 611 - 610 - 609 - 608 - 607 - 606 - 605 - 604 - 603 - 602 - 601 - 600 - 599 - 598 - 597 - 596 - 595 - 594 - 593 - 592 - 591 - 590 - 589 - 588 - 587 - 586 - 585 - 584 - 583 - 582 - 581 - 580 - 579 - 578 - 577 - 576 - 575 - 574 - 573 - 572 - 571 - 570 - 569 - 568 - 567 - 566 - 565 - 564 - 563 - 562 - 561 - 560 - 559 - 558 - 557 - 556 - 555 - 554 - 553 - 552 - 551 - 550 - 549 - 548 - 547 - 546 - 545 - 544 - 543 - 542 - 541 - 540 - 539 - 538 - 537 - 536 - 535 - 534 - 533 - 532 - 531 - 530 - 529 - 528 - 527 - 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359 - 358 - 357 - 356 - 355 - 354 - 353 - 352 - 351 - 350 - 349 - 348 - 347 - 346 - 345 - 344 - 343 - 342 - 341 - 340 - 339 - 338 - 337 - 336 - 335 - 334 - 333 - 332 - 331 - 330 - 329 - 328 - 327 - 326 - 325 - 324 - 323 - 322 - 321 - 320 - 319 - 318 - 317 - 316 - 315 - 314 - 313 - 312 - 311 - 310 - 309 - 308 - 307 - 306 - 305 - 304 - 303 - 302 - 301 - 300 - 299 - 298 - 297 - 296 - 295 - 294 - 293 - 292 - 291 - 290 - 289 - 288 - 287 - 286 - 285 - 284 - 283 - 282 - 281 - 280 - 279 - 278 - 277 - 276 - 275 - 274 - 273 - 272 - 271 - 270 - 269 - 268 - 267 - 266 - 265 - 264 - 263 - 262 - 261 - 260 - 259 - 258 - 257 - 256 - 255 - 254 - 253 - 252 - 251 - 250 - 249 - 248 - 247 - 246 - 245 - 244 - 243 - 242 - 241 - 240 - 239 - 238 - 237 - 236 - 235 - 234 - 233 - 232 - 231 - 230 - 229 - 228 - 227 - 226 - 225 - 224 - 223 - 222 - 221 - 220 - 219 - 218 - 217 - 216 - 215 - 214 - 213 - 212 - 211 - 210 - 209 - 208 - 207 - 206 - 205 - 204 - 203 - 202 - 201 - 200 - 199 - 198 - 197 - 196 - 195 - 194 - 193 - 192 - 191 - 190 - 189 - 188 - 187 - 186 - 185 - 184 - 183 - 182 - 1

Rubrica	2021 Est.	2021 Act.	2020 Est.	2020 Act.	2020/2019		2021/2020	
					Var. Abs.	Var. %	Var. Abs.	Var. %
I. Gastos com Deslocações e Alojamento (FSE)	32 347	11 703	11 709	25 019	20 638	176%	7 328	29%
II. Gastos com Ajudas de custo (G-c/ Pessoal)	6 490	1 003	1 030	5 585	5 460	530%	904	16%
III. Gastos associados à frota automóvel ¹⁶	275 747	264 195	256 937	222 176	18 810	7%	53 572	24%
(10) Total = (I) + (II) + (III)	314 584	296 900	269 676	252 781	44 908	17%	61 804	24%
(12) Encargos com contratação de estudos, pareceres, projetos e consultoria	433 166	329 571	315 335	584 327	117 852	37%	-151 141	-26%
Número Total de RH (OS+CD+Trabalhadores)	120	120	106	89	14	13%	31	35%
N.º Órgãos Sociais (OS)	13	13	14	12	-1	-7%	1	8%
N.º Cargos de Direção (CD)	9	9	8	9	1	13%	-1	-11%
N.º Trabalhadores (sem OS e sem CD)	98	98	73	42	25	34%	56	133%
N.º Trabalhadores/N.º CD	11	11	9	5	7	183%	8	141%
N.º de visitas	47	40	44	31	3	7%	15	52%

Fonte: R&C 2021

- 16- Observa-se um decréscimo do nível do resultado líquido verificado no exercício na ordem de 4,5ME face a 2020, o qual é explicado fundamentalmente pela redução verificada nos Resultados Financeiros de cerca de 5,3ME, designadamente pelo impacto em investimentos financeiros, em virtude da menor distribuição de dividendos das participadas, com destaque para a EPAL. Paralelamente e de forma pouco material, observa-se uma redução noutras empresas, resultante da evolução da taxa das Obrigações do Tesouro a 10 anos que é determinante dos resultados líquidos das entidades gestoras dos Sistemas Multimunicipais e das parcerias Estado-Autarquias. Com efeito, constata-se desde 2018 uma evolução decrescente deste indexante, tendo passado de 1,84% naquele ano, para 0,75% em 2019, 0,41% em 2020 e 0,30% em 2021.

- 17- O exercício de 2021 reflete também a melhoria do Resultado Operacional em cerca de 1,4 ME, decorrente: i) do rédito pelas atividades que eram exercidas pela AdP Valor (NSE's), até agosto de 2020, transferidas para a AdP SGPS (sistemas de informação, compras e logística e jurídico); e ii) na recuperação de IVA relativo a 2018 a 2019 devido a uma alteração de metodologia de Pro-Rata para afetação real (+1,9 ME)

Em termos de gastos operacionais, verifica-se, em função de reorganização corporativa realizada em agosto de 2020, com a integração, na AdP SGPS, de três direções anteriormente pertencentes à estrutura orgânica da AdP Valor, o aumento de Gastos com Pessoal (+ 1,3 M€), e aumento dos Fornecimentos e Serviços Externos (FSE) (1,3 M€).

- 18- O total de investimentos financeiros em subsidiárias e participadas, totalizando 713,4ME a 31 de dezembro, representa cerca de 49,5% do total do ativo da AdP, SGPS, pelo que sendo um ativo com expressão material deve ser objeto de acompanhamento quanto ao processo de avaliação de eventuais imparidades dos investimentos ou reconhecimento de provisões para responsabilidades adicionais em subsidiárias.

- 19- No exercício de 2020 foi dada continuidade à política centralizada de gestão de financiamento e disponibilidades do Grupo AdP, a qual tem permitido gerir de forma integrada as necessidades financeiras do Grupo.

A centralização de parte significativa de fundos na AdP SGPS tem permitido gerir de forma coesa e coerente as necessidades financeiras do Grupo, tendo-se evitado ruturas de tesouraria e problemas de insolvência, apesar dos graves problemas financeiros que o País atravessou. Complementando este enquadramento de médio e longo prazo, a AdP SGPS centralizou também a negociação com o sistema bancário para obtenção dos financiamentos de curto prazo, reduzindo a capacidade dos bancos individualmente poderem penalizar alguma das participadas, quer em termos de custos quer em termos de crédito.

- 20- Em cumprimento das orientações legais e em respeito do Despacho do IGCP, de 18/12/2020, sobre o pedido de dispensa de cumprimento da UTE, o qual excecionou para os anos de 2020 e 2021 para um conjunto de serviços, o Grupo aplicou os excedentes de tesouraria, líquidos das necessidades do grupo junto do IGCP, bem como tem vindo a transferir a atividade operacional do sistema bancário para aquela entidade existindo, não obstante, um conjunto de saldos residuais na banca comercial, conforme decorre dos quadros infra.

IGCP	1º Trimestre EUR	2º Trimestre EUR	3º Trimestre EUR	4º Trimestre EUR
Disponibilidades	25 295 565,57	43 227 141,63	76 704 731,26	3 224 850,52
Aplicações Financeiras				
Total	25 295 565,57	43 227 141,63	76 704 731,26	3 224 850,52

Banca Comercial	1º Trimestre EUR	2º Trimestre EUR	3º Trimestre EUR	4º Trimestre EUR
NOVO BANCO	0,00	0,00	0,00	0,00
BANCO BPI	158 980,25	184 484,68	268 234,65	223 542,25
BANCO SANTANDER TOTTA	2 480,46	2 360,28	2 186,86	2 015,04
BANCO BILBAO VIZCAYA ARGENTARIA	4 543,85	4 032,88	3 522,15	3 031,70

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BANCO COMERCIAL PORTUGUES	1 046,88	996,71	995,98	880,01
Caixa Geral de Depósitos	3 313,78	2 816,00	2 068,52	1 983,29
BANCO BIKKINTER	8 902,05	8 820,87	8 739,69	8 458,51
Total	219 276,37	203 485,08	285 694,83	240 990,80
Juros auferidos				

- 21- Na sequência de recomendação do Conselho Fiscal dirigida à Sociedade, em 2018 foi dada continuidade ao processo de definição do Modelo de Controlo Interno, tendo a AdP, SGPS aprovado no decurso de 2019 o projeto de definição e implementação de um Sistema de Controlo Interno transversal para o Grupo.

Assinala-se que, no âmbito de trabalho efetuado à avaliação da eficácia dos controlos implementados no Processo de Compras, foi aferido, no resultado dos testes efetuados, que o Nível de Controlo Global situou-se num patamar satisfatório (91,4%).

Saliente-se ainda, que na sequência de Relatório de monitorização da contratação pública, não foram identificadas, para as diferentes variantes de análise, situações a identificar decorrentes das verificações efetuadas.

Não obstante os avanços registados no presente exercício, o Conselho Fiscal entende que deve ser mantida como ação prioritária e merecedora de um crescido esforço, a finalização dos trabalhos em curso tendentes à implementação do Sistema de Controlo Interno transversal ao Grupo, assente no modelo do COSO (Committee of Sponsoring Organizations of the Treadway Commission), de modo a que seja prosseguida uma maior maturidade do controlo interno existente, por via do efetivo reconhecimento dos controlos já existentes capazes de responder aos riscos identificados, bem como a respetiva testagem compliance, de modo a alcançar a fiabilidade do sistema de controlo interno da AdP, SGPS, SA.

- 22- O Relatório de Governo Societário apresentado a este Conselho Fiscal inclui informação atual, completa e relevante sobre as matérias reguladas na Secção II (Práticas de Bom Governo) do Capítulo II do Decreto-Lei n.º 133/2013, de 3 de outubro.
- 23- O Conselho Fiscal tomou conhecimento do Relatório emitido pelos Auditores Externos sobre as contas separadas, nada havendo a objetar quanto ao seu conteúdo.
- 24- O Conselho Fiscal apreciou a Certificação Legal das Contas, emitida nos termos da legislação em vigor pelo Revisor Oficial de Contas, a qual integra as matérias relevantes de auditoria e os outros requisitos legais, que aqui se dá como reproduzidos, que mereceu o seu acordo e tomou conhecimento do respetivo relatório adicional do mesmo Revisor Oficial de Contas sobre a fiscalização efetuada. O Conselho Fiscal tomou igualmente conhecimento do respetivo relatório adicional do mesmo Revisor Oficial de Contas sobre a fiscalização efetuada.

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- 25- Em conformidade com o trabalho desenvolvido, o Conselho Fiscal considera que o Relatório e Contas, as Demonstrações Financeiras separadas (as quais compreendem a Demonstração da posição financeira em 31 de dezembro de 2021, as Demonstrações dos resultados por naturezas e do rendimento integral, a Demonstração das variações do capital próprio, a Demonstração dos fluxos de caixa do exercício findo naquela data e as Notas às Demonstrações Financeiras), são adequados à compreensão da situação patrimonial da AdP – Águas de Portugal, SGPS, SA em 31 de dezembro de 2021, e da forma como se formaram os resultados e se desenvolveu a atividade.
- 26- O Conselho Fiscal salienta toda a colaboração que obteve do Conselho de Administração, através do administrador responsável pelo pelouro financeiro, do Revisor Oficial de Contas, do Auditor Externo e dos Serviços da AdP – Águas de Portugal, SGPS, SA.

PARECER

Em consequência do acima referido, o Conselho Fiscal é de parecer favorável a que sejam aprovados pela Assembleia-Geral da AdP – Águas de Portugal, S.G.P.S., S.A.:

- a) O Relatório e Contas e contas separadas referentes ao exercício de 2021;
- b) A proposta de aplicação de resultados formulada pelo Conselho de Administração no seu Relatório.

Lisboa, 27 de abril de 2022,

Pelo Conselho Fiscal
CARLA MARIA LAMEGO RIBEIRO
 Assinado de
 forma digital por
 CARLA MARIA
 LAMEGO RIBEIRO
 Dados:
 2022.04.27
 17:53:17 +01'00'
 Carla Maria Lamego Ribeiro
 (Presidente)

FPC e P&A - 80 801 00 - CAC, rede e sistemas e mto 2022

Legal Certification of the Accounts



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Legal Certification of Accounts

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the attached financial statements of AdP - Águas de Portugal, SGPS, SA (the Entity), which comprise the statement of the financial position as at 31 December 2021 (showing a total of EUR 1,439,575,175 and total equity of EUR 885,818,100, including a net result of EUR 56,038,209), the statement of profit and loss by nature, the statement of comprehensive income, the statement of changes in shareholder equity and the statement of cash flows for the year therein ending as well as the accompanying notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the attached consolidated financial statements present fairly and appropriately the consolidated financial position of AdP - Águas de Portugal, SGPS, SA in all material respects as at 31 December 2021 and its financial performance and cash flows for the year then ending in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Accounting Standards (IAS) and the other technical and ethical standards and guidelines of the Bar of Statutory Auditors. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of Financial Statements" below. We are independent of the Entity under the law and we comply with further legal requirements under the Statutory Auditor code of ethics.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

Areas relevant to the audit

The areas relevant to the audit are those that, in our professional judgment, played a major role in auditing the financial statements for the current year. These areas were considered in the context of the audit of financial statements as a whole and, in the formulation of our opinion, and we do not express a separate opinion on these matters.

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Our audit approach was based on risk assessment at the level of financial reporting. In the case of this Entity, we have identified the following relevant audit subjects:

Most significant risks of material distortion

Summary of the identified audit approach

• Impairment of investments in investees and recognition of provisions

As at 31 December 2021, the item of investments in subsidiaries and associates states the amount of EUR 713,377,702, which are deducted from the recognised impairments amounting to EUR 20,921,966, thus approximately representing 49% of the Entity's total assets.

The possible impairment of investments in invested companies that are measured at cost less impairment losses and the recognition of provisions to cover possible additional liabilities in the investees with negative equity capital was considered a relevant matter given the importance as a whole of these investments to the Entity's assets. In addition, the complexity of the impairment loss assessment process associated with these investments is high due to its involvement of a high degree of judgment, including recourse to estimates.

As regards this issue, notes 8 and 28 to the financial statements, detailing the disclosure of the accounting policies applied as well as the estimates and critical accounting judgments correspondingly made in the application of these accounting policies, provide further information.

Our approach to this risk included a number of combined procedures related to internal and substantive controls, specifically:

- Obtaining the financial statements and relevant information on the investments from the respective investees, including the reports issued by the Statutory Auditors (Legal Certification of Accounts),
- Assessment of the assumptions deployed by the Board of Directors in evaluating the indications of impairment of financial shareholdings and any impairment tests performed,
- Assessment of the need to establish and/or maintain provisions to cover possible liabilities arising from some investees proving unable to comply with their commitments.

Responsibilities of the management body and the supervisory body for the financial statements

The management body is in charge of the:

- preparation of financial statements that fairly and appropriately present the financial position, financial performance and cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- preparation of the management report, in accordance with the applicable legal and regulatory framework;
- creation and maintenance of an appropriate internal control system designed to ensure and enable the preparation of financial statements exempt from material distortion for reasons of fraud or error;
- adoption of the appropriate accounting policies and criteria under these circumstances; and



- assessment of the Entity's capacity to remain in operation and disclosing, whenever applicable, matters that may result in significant changes to the continuity of activities.

The supervisory body is responsible for overseeing the preparation and disclosure of the Entity's financial information.

Auditor Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to fraud or error and to issue a report containing our opinion. Fairness and a high level of safety does not however guarantee that an audit performed in accordance with the IAS shall always detect material misstatement when existing. Distortions may arise from fraud or error and are considered material whenever, in isolation or in conjunction, they can reasonably be expected to influence the economic decisions users make based on those financial statements.

As part of an IAS audit, we make professional judgments and maintain professional scepticism throughout the audit and also:

- identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting material misrepresentation due to error since fraud may involve collusion, forgery, intentional omissions, false declarations or overlapping internal controls;
- obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Entity's internal control system;
- evaluate the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- conclude on the appropriateness of the management's application of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could give rise to significant doubts about the Entity's ability to continue activities. If we conclude that there is material uncertainty, we should either draw attention in our report to the related disclosures included in the financial statements or, when these disclosures are not appropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to discontinue its activities;
- evaluate the presentation, structure and overall content of the financial statements, including disclosures, and whether these financial statements represent the underlying transactions and events in order to convey an appropriate representation;
- communicate to those in charge of governance, including the audit body, among other issues, the scope and planned timetable of the audit, and any significant findings of the audit including any significant deficiencies in internal control identified during the audit;
- in terms of the contents communicated to governance officials, including the audit body, we have determined the most important matters to auditing the financial statements for the current year and which are the relevant audit subjects. We correspondingly describe these matters in our report except when the law or other regulation prohibits their public disclosure;



- declare to the supervisory body that we comply with the relevant ethical requirements relating to independence and communicate all relationships and other issues that might be perceived as reflecting on our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information contained in the management report is consistent with the financial statements

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to Article 461 (3) of the Rules of Procedure, e) of the Commercial Companies Code, it is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained therein is correspondingly consistent with the audited consolidated financial statements and, taking into account our knowledge and evaluation of the Entity, we do not identify any material misreporting

On the additional stipulations provided for by Article 10 of Regulation (EU) No 537/2014

In compliance with Article 10 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the relevant audit subjects mentioned above, we would also report the following:

- We were appointed for the first time as the Statutory Auditor by a unanimous company resolution proposed by the shareholder Parpública - Participações Públicas (SGPS, SA), on December 27, 2018, for the term between 2018 and 2020 and remained in function in 2021.
- The management body has confirmed to us that it is not aware of the occurrence of any fraud or suspected fraud with a material effect on financial reporting. In planning and the performance of our audit in accordance with the ISA, we have maintained professional scepticism and devised audit procedures to respond to the possibility of material distortion of financial statements due to fraud. As a result of our work, we do not identify any fraud induced material distortion in the financial statements.
- We confirm that the audit opinion hereby issued is consistent with the additional report we prepared and delivered to the Entity's Audit Board on the same date.
- We declare that we do not provide any services prohibited under the terms of article 77, number 8, of the Statutes of the Order of Statutory Auditors and that we have maintained our independence vis-à-vis the Entity during the performance of this audit.

Digitally signed by: PEDRO MIGUEL BARROSO LISBOA NUNES
Identification no.: 510325571 Date: 2022.04.27 17:20:12 +01'00'

Grant Thornton & Associados – SRCC, Lda. Represented by Pedro Lisboa Nunes

Chartered Accountant registered with the CMVM (Portuguese Securities Market Commission) under no. 20160813

Audit opinion 3.4
31 December 2020

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Certificação Legal das Contas



Grant Thornton

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Certificação Legal das Contas

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS

Opinião

Auditei as demonstrações financeiras anexas da AdP – Águas de Portugal, S.G.P.S., S.A. (a Entidade), que compreendem a demonstração da posição financeira em 31 de dezembro de 2021 (que evidencia um total de 1.439.575.175 euros e um total de capital próprio de 885.818.100 euros, incluindo um resultado líquido de 55.038.209 euros), a demonstração dos resultados por naturezas, a demonstração do rendimento integral, a demonstração das alterações no capital próprio e a demonstração dos fluxos de caixa relativos ao ano findo naquela data, e as notas anexas às demonstrações financeiras, que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira da AdP – Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data, de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção “Responsabilidades do auditor pela auditoria das demonstrações financeiras” abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Grant Thornton & Associados – BROC, Lda,
Membro-filial de Grant Thornton International Ltd.
Capital Social: 31.435 euros. Contribuinte e Matricada n.º 502 286 794. Inscrição na G.R.C. Comercial
Inscrita na Ordem dos Revisores Oficiais de Contas sob o n.º 67, na C.M. V.M., sob o n.º 35181403

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Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da nossa opinião, e não emitimos uma opinião separada sobre essas matérias.

A nossa abordagem de auditoria foi baseada na avaliação dos riscos ao nível do reporte financeiro, tendo no caso desta Entidade sido identificada a seguinte matéria relevante de auditoria:

Riscos de distorção material mais significativos identificados Síntese da abordagem de auditoria

• Imparidade dos investimentos em participadas e reconhecimento das provisões

A rubrica de Investimentos em subsidiárias e associadas apresenta, em 31 de dezembro de 2021, o montante de 713.377.702 euros, os quais estão deduzidos de imparidades reconhecidas no valor de 20.921.986 euros, representando cerca de 50% do total do ativo da Entidade.

A eventual imparidade dos investimentos em participadas que se encontram mensurados ao custo menos perdas por imparidade e o reconhecimento de provisões para fazer face a eventuais responsabilidades adicionais nas participadas com capitais próprios negativos, foi considerada uma matéria relevante dada a importância destes investimentos no conjunto do ativo da Entidade. Adicionalmente, acresce ainda a complexidade do processo de avaliação das perdas por imparidade, associadas a estes investimentos, o qual envolve um elevado grau de julgamento, incluindo o recurso a estimativas.

Sobre esta matéria, as Notas 8 e 26 às demonstrações financeiras, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornece mais informações.

A nossa abordagem a este risco consistiu na realização de um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Obtenção das demonstrações financeiras e informação relevante sobre os investimentos nas participadas em causa, inclusive os relatórios emitidos pelos Revisores Oficiais de Contas (Certificação Legal das Contas);
- Avaliação dos pressupostos utilizados pelo Conselho de Administração na avaliação dos indícios de imparidade das participações financeiras e nos eventuais testes de imparidade efetuados;
- Avaliação da necessidade de constituição e/ou manutenção de provisões para fazer face a eventuais responsabilidades, decorrentes do facto de algumas participadas poderem não ter capacidade para cumprir os seus compromissos.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa da Entidade de acordo com Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório de gestão nos termos legais e regulamentares aplicáveis;



- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorções materiais devido a fraude ou a erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade da Entidade se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira da Entidade.

Responsabilidades do auditor pela auditoria das demonstrações financeiras

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver colusão, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno da Entidade;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade da Entidade para dar continuidade às suas atividades. Se concluímos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que a Entidade descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria, incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria;
- das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras do ano.



- corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública;
- declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos todos os relacionamentos e outras matérias que possam ser percebidas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras.

RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório de gestão

Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e apreciação sobre a Entidade, não identificámos incorreções materiais.

Sobre os elementos adicionais previstos no artigo 10.º do Regulamento (UE) n.º 537/2014

Dando cumprimento ao artigo 10.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além das matérias relevantes de auditoria acima indicadas, relatamos ainda o seguinte:

- Fomos nomeados pela primeira vez como Revisor Oficial de Contas por deliberação social unânime por escrito do Acionista Público – Participações Públicas (SGPS), S.A., realizada em 27 de dezembro de 2018, para o mandato compreendido entre 2018 e 2020, tendo-nos mantido em funções em 2021.
- O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras. No planeamento e execução da nossa auditoria de acordo com as ISA, mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras devido a fraude. Em resultado do nosso trabalho não identificámos qualquer distorção material nas demonstrações financeiras devido a fraude.
- Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparámos e entregámos ao Conselho Fiscal da Entidade nesta mesma data.
- Declaramos que não prestámos quaisquer serviços proibidos nos termos do artigo 77.º, número 8, do Estatuto da Ordem dos Revisores Oficiais de Contas, e que mantivemos a nossa independência face à Entidade durante a realização da auditoria.

Autorizado por: PEDRO MIGUEL RAPOSO LISBOA
NUNES

Nº de identificação: 18328871
Data: 2022.04.27 17:20:12+0100



Grant Thornton & Associados – SROC, Lda.

Representada por Pedro Lisboa Nunes

ROC registado na CMVM com o n.º 26160813

SGPS, S.A.
21 de dezembro de 2021
p. 10 de 10

Report of the External Auditor

PWC Audit Report

Report on the audit of the financial statements

Opinion

We have audited the attached financial statements of AdP - Águas de Portugal, SGPS, SA (the Entity), which comprise the statement of the financial position as at 31 December 2021 (showing a total of EUR 1,439,575,175 and total equity of EUR 885,818,100 including a net result of EUR 56,038,209), the statement of profit and loss by type, the statement of comprehensive income, the statement of changes in shareholder equity and the statement of cash flows for the year therein ending as well as the accompanying notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the attached consolidated financial statements present fairly and appropriately the consolidated financial position of AdP - Águas de Portugal, SGPS, SA in all material respects as at 31 December 2021 and its financial performance and cash flows for the year then ending in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Accounting Standards (IAS) and the other technical and ethical standards and guidelines of the Bar of Statutory Auditors. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of Financial Statements" below. We are independent of the Entity under the law and we comply with further legal requirements under the Statutory Auditor code of ethics.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

Areas relevant to the audit

The areas relevant to the audit are those that, in our professional judgment, played a major role in auditing the financial statements for the current year. These areas were considered in the context of the audit of financial statements as a whole and, in the formulation of our opinion, and we do not express a separate opinion on these matters. We consider that the matters described below are the audit relevant matters to be expressed in this report.

Areas relevant to the audit	Summary of the identified audit approach
Recoverability of investments in subsidiaries and associates <i>Disclosures related to financial investments in subsidiaries and associates presented in notes 8 and 26</i> As at 31 December 2021, the Entity presents in its separate financial statements the amount of EUR 713,378,000 (31 December 2020; EUR 712,655,000) related to financial investments in subsidiaries and associates, which are measured at acquisition cost less impairment losses. These should be tested for impairment whenever there are indications or changes in the circumstances indicating that the amount constituted may not be recoverable. The relevance of this matter in our audit results from the materiality of the investments in subsidiaries and associates in the separate financial statements.	To ensure the correct valuation of financial investments, the following audit procedures were carried out: • assessment of the existence of impairment in financial investments; • analysis of the Economic and Financial Feasibility Studies (EVEF) of the managing entities of the multi-municipal systems, namely the projection of future cash flows and the inherent assumptions; and • assessment of the need to establish and/or maintain the provision for possible liabilities, considering the likelihood that some subsidiaries may not be able to meet their commitments. We also analyse the disclosures presented in the notes to the financial statements

Responsibilities of the management body and the supervisory body for the financial statements

The management body is responsible for the:

- preparation of the consolidated financial statements that fairly and appropriately present the Entity's financial position, the financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;
- preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory framework;
- implementation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;
- adoption of the appropriate accounting policies and criteria under these circumstances; and
- assessment of the Entity's capacity to remain operational and disclosing, whenever applicable, any issues that may give rise to significant changes in the continuity of activities.

In turn, the supervisory body is responsible for overseeing the preparation and disclosure of the Entity's financial information.

Responsibilities of the auditor for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable certainty is a high level of safety but this does not guarantee that an audit performed in accordance with the IAS shall always detect material misstatements when existing. Distortions may arise from fraud or error and are considered material when, whether in isolation or in conjunction, they can reasonably be expected to influence the economic decisions of users based on the respective financial statements.

As part of an IAS audit, we make professional judgments and maintain professional scepticism throughout the audit and also:

- identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to providing a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting material misrepresentation due to error as fraud may involve collusion, forgery, intentional omissions, false declarations or overlapping internal control;
- obtain an understanding of the internal control system relevant to the audit for the purpose of designing audit procedures appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Entity's internal control system;

- c) evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- d) conclude on the appropriateness of the management's adoption of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that might give rise to significant doubts about the Entity's ability to continue activities. When concluding that there is material uncertainty, we duly draw attention in our report to the related disclosures included in the consolidated financial statements or, when these disclosures are not appropriate, we correspondingly modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to discontinue its activities;
- e) evaluate the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether these consolidated financial statements represent the underlying transactions and events in order to convey an appropriate presentation;
- f) communicate with those responsible for governance, including the supervisory body, the scope and timing of the audit, among other issues, as well as any significant audit findings, including any significant internal control weaknesses identified during the audit;
- g) as regards issues communicated to governance officials, including the supervisory body, we determined those most important to auditing the financial statements and the consolidated financial statements for this financial year and which were the relevant auditing matters. We describe these matters in our report except when legal or regulatory stipulations prohibits their public disclosure;
- h) declare to the supervisory body that we comply with the relevant ethical requirements relating to independence and communicating all relationships and other matters potentially perceived as reflecting on our independence and, when applicable, the respective safeguards.

Our responsibility also includes verifying the consistency of the information contained in the management report with that in the financial statements.

Report on other legal and regulatory requirements

On the management report

It is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained therein is correspondingly consistent with the audited consolidated financial statements and, taking into account our knowledge and evaluation of the Entity, we do not identify any material misreporting.

27 April 2022

PricewaterhouseCoopers & Associados

- Sociedade de Revisores Oficiais de Contas, Lda.

represented by:

(one illegible signature)

José Alves Bizarro Duarte, Chartered Account no. 1957

registered with the CMVM (Portuguese Securities

Market Commission) under no. 20200003



Relatório de Auditoria

Relato sobre a auditoria das demonstrações financeiras

Opinião

Auditámos as demonstrações financeiras anexas da AdP - Águas de Portugal, S.G.P.S., S.A. (a Entidade), que compreendem a demonstração da posição financeira em 31 de dezembro de 2021 (que evidencia um total de 1.439.575.175 euros e um total de capital próprio de 885.818.100 euros, incluindo um resultado líquido de 58.038.209 euros), a demonstração do resultado, a demonstração do rendimento integral, a demonstração das variações do capital próprio e a demonstração dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira da AdP - Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISAs) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras" abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias. Consideramos que as matérias descritas abaixo são as matérias relevantes de auditoria a comunicar neste relatório.

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PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, pertence a rede de entidades que aderem ao PricewaterhouseCoopers International Limited, sendo esta rede uma rede de prestação de serviços de auditoria e de consultoria.

Matérias relevantes de auditoria	Síntese da abordagem de auditoria
Recuperabilidade de investimentos em subsidiárias e associadas <i>Divulgações relacionadas com investimentos financeiros em empresas subsidiárias e associadas apresentadas nas notas 8 e 26</i> Em 31 de dezembro de 2021, a Entidade apresenta nas suas demonstrações financeiras separadas o montante de 713,378 milhares de euros (31 de dezembro de 2020: 712,855 milhares de euros) respeitante a investimentos financeiros em empresas subsidiárias e associadas, as quais se encontram mensuradas ao custo de aquisição deduzido de perdas por imparidade. Estes ativos devem ser sujeitos a testes de imparidade sempre que existam indícios ou alterações nas circunstâncias que indiquem que o montante pelo qual se encontram escrituradas possa não ser recuperável. A relevância deste assunto na nossa auditoria resulta da materialidade dos investimentos em subsidiárias e associadas nas demonstrações financeiras separadas.	Para assegurar a correta valorização dos investimentos financeiros foram efetuados os seguintes procedimentos de auditoria: • avaliação da existência de indícios de imparidade nas participações financeiras; • análise dos Estudos de Viabilidade Económica e Financeira (EVEF) das entidades gestoras dos sistemas multimunicipais, nomeadamente a projeção dos fluxos de caixa futuros e os pressupostos que lhes estão inerentes; e • avaliação da necessidade de constituir e/ou manter a provisão para fazer face a eventuais responsabilidades a assumir por conta das participadas que demonstram não terem capacidade para solver os seus compromissos. Analisamos ainda as divulgações apresentadas nas notas às demonstrações financeiras separadas.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa da Entidade de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório de gestão e do relatório de governo societário, nos termos legais e regulamentares aplicáveis;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorções materiais devido a fraude ou a erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e



- e) avaliação da capacidade da Entidade de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira da Entidade.

Responsabilidades do auditor pela auditoria das demonstrações financeiras

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISAs detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISAs, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- a) identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- b) obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno da Entidade;
- c) avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- d) concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade da Entidade para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que a Entidade descontinue as suas atividades;

- e) avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- f) comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, sobre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificada durante a auditoria;
- g) das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública; e
- h) declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos-lhe todos os relacionamentos e outras matérias que possam ser percebidas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras.

Relato sobre outros requisitos legais e regulamentares

Sobre o relatório de gestão

Em nossa opinião, o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e a apreciação sobre a Entidade, não identificámos incorreções materiais

27 de abril de 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:



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STATEMENT

The documents entitled “Report of the Non-Executive Director” published on page 133, “Report and Opinion of the Audit Board on the Consolidated Accounting Statements” published on pages 251-254, “Legal Certification of the Consolidated Accounts”, published on pages 260-266, “Report of the External Auditor on the Consolidated Accounting Statements” published on pages 274-280, “Report and Opinion of the Audit Board on the Separate Accounting Statements” published on pages 334-339, “Legal Certification of the Separate Accounts” published on pages 348-351 and “Report of the External Auditor on the Consolidated Accounting Statements” published on pages 356-358 of this annual report were translated by Kevin Rose Unipessoal, Lda from the original documents included in the Águas de Portugal “Relatório e Contas 2021”.

Edited by

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