ÁGUAS DE PORTUGAL

ANNUAL REPORT & ACCOUNTS 2020

// WE NEVER STOP //

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THE GROUP

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THE BUSINESS

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THE ACCOUNTS

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MESSAGE

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"In these new times, the Portuguese shall continue to count on a benchmark reference for stability in the Águas de Portugal Group, ever more cohesive and robust and with greater social utility.
Our responsibility is great and our commitment is firm."

José Furtado
President of the Board of Directors

We are the business group generating the largest impact on the lives of the Portuguese. In partnership with the municipalities, our companies serve 8 million consumers and contribute to the wellbeing of all citizens.

We are committed to providing a public good essential to human life, public health and the preservation of the environment. This also holds great relevance to the local and regional economies and sustainable development.

We depend on the knowledge and experience of the over 3,400 professionals that integrate into a multipolar system of critical competences in the water sector, anchored in nineteen companies located throughout Portugal and other geographies.

We ensure the highest standards in all the functions involved in supplying water and the treatment of wastewaters, operating a network of infrastructures on a scale equivalent to double the perimeter of the planet.

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

We respond to the requests of multilateral institutions on the national response capacities to deal with emergency or technical assistance situations or the implementation of plans for the modernisation of water services on different continents.

New challenges emerge from the change in paradigm for social behaviours and the model of development in which the environment emerges as a stage for the greater of transformations and water resources take on a redoubled importance.

In May 2020, we embarked on a new cycle in the corporate governance of the Águas de Portugal Group. These moments of transition always represent opportunities to ponder the present and plan the future with a new lease of life and new ambitions.

We launched an internal, broad and widely participative, process in order to achieve this strategic definition. We welcomed and incorporated the contribution made by five hundred staff and thus established the Strategic Framework of Commitment of the Águas de Portugal Group for the new decade.

In advancing with this strategy, it is duly assumed that raising the standards of demand and adding social utility to managing the urban water cycle specifically involves:

- Strengthening the resilience of infrastructures in terms of climate change and other adverse phenomena, exceeding the standards set for service quality, security and efficiency, sharing the investments required through balanced and equitable tariffs;
- Prioritising the application of the principles of the circular economy in the reutilisation of finite resources, specifically through the reutilisation of treated wastewaters and recovering value from sludges and as well as also producing energy based on assets and operating subproducts, seeking to obtain carbon neutrality over the course of this decade;
- Driving, within the framework of the partnership models with the Municipalities, the maximisation of the economies of scale and range, combatting water losses, the sustainable recovery of expenditure, improvements to the operational management framework and the provision of services.

To achieve the consequences of the internal empowerment plan, we introduced the adjustments required to the model of governance, the organisation and its functional routines, having set out action plans in order to implement the strategy.

The Group maintains an economic and financial situation unequalled in the state business sector, which endows stability on companies in the development of their activities and undertaking their investment plans in the efficiency, rehabilitation and expansion of infrastructures.

For a consolidated business turnover in the region of EUR 715.3 million, and with the capacity to generate gross cash flow in excess of 50%, EBITDA rose to EUR 374 million and corresponds to a debt multiple of 4 (years), highly robust indicators for a capital intensive industry and with a relatively stable profile over the horizon of the duration of the concessions.

At the end of the year, the net result came in at EUR 78.6 million, which reflects a drop of 5.5% year-on-year resulting from the impact of the pandemic, and the slide in the market reference for ascertaining shareholder remunerations for the multi-municipal system management entities.

Stripping out the impacts of the pandemic, we may report an improve in the ratio of coverage between operational costs by business turnover, with the level of operational efficiency clearly demonstrated by the reduction, for the second consecutive year, in the cost recovery deviation. EBITDA, adjusted by the surplus in the recovery of costs, rose 2.3% year-on-year.

In the pandemic context, the contingency plans implemented by companies to guarantee reliability in the functioning of the supply and sanitation services held repercussions for personnel costs due to the need to engage in overtime work and acquire personal protective equipment.

I would take this opportunity to express my appreciation at the very special work done by the Group's members of staff, recognising the commitment in extremely severe circumstances to ensure that there were no interruptions to the essential services again of redoubled importance to public health and in support of all the other front-line professionals dealing with the Pandemic.

We all look to the new normal in society and in the economy with justified concern. Looking beyond the immediate horizon enables the anticipation of enormous challenges. In these new times, the Portuguese shall continue to count on a benchmark reference for stability in the Águas de Portugal Group, ever more cohesive and robust and with greater social utility.

Our responsibility is great and our commitment is firm.

THE GROUP

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ENSURING NOT ONLY THAT WATER ALWAYS REACHES EVERY TAP BUT ALSO THAT WE CONTINUE PROTECTING PUBLIC HEALTH AND THE ENVIRONMENT.

SUMMARY OF KEY INDICATORS (CONSOLIDATED)

ECONOMIC-FINANCIAL FIGURES

MEUR

	2017	2018	2019	2020
Turnover [1]	626.8	657.9	691.5	**715.3**
Cost recovery deviation (CRD)	12.5	(15.5)	(38.1)	**(55.4)**
Turnover with CRD	639.3	642.4	653.4	**660.0**
Operating result [2] (OR)	172.4	165.3	160.9	**142.7**
EBITDA [3]	316.5	343.0	365.7	**374.1**
Financial results	(31.2)	(26.8)	(30.4)	**(23.4)**
Net annual result	88.6	87.3	83.1	**78.6**

(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 (IFRIC12).

MEUR

	2017	2018	2019	2020
Operating assets (net) [1]	4 611.1	4 568.5	4 542.3	**4 470.6**
Investment (increases) [2]	94.7	133.8	144.2	**128.9**
Client debts [3]	338.0	348.3	276.4	**297.8**
Total assets	6 150.6	6 141.9	6 137.0	**6 138.6**
Financial debt [4] Total	2 027.6	1 924.2	1 842.9	**1 793.2**
Financial debt – Net [5]	1 909.4	1 797.4	1 671.9	**1 514.0**
Financial debt net/ EBITDA [5]	6.0	5.2	4.6	**4.0**
Investment subsidies	1 600.7	1 563.3	1 523.1	**1 484.0**
Equity [6]	1 517.2	1 589.2	1 650.0	**1 707.2**
Non-controlled interests	301.3	312.8	316.6	**321.8**

(1) Intangible assets + Tangible assets +Right-of-use assets+ Investment properties.
(2) Investment deduced from the Odelouca dam reclassification and Right-of-use asset.
(3) Refers only to the amounts billed for water and sanitation. In 2019, the amounts related to client debts falling under the auspices of the DSAs were reclassified as financial assets at fair value for income.
(4) Loans + Leasing liabilities with financial entities.
(5) Financial debt total – availabilities.
(6) Includes non-controlled interests.

MEUR

	2017	2018	2019	2020
Financial structure [1]	1.3	1.2	1.1	**1.1**
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]	2.8%	5.0%	5.1%	**3.4%**
EBITDA Margin [5]	49.5%	52.1%	52.9%	**52.3%**
Pre-tax ORCE [6][7][8]	4.7%	5.3%	5.8%	**6.0%**

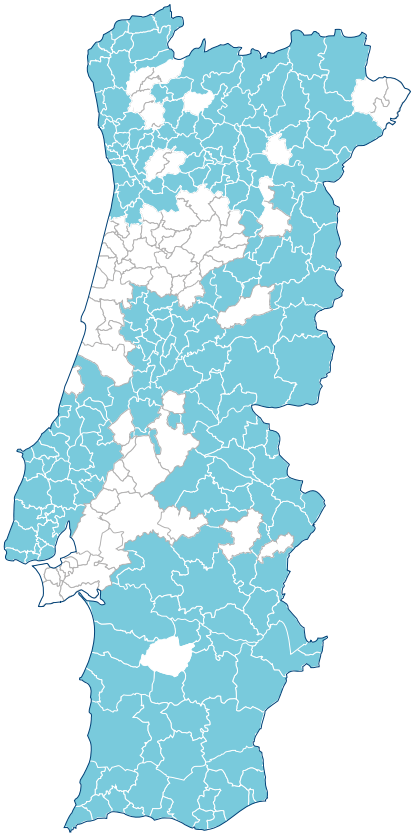
(1) Bank debt/ Equity. | (2) (Equity + Subsidies)/ Liability. | (3) (Equity + Subsidies)/ Asset. | (4) Net of CRD and IFRIC12.
(5) EBITDA/ Turnover net of CRD. | (6) EBIT [7]/ Capital employed.[8] | (7) OR – CRD.
(8) Net total asset - Short term liability - Investment subsidies - CRD – Deferred tax asset.

ACTIVITY DATA

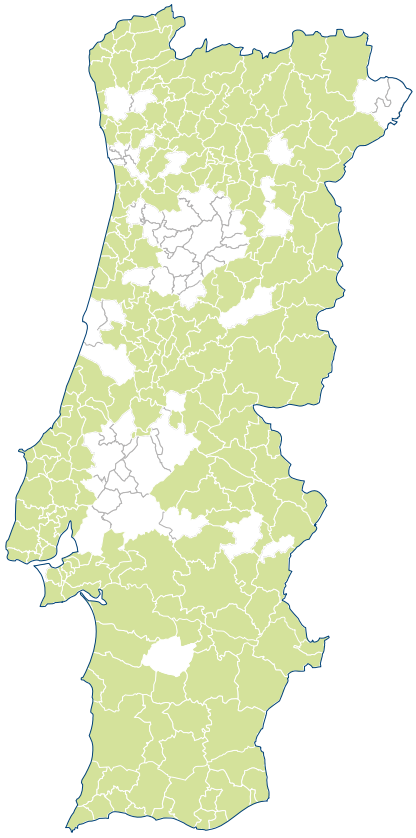
	Unid.	2017	2018	2019	2020
Volume of water produced	M m^3	599.4	578.8	597.3	597.2
Volume of water acquired	M m^3	14.4	14.6	22.3	25.8
Volume of water distributed (1)	M m^3	77.9	69.9	71.5	74.6
Volume of water invoiced	M m^3	610.2	592.4	613.9	618.6
Volume of wastewater treated	M m^3	461.0	514.1	498.1	518.5
Volume of wastewater invoiced (2)(3)	M m^3	462.4	484.3	491.0	503.2
Number of staff (4)	n.º	3 173	3 290	3 308	3 411

(1) Includes water distributed by EPAL, AdRA – Águas da Região de Aveiro, Águas do Norte and Águas do Alto Minho.
(2) The volume of wastewater invoiced in 2017 was corrected by 6.8 million m^3 on that reported in 2017 (annulment of the internal Águas do Norte sales).
(3) Includes the effect of tariff income invoicing.
(4) Active employees + employees with suspended contracts.

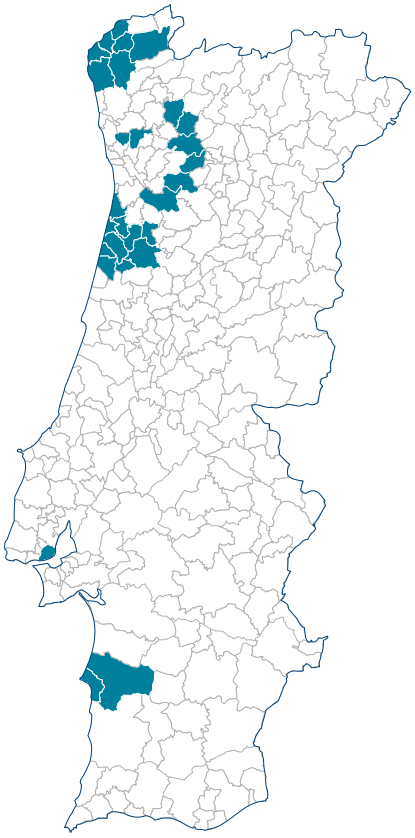
BULK WATER SUPPLY



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.

MISSION

To design, build, operate and manage water supply and wastewater treatment systems, and the treatment and valuation of urban and industrial solid wastes, within a framework of economic, financial, technical, social and environmental sustainability, developing a strong and highly competent Portuguese business group, capable of responding efficiently to the great challenges current facing the environment sector.

VISION

Established as the state business tool for implementing public policies and achieving national objectives in the environmental sector in order to promote **(a)** universality, continuity and quality of service, **(b)** the sustainability of the sector and **(c)** the protection of environmental values.

VALUES

- Sustainability in the usage of natural resources
- Water preservation as a strategic resource essential to life
- Balance and improvement of environmental quality
- Equal access to basic services
- Wellbeing by improving quality of life

HISTORY

1868

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).

1995

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.

1997

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.

1993

Founding of Águas de Portugal as part of IPE - Investimentos e Participações do Estado, with responsibility for developing the multi-municipal water supply and wastewater treatment systems and also awarded the entire equity 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].

1996

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

1998

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

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 - Serviços Ambientais, S.A., (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, S.A., the concessionaire of the System for the Collection, Treatment and Distribution of Water for Public Consumption, Collection, Treatment and Rejection of Effluents and Collection, Treatment and Final Destination of Solid Waste of Santo André, formerly managed by Instituto da Água.

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

2002

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

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

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

2003

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

2004

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

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

2005

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.

2007

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.

2008

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

2009

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

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

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 Regulatory Body (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, S.A., Águas do Centro Litoral, S.A. and Águas de Lisboa and Vale do Tejo, S.A.

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, S.A., SIMDOURO - Saneamento do Porto Grande, S.A., Águas do Tejo Atlântico, S.A. and SIMARSUL- Sanitation of the Setúbal Peninsula, S.A.. Sale of the remaining holding (5%) in EGF's share capital.

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

2018

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 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 360º" 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 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.

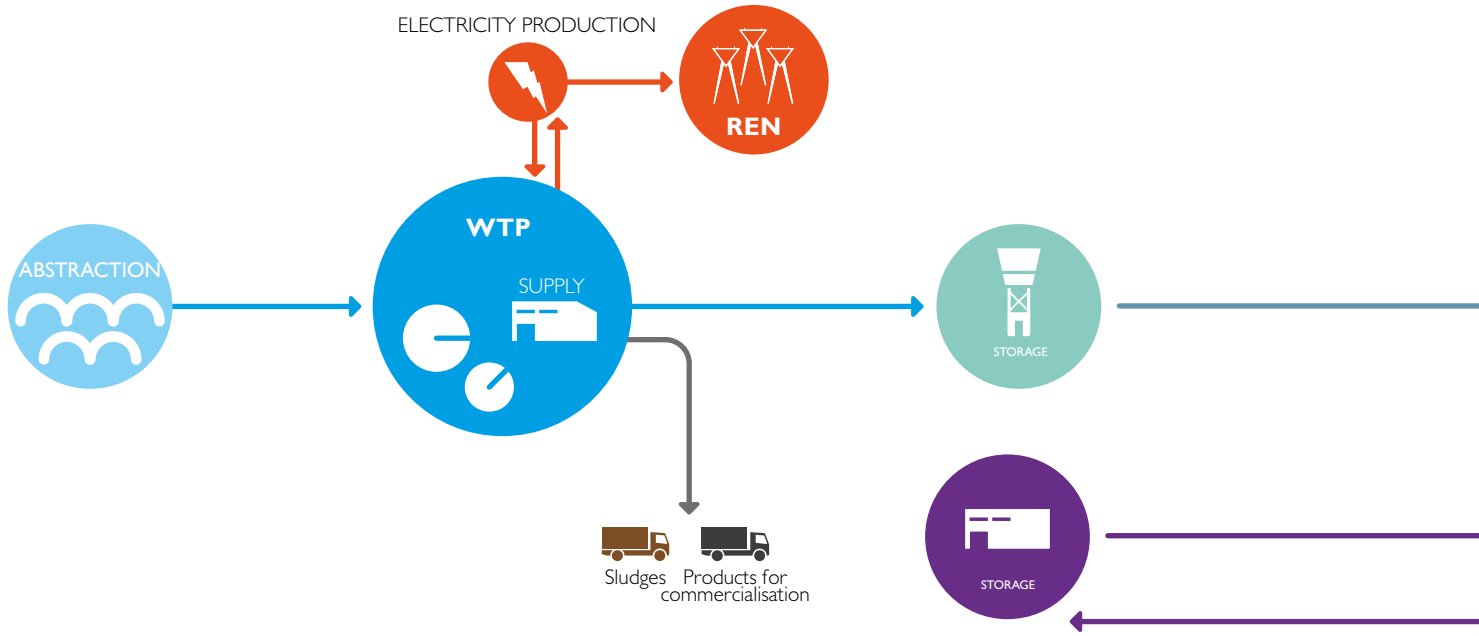
Launch of the ZERO Program seeking to obtain energy neutrality in AdP Group national and international operations through the production of 100% renewable energy by 2030.

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.

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 cycles 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 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.

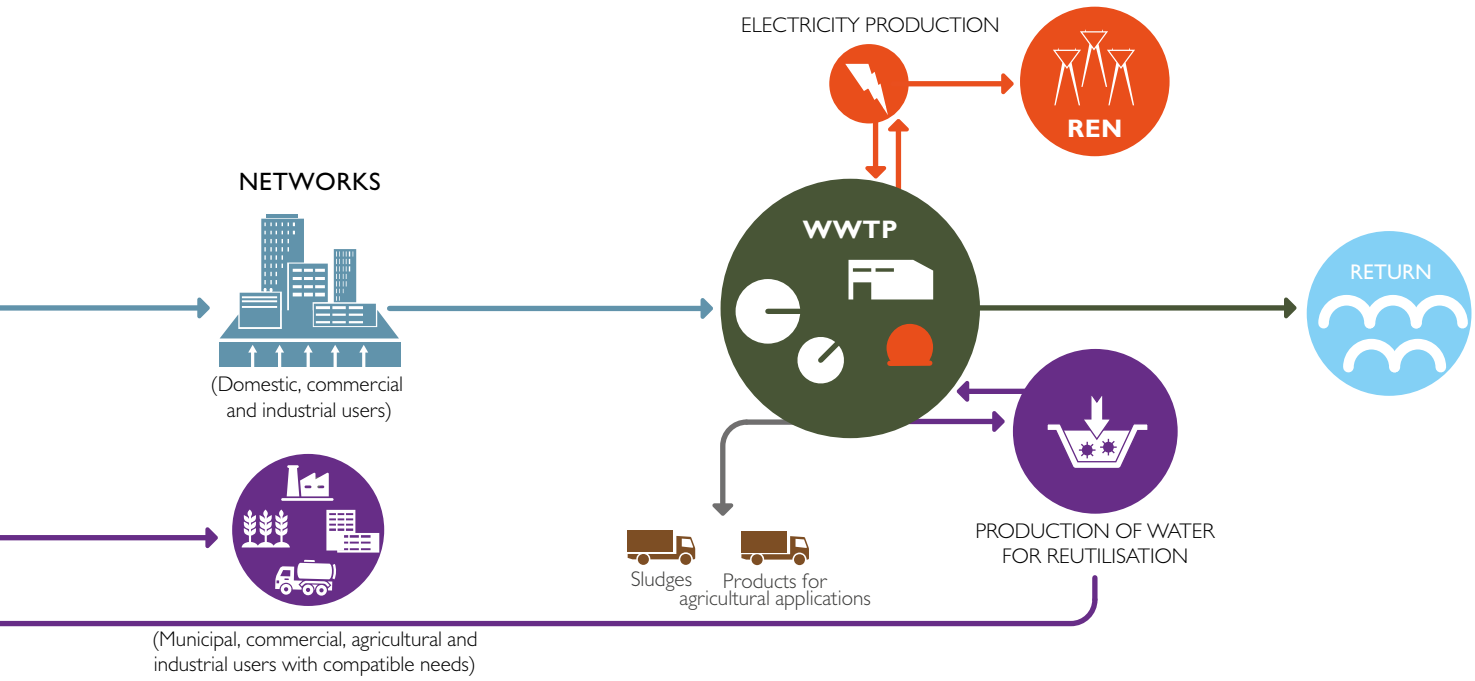
Storage
Storage of water so as to enable the continual operation of the supply network.

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 accordance 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

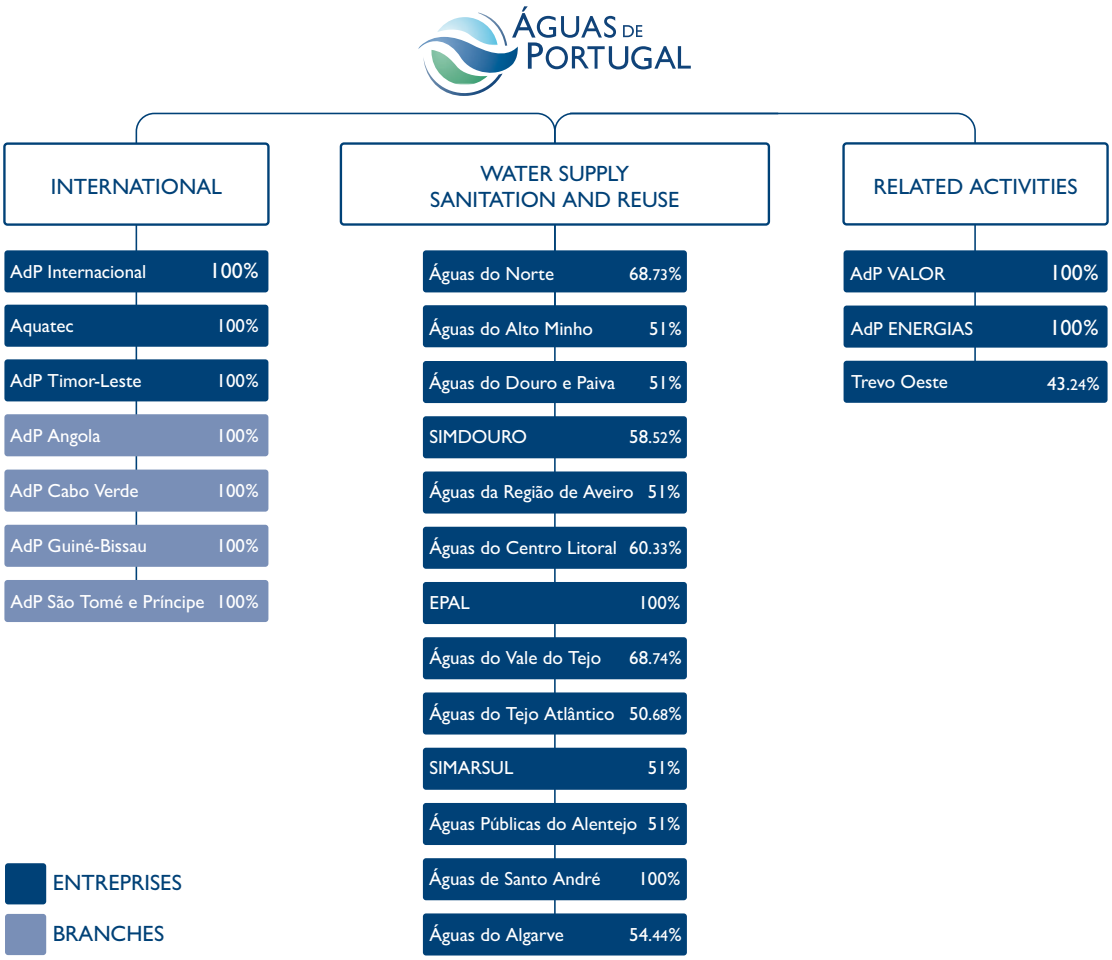
The ownership structure of AdP – Águas de Portugal, SGPS, S.A., is the following:

SHAREHOLDING

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

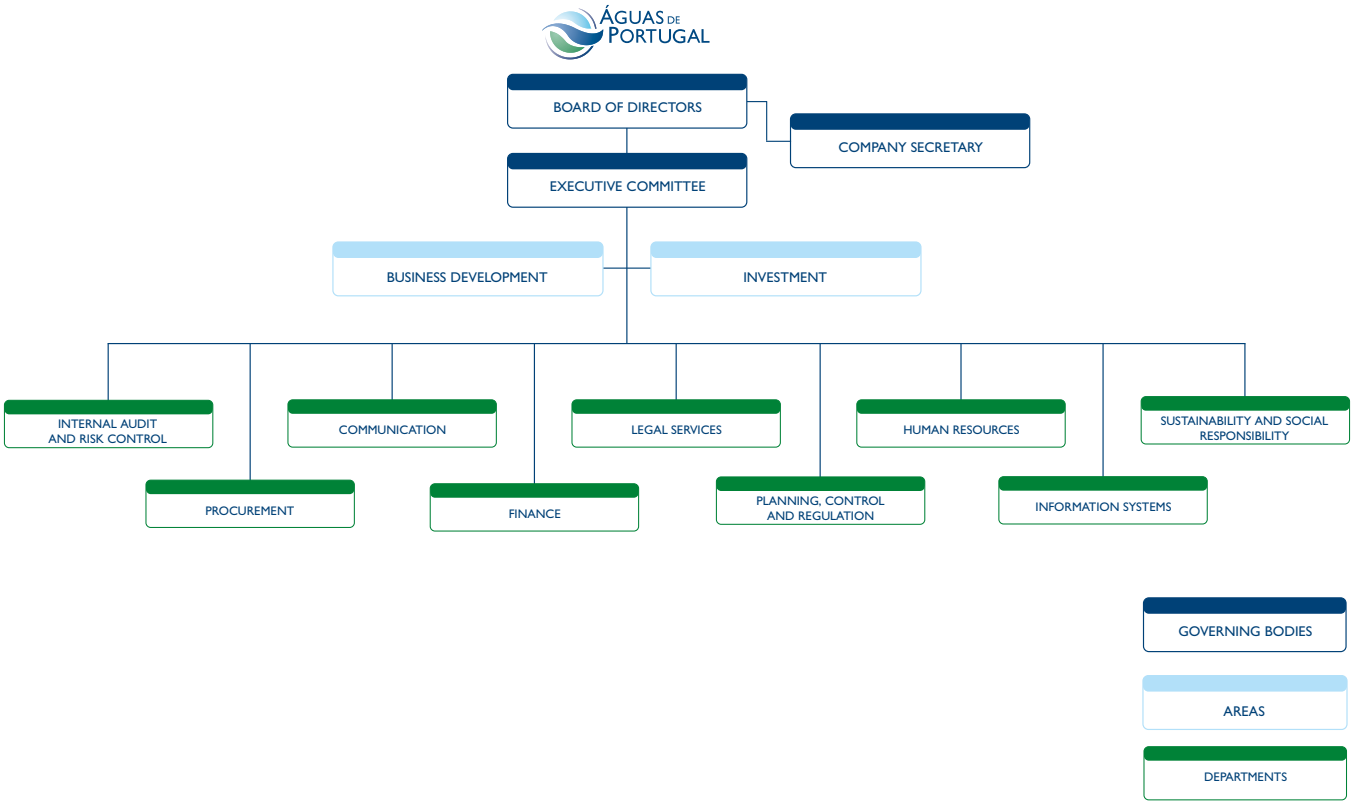
CORPORATE ORGANISATIONAL STRUCTURE

As at 31 December 2020, the Group incorporated 19 subsidiaries, 13 of which managed water supply and wastewater treatment services in addition to four subsidiaries operating in international markets.



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 Espirito Santo Menezes e Teles

BOARD OF DIRECTORS

Chair José Carlos dos Remédios Athaíde 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 dos Remédios Athaíde 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

CHARTERED ACCOUNTANT

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

COMPANY SECRETARY

Appointed Cristina Rebelo Pereira
Supplementary Ricardo Cortes Ribeiro

EXTERNAL AUDITOR

Pricewaterhousecoopers, SROC, Lda.

HOLDING PORTFOLIO AS AT 31 DECEMBER 2020

MANAGING 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 subscribed capital

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%	Dili, East Timor	Provision of technical services to the water sector
Águas do Brasil, S.A.	100.00%	Cabo Frio, 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.	43.24%	Alcobaça	Treatment and valuation of livestock residues

(1) Percentage of subscribed capital

* Indirect holding of AdP SGPS through AdP Internacional (in the case 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, Guiné Bissau).
AdP Internacional, office in Sao Tome and Principe (headquartered in Vila Maria, São Tomé).

KEY EVENTS

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At the beginning of 2020, mainland Portugal continental maintained a situation of meteorological drought in the regions to the south of the Tagus, aggravated in the regions of the Algarve and Alentejo. In order to cope with the problems of drought in these regions, which are structural and with a tendency to worsen due to the forecast effects of climate change, a joint order issued by the offices of the Ministry of the Environment and Climate Change, the Ministry of Agriculture and the Secretary of State of Tourism (Order no. 443/2020 and Order no. 444/2020, respectively, of 13 December 2019) determined the drafting of regionally based plans for hydric efficiency, specifically the Regional Plan for Hydric Efficiency of the Algarve and the Regional Plan for Hydric Efficiency of the Alentejo. The Águas de Portugal Group, through its regional subsidiaries Águas do Algarve and AgdA – Águas Públicas do Alentejo, are participating in drafting the framework for these plans, with this work coordinated by the Portuguese Environment Agency and the Directorate-General of Agriculture and Rural Development.

The best Águas de Portugal Group practices for water management, specifically the resilience of the systems in the Alentejo and the Algarve, the utilisation of treated wastewaters as an alternative source and energy efficiency, were presented at a meeting of specialists organised by the United Nations GWOPA - Global Water Operators' Partnership Alliance dedicated to the theme "Public Water Services in Cities with Water Scarcity in the Middle East and North Africa region", which held the main objective of producing recommendations within the scope of the Sustainable Development Goals and the New Urban Agenda, led by UN-Habitat.

With the mission of providing essential public services and as the business group with the greatest impact on the life of Portuguese citizens, the Águas de Portugal Group is fully aware of the enormous responsibilities inherent to the impacts that the water supply and wastewater treatment activities have on the quality of life and health of people, establishing the conditions for the development of economic activities and the preservation of the environment.

Hence, seeking from the outset to mitigate the impacts of the evolution of the Covid-19 virus epidemic, a Contingency Plan was defined and produced under the auspices of the risk of infection by the new SARS-CoV-2 coronavirus, integrating exceptional measures for risk management in order to establish an effective response for the minimisation of the potential risks to the health of workers and guarantee the safety and reliability of the water supply and wastewater treatment services. On 18 March, when the first

State of Emergency was declared in Portugal, these plans were in effect in all Águas de Portugal Group companies, complementing the operational and emergency plans for the management of the inherent risks and contingencies to this type of situation, determining the human resources and critical technical means to ensure the water supply and sanitation services essential to public health, economic activities and the preservation of the environment.

Within this context of uncertainty, the internal processes took a precautionary approach and were progressively adapted in order to guarantee respect for the principles of universality, quality of service and efficiency. "We don't stop" was adopted as the slogan by workers at all Group companies, who guaranteed the continuity of operations, both in the terrain and working remotely, to enable the Águas de Portugal Group to fully respect its commitment to providing the water supply and sanitation services essential to public health. With continuous monitoring by the management structures and purpose dedicated operational groups, there was the strengthening of the health and safety measures of employees with the provision of PPE, psychological support, workplace gymnastics, among other actions.

In the particular and difficult context of the pandemic, and complying with its Mission through the continuous and uninterrupted supply of services to the populations and in solidarity with our shareholder partners, the Águas de Portugal Group engaged in relevant activities in the fields of innovation, energy and carbon neutrality and the circular economy.

This highlights the April launching of the COVIDETECT research project seeking to set up an early warning system for the presence of the SARS-CoV-2 virus through the analysis of wastewaters, contributing to improving the response to any eventual outbreaks of the disease. Coordinated by Águas de Portugal, this project is under development by a consortium that integrates the Faculty of Science of the University of Lisbon, the Analysis Laboratory of the Higher Technical Institute of the University of Lisbon and the Águas do Tejo Atlântico, Águas do Norte and SIMDOURO companies, with the Advisory Board containing representatives of the Directorate-General of Health, the companies EPAL and Águas do Douro e Paiva, APA – the Portuguese Environment Agency and ERSAR – the Regulatory Entity for Water and Waste Services.

The energy neutrality commitment adopted by the Águas de Portugal Group was reaffirmed by the ZERO Energy Neutrality Program with its public presentation taking place in July and detailing the Group's objective of achieving energy neutrality within a ten-year framework through the continuous implementation of a consumption reduction strategy and boosting the level of in-house 100% renewable energy production. Contributing towards the Águas de Portugal Group positioning itself as the first group with an international scale to achieve energy neutrality across all of its national and international activities on a global scale, the ZERO program shall also enable the elimination of around 205,000 tons/year of CO_2 emissions, which shall represent a saving for Portugal of around EUR 5.3 million per year (at current prices).

The ZERO program was highlighted at the UN Global Compact 2020 summit, specifically in the panel on clean energies at the event run by UN Global Compact Portugal, which stressed the relevance of the efficient management of energy in the context of water supply and wastewater treatment activities, which consume large amounts of energy, and that detailed the commitment of the AdP Group to the transition to a low carbon economy and presenting examples of reductions in consumption and the production of renewable energy and based on the endogenous resources of group companies.

As regards promoting the circular economy in the urban water cycle, 2020 saw the drafting of the Reutilisation Action Plan for the AdP Group, with the objective of identifying the treatment installations viable for the production of water for reutilisation (ApR), the potential usages and investment needs to ensure levels of treatment in compliance with the required quality norms and for the construction of ApR distribution systems, tailored to the demand prevailing in each particular seasonal period.

Furthermore under the auspices of the circular economy, this should highlight the participation in various European consortia developing innovation projects, specifically "LIFE RENATURWAT", which involves demonstrating the improvement to the treatment of wastewaters through recourse to sludges resulting

from water decanting processes in wastewater treatment plants, and "LIFE PHOENIX", which seeks to develop and demonstrate modular, flexible and efficient solutions for the sustainable and safe production of water for reutilisation.

In September, there was the conclusion of the credit issuing operation by the EIB – the European Investment Bank for the global amount of EUR 41.7 million relating to the debts owed by Municipalities to Group companies that are securitised by regularisation agreements agreed in 2019 under the auspices of the legal regime established by the State Budget Law for 2019 and Decree Law no. 5/2019, of 14 January. The operation, that involves 18 municipalities and the Águas do Norte, Águas do Centro Litoral, Águas do Vale do Tejo e AgdA - Águas Públicas do Alentejo companies, enabled the AdP Group to reduce its level of client debt by around 11% alongside obtaining the funding that enabled the respective companies to raise the financing available for investments in water supply and sanitation infrastructures that ensure a deepening of the service reliability provided while also boosting the in-house production of 100% renewable energy as foreseen under the ZERO Program.

In November, culminating the transversal and collaborative process involving all Group companies and workers launched in July following the beginning of the 2020-2022 mandate, there was the presentation of the Strategic Framework of Commitment of the Águas de Portugal Group setting out the strategic direction for the triennial. This strategy aims to respond to developments in the paradigm and the major social challenges facing this sector, deepening the Group's capacity for response to the dynamics associated with climate change, decarbonisation, the digital transformation and the circular economy and enabling the achievement of a more efficient application of resources, the objectives for improving water quality and the levels of service provided to the populations, placing Portugal among the best environmental performances in Europe. The approach was anchored in three strategic axes – focused on People and Organisation, the Client and Users and Environment and Society – having set out 12 strategic challenges that led to around 500 action proposals, reflecting the personal and professional experiences of our staff, specialists and those with knowledge on the complete water cycle, its evolutions and needs.

In 2020, there was also the reorganisation of the Corporate Centre of AdP Group, with the transfer of the departments of Procurement and Logistics, Legal Services and IT Systems from AdP Valor to AdP SGPS, thereby concluding the reorganisation process ongoing since 2018.

Within the scope of this restructuring, the name of the company AdP – Águas de Portugal Serviços Ambientais, S.A. was changed to AdP Valor – Serviços Ambientais S.A.

In the international field, Group activities also experienced important developments in 2020, especially through the implementation of support to the Government of Goa for the improvement of the operating efficiency of water treatment systems and planning the interventions in the sanitation systems existing in this Indian state, formalised in the contract signed in February between AdP Internacional and the Department of Public Works of Goa (PWD - Public Works Department) within the framework of the state visit of the President of the Republic to India.

There was also progress in East Timor, a country where the Águas de Portugal Group has maintained a presence ever since 2000, rendering significant support to the development of the water sector, highlighting in 2020 the drafting of two legal diplomas for the regulation and monitoring of water quality controls for supply and setting up a management entity for the water sector and the signing of two technical service assistance contracts by AdP Timor-Leste in a consortium with the Portuguese engineering company ENGIDRO, with the Ministry of Public Works of East Timor, with one focusing on the implementation of projects for water supply wastewater treatment systems for the four Timorese district capitals and another for drafting the directive plans for three other cities.

Within the scope of the pandemic that is shaping the world agenda, a particular reference was the partnership established between AdP Internacional and the World Bank for the project "Covid Just-in-Time", an initiative that seeks to support water supply and sanitation management entities in their responses to emergencies within the Covid-19 pandemic context, including within its scope a framework of reference for drafting Emergency Water Service Operation Plans and support for different national operators, especially in Africa and Latin America.

Finally, as regards backing for the Sustainable Development Goals and strengthening our commitment to people through public health and the environment, among the different initiatives promoted nationally and internationally deserving particular emphasis are the Águas de Portugal Group signing up to the initiative "Joint Statement on the Right to Sanitation", launched by a set of European entities seeking for the European Commission to introduce legal stipulations, in the review of the Urban Wastewaters Treatment Directive to guarantee the best possible access to sanitation services across the European continent in keeping with the human rights provisions.

AWARDS AND ACHIEVEMENTS

The EPAL, Águas do Vale do Tejo (AdVT) and Águas do Tejo Atlântico (AdTA) companies received awards from APEE – the Portuguese Association for Business Ethics in the categories of best practices for Social Responsibility and the Sustainable Development Goals:

- In terms of the Sustainable Development Goals, EPAL/AdVT was recognised with an award for its SDG6 Drinking Water and Sanitation project, for the Donation of the Mobile Water Treatment Station to Mozambique in the wake of Cyclone Idaí. In this same class, EPAL received an honourable mention within the scope of SDG4 Quality Education for the "EPAL Water Laboratory in KidZania" – a project that simulates the real life of a water quality control laboratory" and under SDG12 Sustainable Production and Consumption for the "Exclusively, Tap Water!" project within the scope of which EPAL produces resources – Jugs and Bottles and communications materials – for public and private entities that take on the commitment to exclusively consume tap water in their public areas.

- Under the auspices of the Sustainable Development Goals, AdTA received an honourable mention under SDG12 – Sustainable Production and Consumption for the applications "Every Week we get a new 'R'".

- Within the framework of Social Responsibility, EPAL picked up honourable mentions for "H2O Quality", an innovative app that provides access to the water quality data for the city of Lisbon and functioning through geo-referencing, and the "Tap Water in Movement for All" project, bringing together various initiatives that raise awareness over the consumption of tap water, strengthening the trust in infrastructures and sharing best practices on the efficient usage of water in the city of Lisbon.

AdTA won an award from the initiative run by the APCE – the Portuguese Association of Communications Companies, winning the APCE category "Surprise us" for the project "VIRA, Turning Concepts and Mentalities". This award contains the objectives of distinguishing and recognising excellence and professionalism among Portuguese communications managers.

In 2020, EPAL once again participated in ECSI – the European Study of Client Satisfaction run by Nova IMS, APQ and the Portuguese Institute of Quality, maintaining the ECSI Satisfaction Index and achieving 2nd place in the sector ranking and winning first prize in the water sector for its "Digital Presence".

VITLAB

THE BUSINESS

// WE NEVER STOP //

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

THE BUSINESS

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94%

BULK COVERAGE RATE

WATER SUPPLY

619

Mm³

WATER INVOICED

503

Mm³

WASTEWATERS INVOICED

93%

BULK COVERAGE RATE

WASTEWATER SANITATION

41

Mm³

WATER INVOICED,
INTRA-GROUP OPERATIONS

34

Mm³

WASTEWATERS INVOICED,
INTRA-GROUP OPERATIONS

771.4

GWh/YEAR

ENERGY CONSUMED
(INCLUDES 23.5 GWH
OF SELF-CONSUMPTION)

35.7

MWh/YEAR

ENERGY PRODUCED
(SOLAR, MINI-HYDRO,
BIOGAS)

18 388

TONS/YEAR

SLUDGES PROCESSED
(WATER SUPPLY)

333 951

TONS/YEAR

SLUDGES PROCESSED (SANITATION)

KEY FACILITIES

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1 365

ABSTRACTIONS

808

PUMPING STATIONS

WATER SUPPLY

2 359

PUMPING STATIONS

SANITATION

1 952

RESERVOIRS

11 972

KM

SEWERS

113

WATER TREATMENT PLANTS

605 398

BRANCHES

WATER SUPPLY AND WASTEWATER SANITATION

1 004

WASTEWATER TREATMENT PLANTS

21 581

KM

WATER MAINS AND DISTRIBUTION NETWORKS

STRATEGIC LINES

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

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

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

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

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

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

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

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

DUTIES AND RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

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

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

MACROECONOMIC CONTEXT[1]

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

GLOBAL

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

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

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

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

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

THE EUROZONE

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

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

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

PORTUGAL

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

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

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

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

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

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

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

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

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

THE SECTOR ON A GLOBAL SCALE[2]

"Water is a human right. Nobody should have this access denied."
António Guterres, Secretary General of the United Nations.

"Achieving access to appropriate and fair sanitation and hygiene for all, improving the quality of water and reducing by half the proportion of untreated wastewater, substantially reducing the number of people impacted by water scarcity. A goal that precisely symbolises the messages of Agenda 2030: that nobody gets left behind."
Sustainable Development Goal 6 (SDG)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WATER SUPPLY AND SANITATION IN PORTUGAL[3]

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

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

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

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

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

Data RASARP 2020 - ERSAR

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

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

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

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

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

AdP GROUP

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REGULATORY FRAMEWORK

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

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

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

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

ECONOMIC REGULATION

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

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

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

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

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

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

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

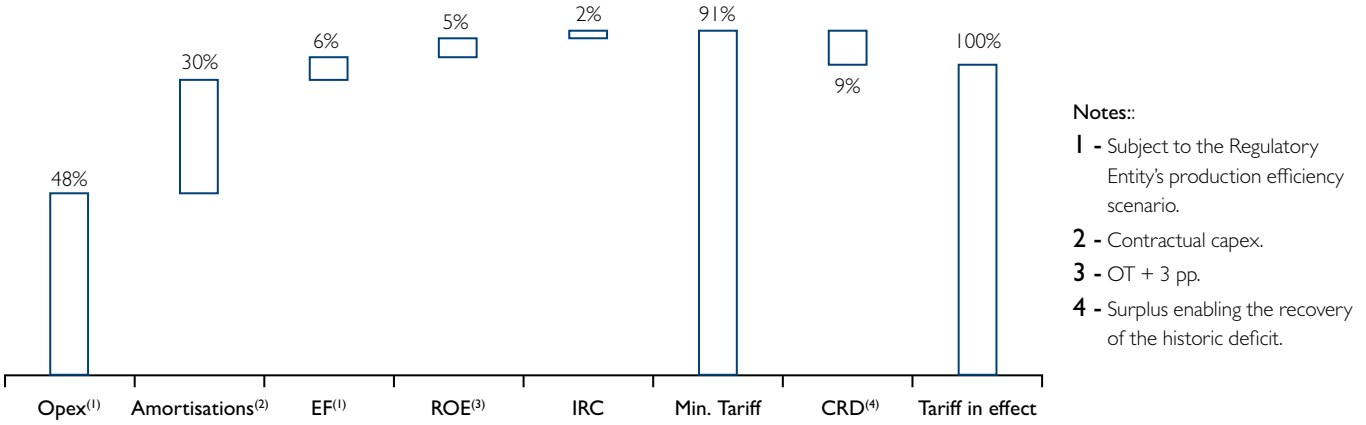
In 2020, with the agreement of the Concessionaire and ERSAR, there was no tariff revision for the second five-year period for the MMSs with contracts determining such revisions and awaiting the publication of the revision rules over the course of 2021. This process does not foresee any tariff impacts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

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

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

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

SIMPLIFIED DEFINITION OF THE TARIFFS FOR APPLICATION BY MMSs
2020 Tariff



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

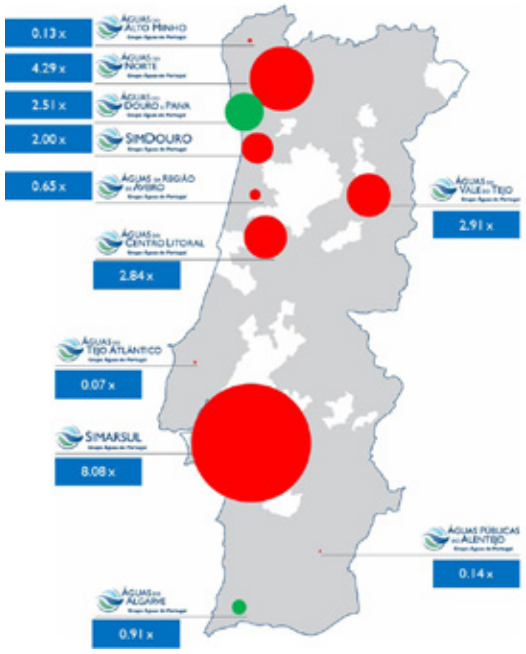
Throughout 2020, the tariffs applied in the billing issued by the management entities in the AdP Group were subject to the analysis and issuing of an opinion by ERSAR and approved by the Partnership Commission.

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

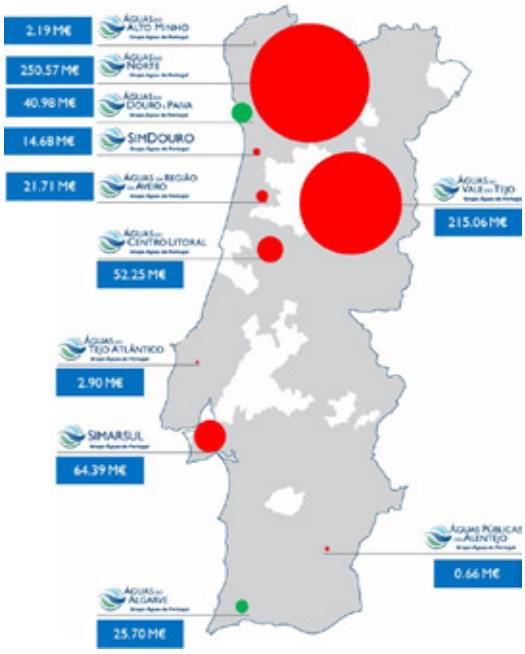
The contracts of these Management Companies establish that they are entitled to register and recover the CRDs generated by tariffs, calculated by the difference between the net results generated and the contractual remuneration of shareholder equity for the year.

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

Gross accumulated CRD/ Adjusted EBITDA



Gross accumulated CRD



OTHER STATE-OWNED SYSTEMS

AdSA

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

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

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

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

EPAL

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

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

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

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

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

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

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

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

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

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

REGULATION OF SERVICE QUALITY

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

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

RASARP volume 1, with the results of the service quality evaluation system provided by the managing entities, with the reference date of 31 December 2019, were made available by ERSAR over the course of January 2021.

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

REGULATION OF WATER QUALITY FOR HUMAN CONSUMPTION

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

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

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

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

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

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

REGULATION OF THE USER INTERFACE

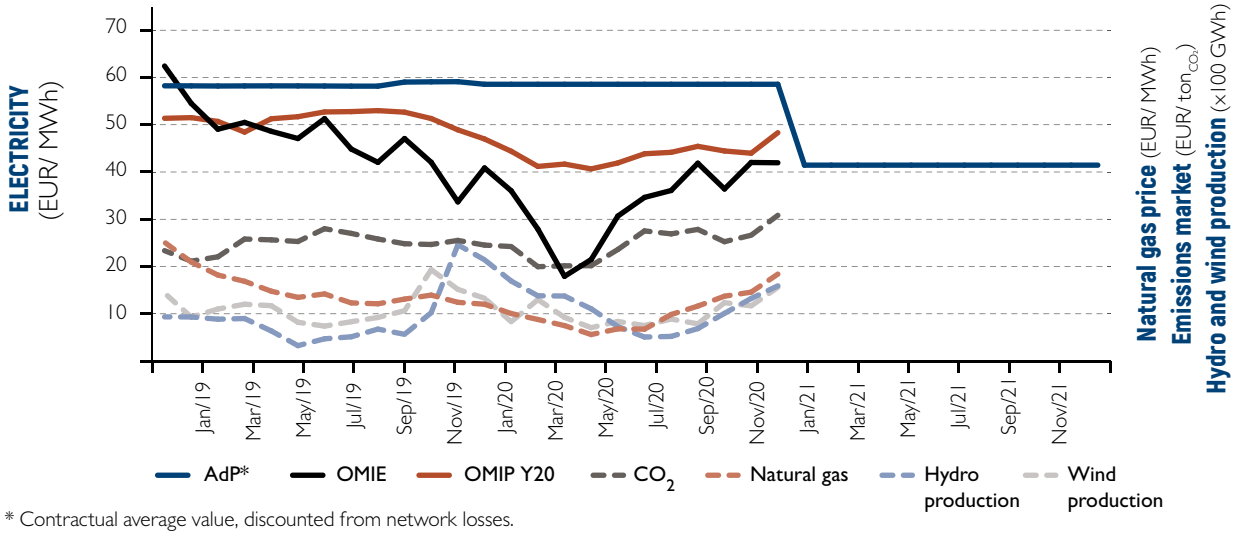
The management entities belonging to the AdP Group universe are subject to the intervention of ERSAR as regards their user interfaces.

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

ENERGY IN THE AdP GROUP

THE PRICE OF ELECTRICITY IN PORTUGAL

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



* Contractual average value, discounted from network losses.

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

Analysing the components that influence the energy price highlights the 38% increase in hydro production of and 34% fall in the price of natural gas. The average price of CO_2 did not undergo any major variation in annual terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

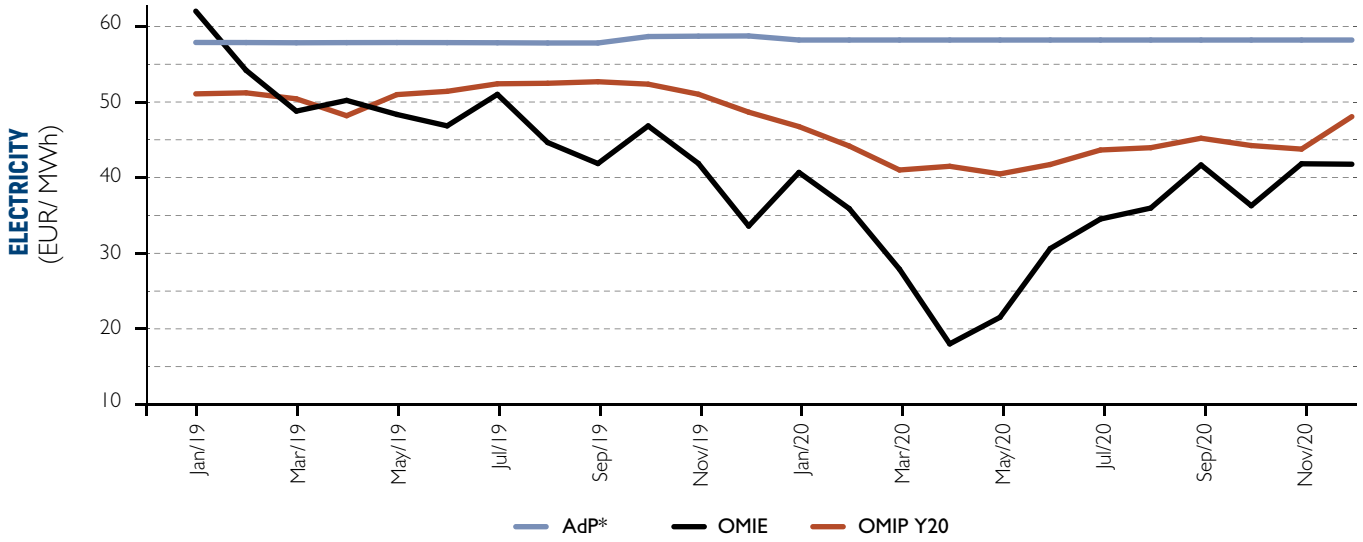
- Energy neutrality does not only consider the electricity consumed in the operational installations but rather all of the electricity consumed by all installations (operational and non-operational, whether regulated or unregulated assets), nationally and internationally as well as the electricity consumed in the activities undertaken by Group companies located outside Portugal;
- The objectives do not only involve the in-house production of electricity but equally and first and foremost, there is the ambition to cut energy consumption, leveraging the opportunity to promote the utilisation of more efficient solutions taking advantage of the cycle of asset renovation that is due for many infrastructures;
- The sources of production should incorporate a mix, essentially considering systems based on photovoltaic solar, thermal solar, wind, hydro, co-generation and biogas, seeking to maximise production;
- This should maximise the flow of production for self-consumption (avoiding utilising the grid to the greatest possible extent), prioritising energy from self-sustainability solutions;
- This requires energy storage solutions, drawing on the capacity of the existing AdP Group infrastructures, thereby altering their operational philosophy, as happens with the current reservoir supply systems;
- The interventions require planning and budgeting both at the company and the aggregate levels, determining the TIR, the VAL other relevant parameters, as well as a provisional chronogram, taking into account the projects with the highest TIR and the greatest level of self-consumption as the key priorities;
- Calculating the levels of CO_2 emission reduction returned by the projects as well as the value in euros of these cuts to Portugal;
- This should also leverage the opportunity to advance on issues such as territorial cohesion given that the AdP Group has had this strategy in its DNA from the very outset as well as also adopting it as a core mission.

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

ELECTRICITY IN THE AdP GROUP

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

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



* Contractual average value, discounted from network losses.

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

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

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

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

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

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

In terms of CO_2 emissions, the self-production of energy enabled a reduction of 9,143 tons, which conveys a drop of 11 tons on 2019 (down 0.1%).

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

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

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

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

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

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

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

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

Given the direct correlation between consumption and activity levels, the data hitherto available indicated that the volume of water supplies for human consumption and the flows of treated wastewaters totalled 1,132 million m^3 (up 1.2% on 2019). However, the relationship between these activities is nevertheless differentiated given that this reflects a 0.6% increase in the water supplied flow (589.7 versus 593.3 million m^3) and a rise of 3.2% in the wastewaters subject to treatment (542.3 versus 525.3 million m^3).

Hence, the preliminary specific consumption data point to a slide of 1.3% in comparison with 2019 (0.659 kWh/ m^3 in 2020 against 0.668 kWh/ m^3 in 2019) and up 0.1% on 2018 (0.658 kWh/ m^3 in 2018).

When this evaluation takes into consideration only the energy consumed from the RESP grid, this variation comes in down 1.5% (0.637 kWh/ m^3 in 2020 versus 0.647 kWh/ m^3 in 2019) and down 0.2% on 2018 (0.639 kWh/ m^3 in 2018).

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

This should also emphasise how, in terms of CO_2 emissions, the reduction obtained over combustion energies amounted to a fall of 339 tons (down 83.6%).

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

In 2020, the AdP Group vehicle fleet (1 430 vehicles) consumed 2.490 million litres of fuel (diesel and petrol) and that represents a variation of -12.6% on 2019 – with the consumption of 2.849 million litres - and a cut of 13.5% against 2018 (with the consumption of 2.879 million litres), which in average daily terms reflects overall consumption of 6 803 l/day (against 7 806 l/day in 2019 and 7 8884 l/day in 2018).

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

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

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

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

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

OPERATIONAL ACTIVITIES

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

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

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

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

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

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

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

- The production of electricity through recourse to the endogenous and renewable sources of the AdP Group;
- The energy efficiency and energy production plan (PEPE) for 2017 to 2020;
- The centralised acquisition of electricity;
- The certification of infrastructures under the auspices of ISO 50001 and energy audits as stipulated by DL 68-A/2015;
- The AdP Group energy neutrality program;
- The monitoring of CO_2 emissions and the plan for AdP Group energy neutrality;
- The pilot project for the regulatory reserve backed by ERSE
- Sustainable mobility and the energy certification of the service fleet.

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

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

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

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

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

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

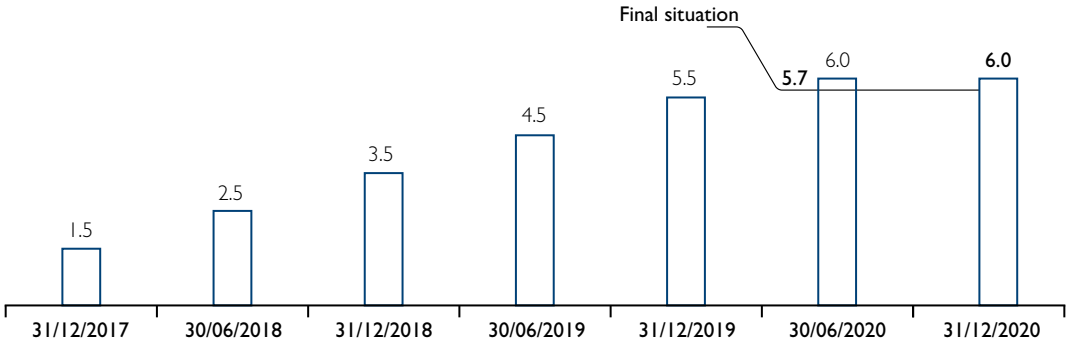
In May 2017, PEPE – the Energy Efficiency and Production Plan was approved and publicly presented by the AdP Group for the period between 2017 and 2020 as summarised in the following table.

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

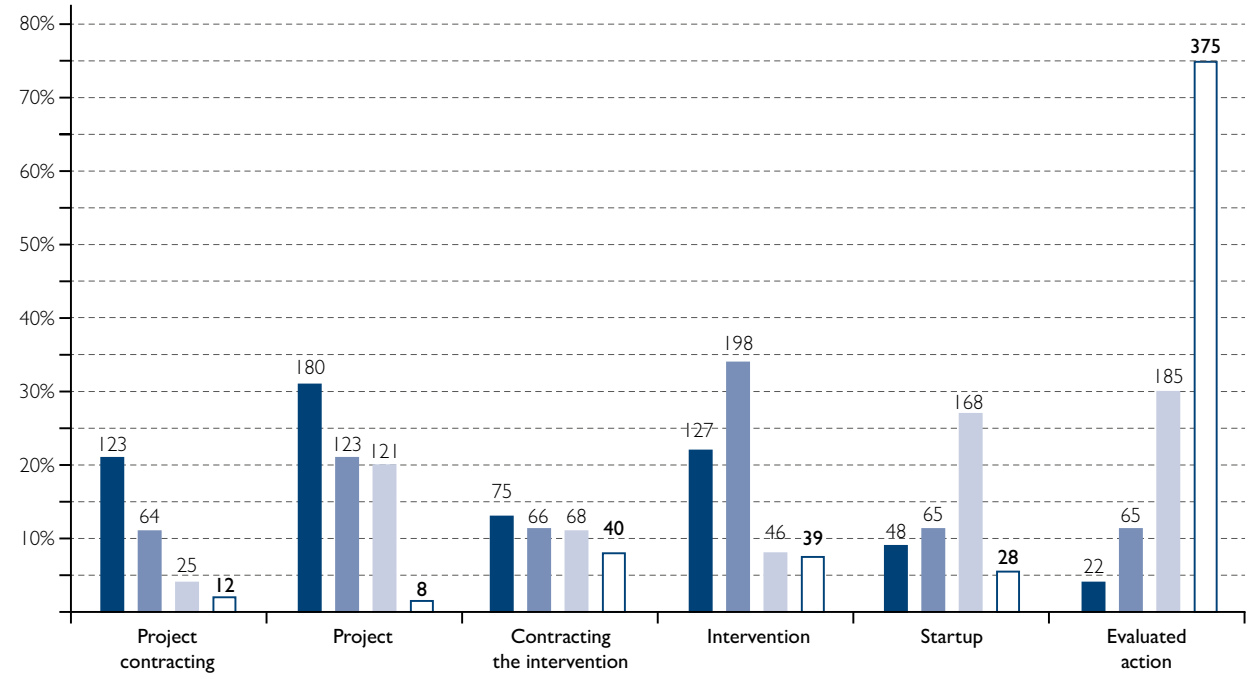
(1) With the revision of PEPE by some companies, the total number of measures rose to 613

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

PEPE STATE-OF-THE-ART



% OF MEASURES IN EACH PHASE



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

PEPE OBJECTIVES	2020		TARGETS FOR 2020
Infrastructures included (N.º)	305	96.5%	316 Infrastructures
Measures implemented (N.º)	406	80.7%	503 efficiency / production measures [1]
Investment (million EUR)	16.803	[2] 92.6%	EUR 18.150 M [4]
Reduce electricity consumption (GWh/year)	2.897	[2] 76.9%	Down 30.4 GWh/year
Boost own electricity production (GWh/year)	0.061	[2] 62.9%	Up 10.778 GWh/year [4]
Reduce the contracted power supply (MW)	[2] 46.840	[2] 468.4%	10 MW in 103 infrastructures
Reduce the contracted power supply (N.º de IE)	[2] 655	[2] 635.9%	10 MW in 103 infrastructures
Reduce the contracted power supply cost (EUR)	[2] 1.392	[2] 309.4	EUR 0.450 M
Reduce the costs of reactive energy (million EUR)	[2] 0.740	[2] 148.0%	EUR 0.50 M in 320 infrastructures
Reduce the costs of reactive energy (N.º)	[2] 62	19.4%	EUR 0.50 M in 320 infrastructures
Alterations to the tension (GWh/year)	0	0.0%	10 GWh/year in 63 infrastructures
Alterations to the tension (N.º)	0	0.0%	11 GWh/year in 63 infrastructures
Reduce the carbon footprint (ton CO_2)	[3] 53.831	199.4%	27,000 ton CO_2/year
Introduction of e-mobility (N.º)	128	128.0%	100% electric vehicles
Electric vehicle recharging posts (N.º)	136	272.0%	50 new recharging posts
Fleet energy certification (N.º)	1.430	130.0%	1,100 vehicles
Certification under norm ISO 50001 (N.º)	108	110.2%	98 certified infrastructures
Infrastructures audited under the auspices of DL 68-A (N.º)	62	206.7%	Further 78 infrastructures for auditing
Training of internal energy auditors (N.º)	62	206.7%	30 energy auditors
Training for energy (%)	50%	50.0%	100% compliance
Communication for energy (%)	75%	75.0%	100% compliance
Annual electricity cost savings (million EUR)	**0.308**	[2] **108.5%**	**EUR 6.640 M**

Notes:
[1] Following the review of PEPE by some companies, the number of measures fell from 593 to 503 | [2] Accumulated amount 2020 + 2019 + 2018
[3] Reduction on 2015 | [4] The SOLAR III project was removed following its inclusion in the Group Energy Neutrality Program.

MONITORING THE AdP GROUP CO_2 EMISSIONS AND THE CARBON NEUTRALITY PLAN

In terms of CO_2 emissions, in 2020, the AdP Group obtained a positive contribution from electricity consumption sourced from the RESP grid and the consumption of its service fleet having a negative contribution as regards the production of electricity resulting from the rise in production in 2020 and the consequent reduction in the emissions factor.

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

The table below provides the CO_2 emissions in the 2020 financial year.

ITEMS FOR CO_2	2020 (CO_2 TONS)	2019 (CO_2 TONS)	2018 (CO_2 TONS)	2017 (CO_2 TONS)	2015 (CO_2 TONS)
Corrected energy consumption (RESP)	**191 140**	202 694	215 083	244 331	242 644
Effective energy consumption (RESP)	**191 140**	195 790	201 214	212 811	208 414
Correction of consumption versus flow (anon)	**-**	6 904	13 869	31 520	34 230
Vehicle fleet with combustion engines	**6 901**	7 578	7 657	7 721	8 364
Group energy production (RESP + Self-consumption)	**(9 132)**	(9 143)	(8 647)	(6 818)	(8 607)
Electric vehicle fleet (versus combustion engines)	**(339)**	(382)	(298)	0	0
Total	**188 570**	**200 747**	**213 795**	**245 234**	**242 401**

Variations in CO_2 emissions				Δ CO_2 EMISSIONS (TONS OF CO_2)	(%)
Δ 2020/ 2019	**-**	**-**	**-**	**(12 177)**	**(6.1%)**
Δ 2020/ 2018	-	-	-	(25 225)	(11.8%)
Δ 2020/ 2017	-	-	-	(56 664)	(23.1%)
Δ 2020/ 2015	-	-	-	(53 831)	(22.2%)

EMISSION FACTORS:

Electricity: 2015 – 0.315 kg CO_2/kWh | 2016 – 0.301 kg CO_2/kWh | 2017 – 0.298 kg CO_2/kWh | 2018 – 0.284 kg CO_2/kWh | 2019 – 0.270 kg CO_2/kWh | 2020 – 0.256 kg CO_2/kWh

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

Diesel: 2.660 kg CO_2/kWh

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

Analysing specifically the items detailed in the table above, in 2020, AdP Group registered the reduction of around 12,000 tons of CO_2 on 2019 emissions (down 6.1%). As regards the years 2018, 2017 and 2015 (with the latter the reference for PEPE) there were falls of approximately 25,000, 56,000, and 53,000 tons of CO_2, representing respective reductions of 11.8%, 23.1% and 22.2%.

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

This would also refer to how the AdP Group, on 6 November 2019, committed to the United Nations, within the scope of the Global Compact, to develop actions and initiatives ensuring a reduction of at least 50% of the CO_2 emissions recorded in 2010 as a means of ensuring the rise in temperature remains below 1.5° C.

Hence, the tender process for the development of the means to monitor the CO_2 emissions of the AdP Group (covering the range of 1, 2 and 3) is in the final phase of conclusion, which shall provide the foundations for developing the AdP Group carbon neutrality plan in order to comply with the targets set out nationally and the commitment assumed to the United Nations in 2019.

INDUCED ECONOMIC GAINS

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

ACTIVITY/ PROJECT	SAVINGS IN 2020 (10^6 EUR)
Raising the annual electricity savings (shared with companies) (1)	0.302
Centralised electricity procurement – 2021/2022 (shared with AdP Valor) (2)	12.500
Fuel consumption avoided by e-mobility [152,334 litres] (shared with companies)	0.180
Reduction of costs for contracted power (shared with companies) (1)	0.500
Reduction of costs for reactive energy (shared with companies) (1)	0.180
Increase in Group energy production [60 MWh/year] (shared with companies) (1)	0.006
Reduction in CO_2 emissions [-12.177 ton] (shared with companies) (1)	0.391
TOTAL	**14.059**

Notes:

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

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

The value applied to quantify the CO_2 reductions was 32.08 EUR/ton.

(1) Reduction on 2019

(2) Annualised amount

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

OTHER RELEVANT ACTIVITIES IN 2020 (IN ALPHABETICAL ORDER)

THE CENTRALISED PROCUREMENT OF ELECTRICITY

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

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

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

- The spot and future electricity prices on the Iberian, French and German markets;
- The price of Brent crude and natural gas futures;
- The prevailing price of CO_2 emissions;
- The energy stored in dams, electricity produced by wind turbines and photovoltaic sources;
- The availability of Spanish nuclear power;
- The commercial spreads in effect among traders in this type of contract.

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

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

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

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

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

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

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

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

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

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

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

SUSTAINABLE MOBILITY AND THE ENERGY CERTIFICATION OF THE SERVICE FLEET

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

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

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

In terms of CO_2 emissions, this drove a reduction in combustion engine vehicle of 339 tons (down 83.6%).

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

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

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

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

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

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

As is known, mobility and the transport sector in Portugal account for around 37% of final energy consumption and about 25% of all CO_2 emissions, a situation that clearly impacts on AdP Group vehicles with its fleet of over 1,400 vehicles.

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

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

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

- Demonstrating, simply and clearly, the commitment to the reduction in the ecological footprint of the fleet;
- The active contribution towards reducing CO_2 emissions made by the fleet;
- Taking advantage of the opportunities to optimise the costs (fuel, etc.) and reduce emissions of CO_2;
- Improving the procurement process for its fleet, attributing due importance to the energy and environmental efficiency of vehicles;
- Motivation of staff, clients, suppliers and partners for most sustainable mobility.

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

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

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

THE AdP GROUP ENERGY NEUTRALITY PROGRAM

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

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

Energy neutrality enables a contribution towards the reduction of CO_2 emissions considering not only the electricity consumed by the operational installation but all the electricity consumed across every AdP Group installation (both operational and non-operational) in Portugal and internationally and in addition to the vehicle service fleet.

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

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

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

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

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

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

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

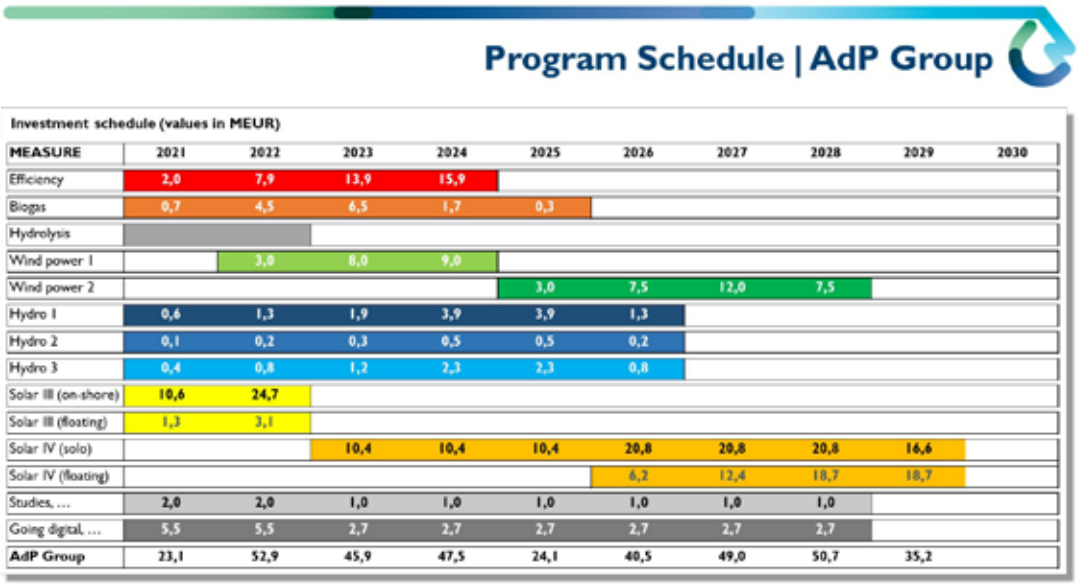
INDICATORS	VALUES
Total AdP Group consumption (in 2030 including the vehicle fleet)	764.6 GWh/year
Reduction in consumption through energy efficiency measures	- 73.4 GWh/year
Own electricity production	- 707.9 GWh/year
Program balance	- 16.6 GWh/year
Total program investment	**EUR 368.8 M**
Neutrality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

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

This also enables a reduction in CO_2 emissions by 204,579 tons/year (2030), amounting to 3.273 million tons in the 16 subsequent years (2030 to 2045).

The emissions avoided correspond to 204,600 tons of CO_2 per year, representing a saving to Portugal of EUR 5.4m /year, totalling EUR 86.1 million over the 16 years of the complete project.

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



MEASURE	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Efficiency	2,0	7,9	13,9	15,9						
Biogas	0,7	4,5	6,5	1,7	0,3					
Hydrolysis										
Wind power 1		3,0	8,0	9,0						
Wind power 2					3,0	7,5	12,0	7,5		
Hydro 1	0,6	1,3	1,9	3,9	3,9	1,3				
Hydro 2	0,1	0,2	0,3	0,5	0,5	0,2				
Hydro 3	0,4	0,8	1,2	2,3	2,3	0,8				
Solar III (on-shore)	10,6	24,7								
Solar III (floating)	1,3	3,1								
Solar IV (solo)			10,4	10,4	10,4	20,8	20,8	20,8	16,6	
Solar IV (floating)						6,2	12,4	18,7	18,7	
Studies, ...	2,0	2,0	1,0	1,0	1,0	1,0	1,0	1,0		
Going digital, ...	5,5	5,5	2,7	2,7	2,7	2,7	2,7	2,7		
AdP Group	23,1	52,9	45,9	47,5	24,1	40,5	49,0	50,7	35,2	

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

THE PILOT PROJECT FOR THE REGULATORY RESERVE PROMOTED BY ERSE

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

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

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

FUTURE PROSPECTS

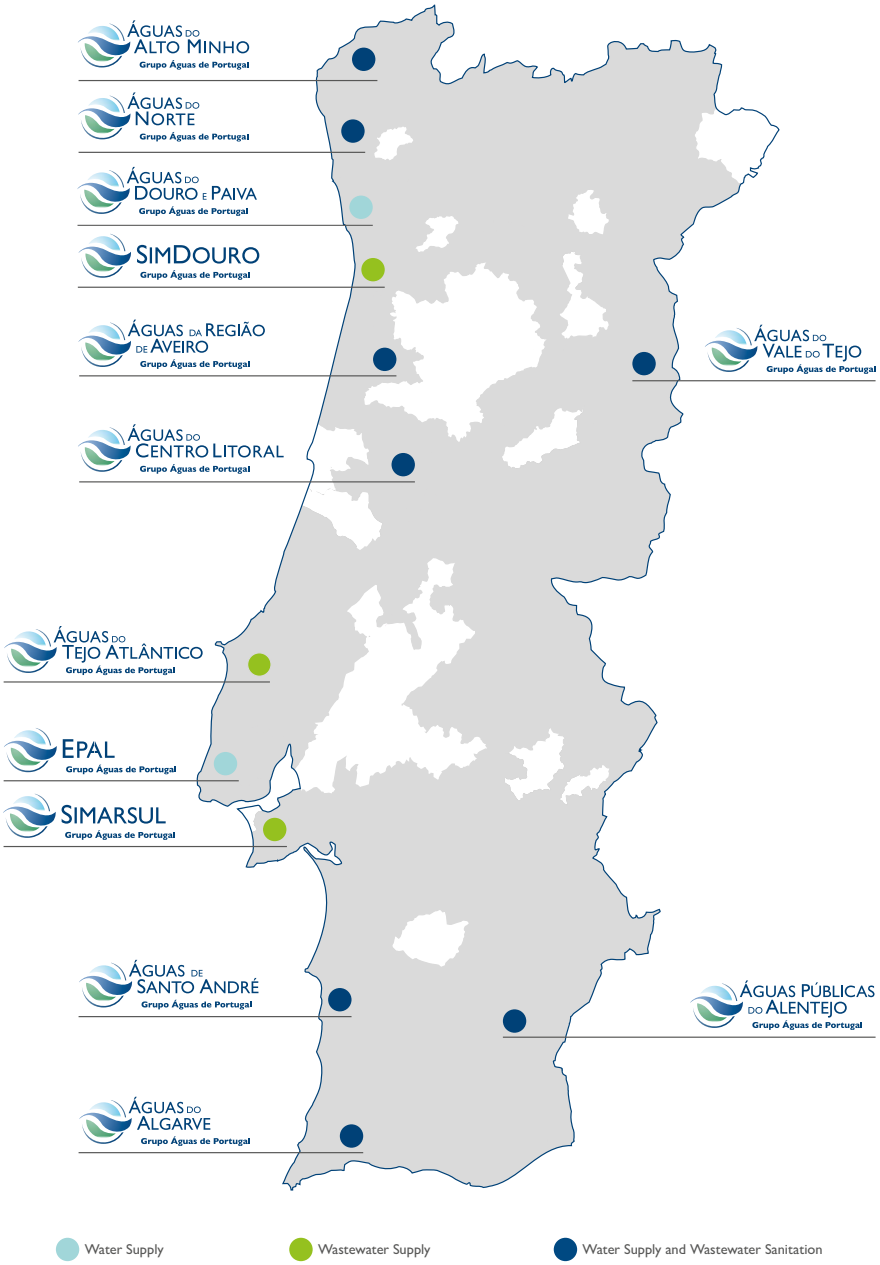
As regards the action plan for the future and the measures for the creation of value for the shareholder (raising productivity, orientation to the client, reduction of the exposure to the risks resulting from environmental, economic and social impacts of its activities, measuring and estimating the greenhouse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

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

WATER SUPPLY AND SANITATION ACTIVITIES

MANAGEMENT COMPANIES

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



INDICATORS

POPULATION AND MUNICIPALITIES

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

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

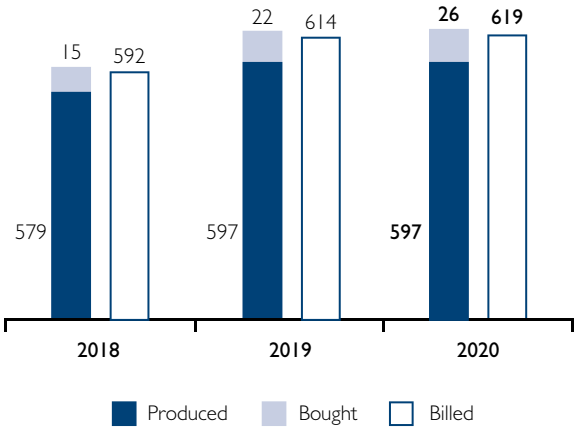
VOLUMES

SUPPLY

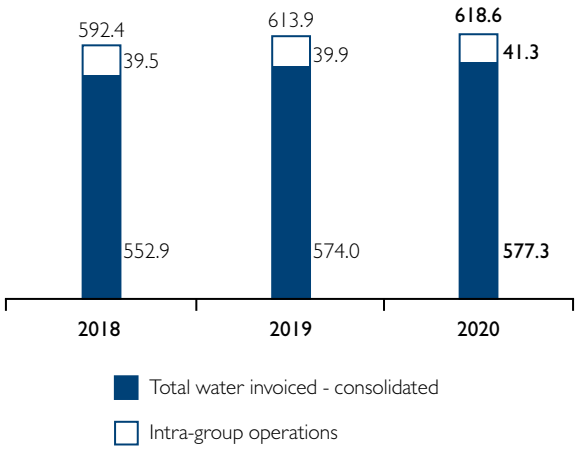
The amount of water billed for human consumption (consolidated) rose by 0.8% to reach 619 million m^3, and registering a positive variation of 0.6% in the amount of water produced and acquired, which represent the volume Entering the System.

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

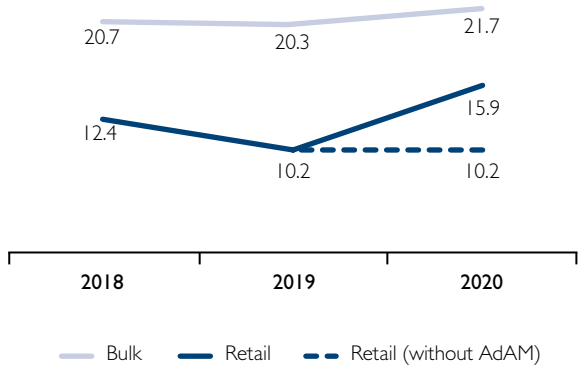
WATER SUPPLY TOTALS
(million m^3)



TOTAL WATER INVOICED
(million m^3)



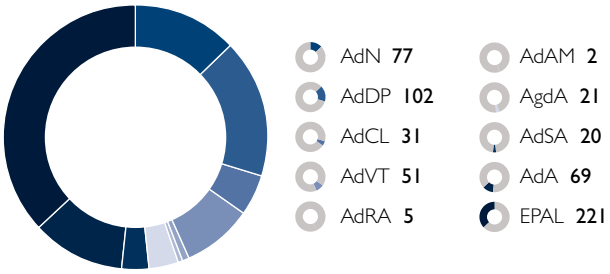
REAL LOSSES
(million m^3)



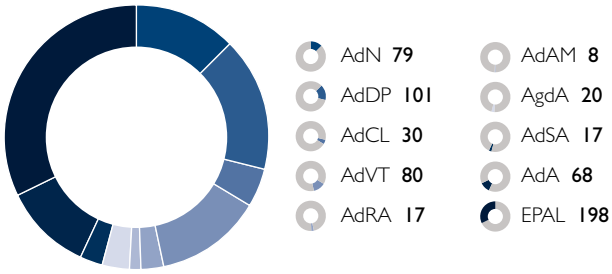
The figure above sets out the trajectory for water losses excluding AdAM given that 2020 represented this company's first year in operation and to enable comparable analysis with previous years.

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

WATER PRODUCED
(million m³)



WATER BILLED
(million m³)

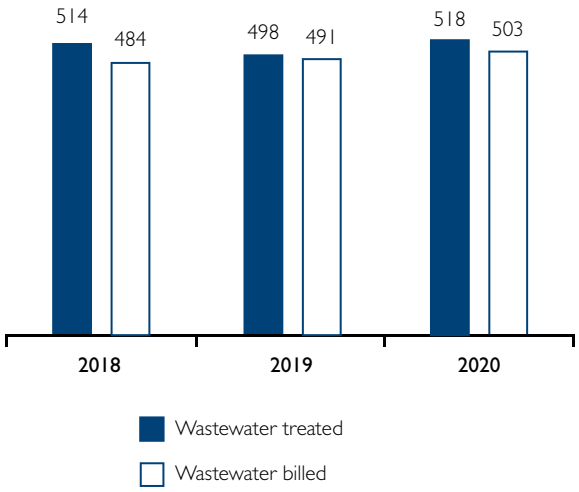


SANITATION

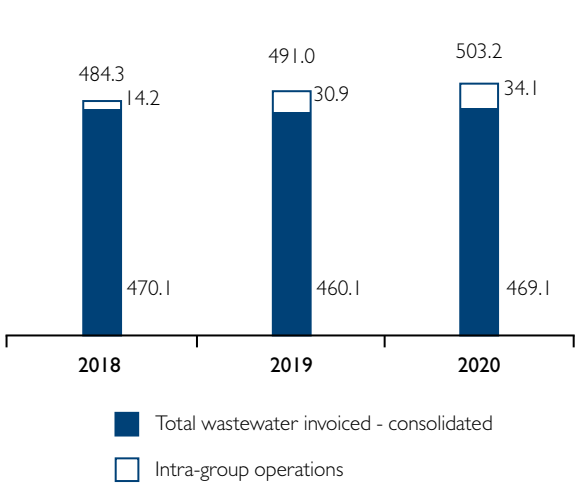
As regards sanitation, the volume of effluent treated, 518 million m³ reflects a 4.1% year-on-year increase. This favourable variation also reflects, even if to a lesser extent, on the volume of invoiced wastewater, which rose by 2.5%.

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

WASTEWATER TOTAL
(million m³)

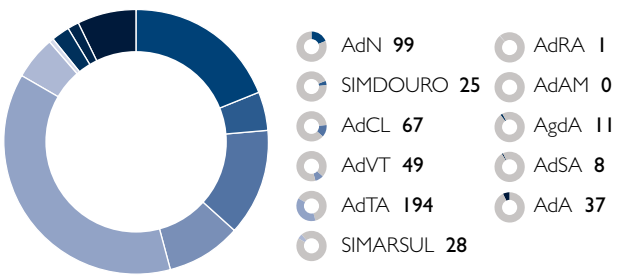


TOTAL WASTEWATER BILLED
(million m³)

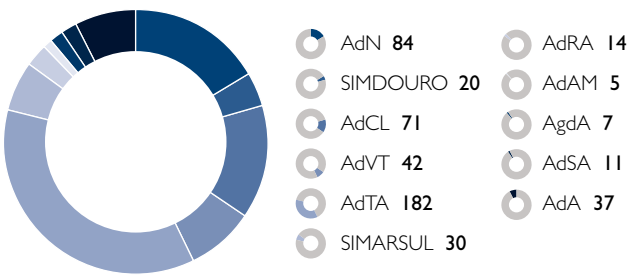


Average flow rates for wastewater in the already served municipalities stand at around 227 litres per day per inhabitant, which represents an annualised decrease of 1.3% resulting from the drop in the annualised volume of treated wastewater.

EFFLUENT TREATED
(million m³)



EFFLUENT BILLED
(million m³)



INFRASTRUCTURES

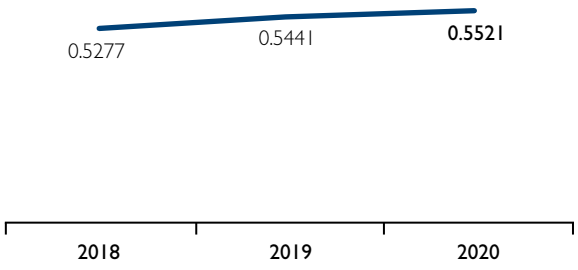
The evolution in the number of infrastructures within the AdP Group over the last three years was the following:

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

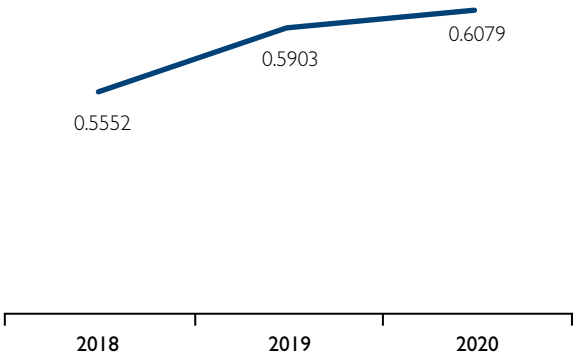
AVERAGE REVENUE

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

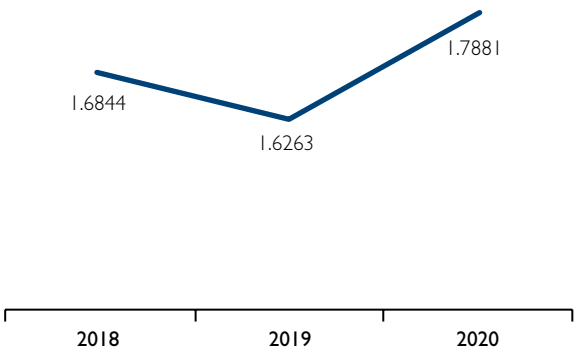
AVERAGE REVENUE - WATER SUPPLY (BULK)
(€/ m^3)



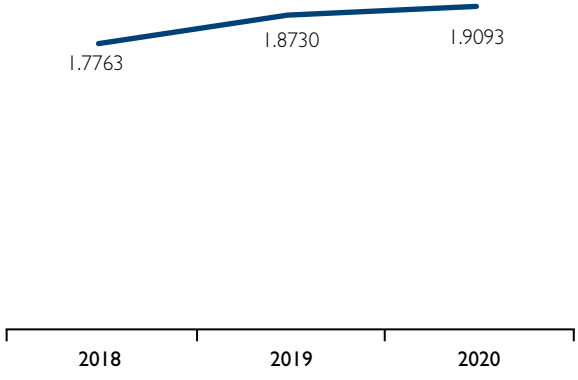
AVERAGE REVENUE - WASTEWATER TREATMENT (BULK)
(€/ m^3)



AVERAGE REVENUE - WATER SUPPLY (RETAIL)
(€/ m^3)



AVERAGE REVENUE - WASTEWATER TREATMENT (RETAIL)
(€/ m^3)



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

INVESTMENT

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

MEUR

	2018	2019	2020
Investment of the year	133.8	16.2	**128.9**

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

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

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

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

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

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

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

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

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

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

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

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

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

MEUR

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

EU FUNDS

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

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

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

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

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

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

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

MULTI-MUNICIPAL SYSTEMS (INDIVIDUAL ACCOUNTS)

ÁGUAS DO NORTE (AdNORTE) – BULK ACTIVITIES

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation.
(3) Loans and Financial Leasing
(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO DOURO E PAIVA (AdDP) – BULK ACTIVITIES

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

MEUR

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

(1) Includes neither the value of either Earnings from Construction (IFRIC 12) nor the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation
(3) Loans
(4) Financial Debt Total - Availabilities - FRCS

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

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation
(3) Loans
(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO CENTRO LITORAL (AdCL)

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation.
(3) Loans
(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO VALE DO TEJO (AdVT)

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

MEUR

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

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

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

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

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

(3) Loans + Financial Leasing

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO TEJO ATLÂNTICO (AdTA)

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation
(3) Loans
(4) Financial Debt Total - Availabilities - FRCS - Holding Group Treasury Support

SIMARSUL – SANEAMENTO DA PENÍNSULA DE SETÚBAL (SIMARSUL)

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation
(3) Loans
(4) Financial Debt Total - Availabilities -FRCS - Holding Group Treasury Support

ÁGUAS DO ALGARVE (AdA)

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)
(*)In 2019 the company began recording the CRD in the statutory accounts

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation.
(3) Loans
(4) Financial Debt Total - Availabilities - FRCS
(*) In 2019, the company began registering CRDs in its statutory accounts.

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

ÁGUAS DA REGIÃO DE AVEIRO (AdRA)

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)
(*) From an 'individual accounts' perspective

MEUR

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

(1) Intangible assets + Tangible assets +Right-of-use assets
(2) Refers only to the amounts billed for water and sanitation
(3) Loans
(4) Financial Debt Total - Availabilities - FRCS (n.a)

ÁGUAS PÚBLICAS DO ALENTEJO (AgdA)

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

MEUR

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

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

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

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

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

(3) Loans

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO NORTE (AdNORTE) – RETAIL ACTIVITIES

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

MEUR

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

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

(2) Results before interest and tax

(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible Assets + Tangible Assets + Investment Properties

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

(3) Loans and Financial Leasing

(4) Financial Debt Total - Availabilities - FRCS

ÁGUAS DO ALTO MINHO (AdAM) – RETAIL ACTIVITIES

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

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

MEUR

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

(1) Does not include the value of either Earnings from Construction (IFRIC 12) or the CRDs
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to impairments and reversions – CRD – Investment subsidies - Earnings/ Construction costs (IFRIC12)

MEUR

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

(1) Intangible Assets + Tangible Assets + Investment Properties
(2) Refers only to the amounts billed for water and sanitation
(3) Loans and Financial Leasing
(4) Financial Debt Total - Availabilities - FRCS

OTHER STATE-OWNED COMPANIES (INDIVIDUAL ACCOUNTS)

EMPRESA PORTUGUESA DAS ÁGUAS LIVRES (EPAL)

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

MEUR

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

(1) Results before interest and tax
(2) OR + Amortisations + Provisions + Losses due to Imparities and Reversions– Investment Subsidies

MEUR

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

(1) Intangible Assets + Tangible Assets + Assets under Right of Use + Investment Properties
(2) Refers only to the amounts billed for water and sanitation
(3) Loans
(4) Financial Debt Total - Availabilities - Holding Group Treasury Support - Financial Applications

ÁGUAS DE SANTO ANDRÉ (AdSA)

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

MEUR

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

(1) Does not include earnings from construction (IFRIC 12)
(2) Results before interest and tax
(3) OR + Amortisations + Provisions + Losses due to Imparities and Reversions– Investment Subsidies – Construction Earnings/Costs (IFRIC12)

MEUR

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

(1) Intangible Assets + Tangible Assets + Assets under Right of Use
(2) Refers only to the amounts billed for water and sanitation.
(3) Loans
(4) Financial Debt Total - Availabilities - Holding Group Treasury Support - FRCS

PROSPECTS [WATER SUPPLY AND SANITATION SYSTEMS]

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

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

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

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

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

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

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

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

OTHER ACTIVITIES

INTERNATIONAL

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

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

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

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

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

As regards contractual implementation, there were the following developments:

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

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

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

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

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

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

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

INDICATORS

thousand EUR

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

[1] Operational Result + Amortisations + Provisions

thousand EUR

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

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

OUTLOOK

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

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

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

ACTIVITIES OF OTHER HOLDINGS

AQUATEC

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

AdP TIMOR-LESTE

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

ÁGUAS DO BRASIL

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

AdP ENERGIAS

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

Amongst the responsible economic policies, the management of energy consumption and the in-house production of renewable energy, the measurement of CO_2 emissions and the development of actions to mitigate or minimise climate change and pursuing activities based on the principles of the circular economy stand out as those receiving greatest AdP Group attention.

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

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

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

- Solar photovoltaic energy (sale to RESP and self-consumption),
- Wind power (sale to RESP and self-consumption),

• Energy efficiency;
• Energy management;
• Sustainable mobility in the service vehicle fleet;
• Monitoring of CO_2 emissions and the carbon neutrality of AdP Group companies;
• Other projects.

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

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

Further information on the key activities carried out by AdP Energias in the 2020 financial year is available at: https://www.adp.pt/pt//?id=78&emp=11.

PERFORMANCE

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

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

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

INDICATORS

thousand EUR

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

[1] Operating Result + Amortisations + Provisions

thousand EUR

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

OUTLOOK

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

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

iii) Developing the monitoring activities and designing the actions that will integrate the AdP Group's Carbon Neutrality Plan;
iv) Implementing the proposed medium-term AdP Group strategy for sustainable mobility.

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

AdP VALOR – SERVIÇOS AMBIENTAIS

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

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

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

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

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

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

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

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

ACTIVITIES

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

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

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

PERFORMANCE

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

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

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

INDICATORS

thousand EUR

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

[1] Operating Result + Amortisations + Provisions

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

thousand EUR

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

ACTIVITIES OF OTHER SHAREHOLDINGS

TREVO OESTE – TRATAMENTO E VALORIZAÇÃO DE RESÍDUOS PECUÁRIOS

Trevo Oeste - Tratamento e 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

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

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

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

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

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

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

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

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

SUSTAINABILITY STRATEGY 2017-2020

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

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

IN SYMBIOSIS WITH THE ENVIRONMENT

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

Commitments:

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

Contributing to combatting climate change

Commitments:

- Guaranteeing Group eco-efficiency

SYMBIOSIS WITH SHAREHOLDERS AND CLIENTS

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

Commitments:

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

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

Commitments:

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

SYMBIOSIS WITH EMPLOYEES

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

Commitments:

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

SYMBIOSIS WITH THE COMMUNITY

Nurturing growing proximity to the community

Commitments:

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

TO BE HIGHLIGHTED IN 2020/ RELEVANT ASPECTS

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

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

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

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

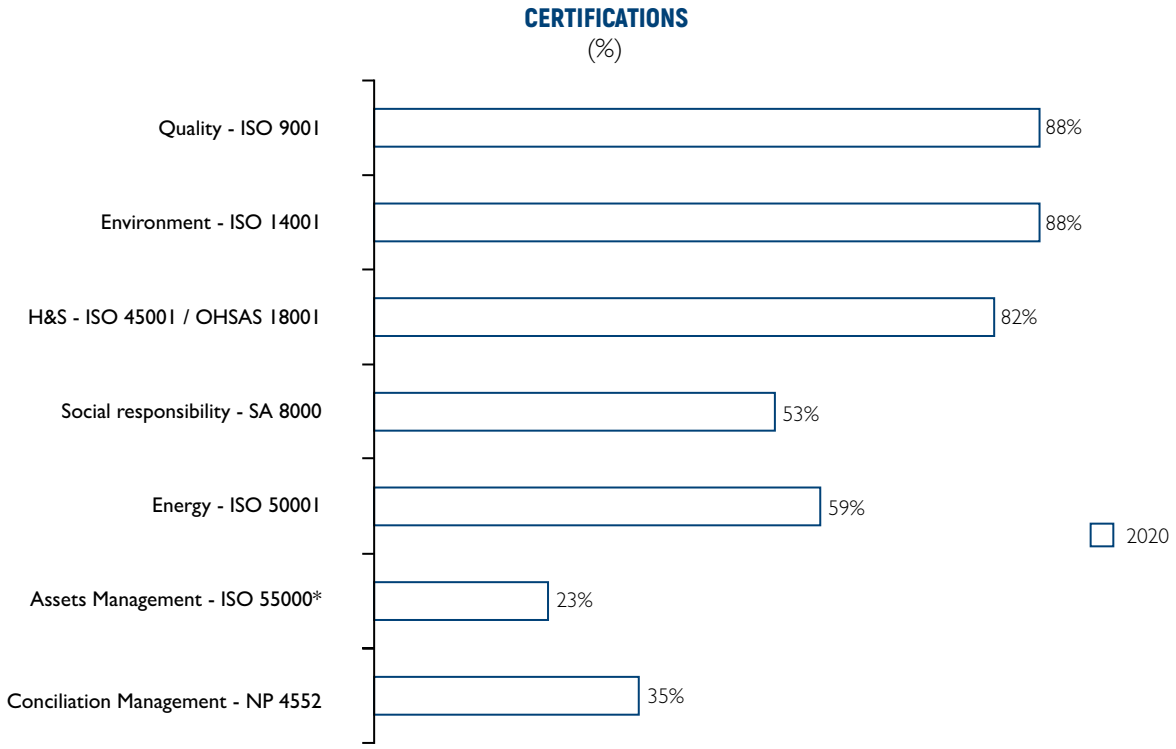
  The Contingency Plans were activated and adjusted throughout the year according to the evolution of the epidemiological situation and the measures enacted in Portugal. However, all the adjustments always contained two premises: **(i)** maintaining the safety of all workers and **(ii)** the continuity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

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

- In 2020, the Group undertook a strategic reflection process, which effectively represented a milestone in the Group's history, giving rise to the Strategic Framework of Commitment 2020-2022. This was a transversal and participative process that involved the main stakeholders as well as mobilising the collective intelligence as the Group's main asset. This led to the identification of three main axes for priority actions, focused on People and Organisation, Customer and User, and Environment and Society - 12 strategic challenges were established that furthermore led to around 500 proposals for action, reflecting the personal and professional experience of employees, specialists and experts in the complete water cycle, its evolution and needs.

- We continued to pursue the policy of developing and continuously improving processes to which the certification of the Quality, Environment, Safety, Energy and Social Responsibility systems strongly contributes in a logic of transparency and credibility. In 2020, 88% of Group companies have guaranteed their certification in Quality - ISO 9001, 88%, in Environment - ISO 14001, 82% in Safety

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



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

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

a) AdAM started operating this year and is now undergoing the certification process

b) SIMARSUL's certification was suspended for one year.

- The corporate scholarship program that contributes to the development and learning of employee children represents a high impact internal social responsibility program. In 2020, following the highest number of applications, 45 scholarships were awarded, 22 grants for higher education and 23 scholarships for special education for the amount of EUR 1,200 each. This project, which began in the 2013/2014 academic year, has now distributed 269 scholarships for the purposes of higher and special education.

- Also noteworthy is the AdP Group commitment to the Sustainable Development Goals (SDGs) and the deepening of the Global Compact principles that we signed up to in 2009, which cover the fields of human rights, labour practices, environmental protection and anti-corruption mechanisms. We also reinforced our commitment to the Alliance for Sustainable Development Goals. This year, we again participated as co-organisers in the Social Responsibility Week event organised by GCNP and APEE on the theme "Water: Towards 2030".

- To highlight the support and participation of Águas de Portugal within the scope of the SDG Ambition, a program designed to accelerate the implementation of the 17 Sustainable Development Goals of the United Nations Global Compact. In Portugal, the program is run by the Global Compact Network Portugal with the support of the Águas de Portugal Group and EDP and counts on the participation of 12 companies, including AdP SGPS, EPAL and Águas do Vale do Tejo.

- The Corporate Volunteering Program, "Drop by Drop We Change Lives", was continued (but not very actively given the Pandemic context in 2020). One key event this year was the delivery of Christmas hampers to 35 disadvantaged families in the Cova da Moura neighbourhood, identified by the Alto da Cova da Moura Social Solidarity Association in Amadora, ensuring a reinforced Christmas dinner for 76 people at a time of reinforced social needs.

- The AdP Group continued to partner Paralympic sport, supporting the Portuguese Paralympic Committee (CPP) for the Tokyo 2020 Olympic Games. As part of our social responsibility strategy, we provide backing to sport for all and in keeping with the Group mission.

- The AdP Group also once again hosted an intern from among the participants in the Girl Move project. The Girl Move Foundation holds the mission of nurturing a movement in life, supporting and empowering females in Mozambique through

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

- At the beginning of 2020, we joined EDP, the Lusíadas Group and Junior Achievement Portugal to deliver, through the Portuguese NGDO APOIAR – Portuguese Association for Support to Africa, 3 900 backpacks containing school material kits to support children in the Dondo region, in the province of Beira. Everybody in the Group, together and with the support of friends and family, collected 1 000 backpacks that have now been delivered to the children. Mission accomplished!

- SDG 17 calls for partnerships and the Águas de Portugal Group has taken this path both in knowledge and innovation management and social responsibility. We collaborate with various entities from the Portuguese Network of the United Nations Global Compact, the Alliance for SDGs, the BCSD, the IGEN Forum, the Portuguese Charter for Diversity, among others, all aligned for sustainable development.

- Sustainable mobility features as one of the determinant factors in combatting climate change. In 2020, the 128 100% electric vehicles that integrate the AdP Group service fleet (with 1,430 vehicles) travelled more than 1.8 million km, having avoided the consumption of more than 152,000 litres of fossil fuels, which represents a reduction of 512.6 barrels of oil equivalent. In terms of primary energy, the reduction was 57.2% (-74.8 tep), and electricity consumption was 260 MWh. This should also note that, in terms of CO_2 emissions, the reduction achieved compared to vehicles with thermal engines amounted to 339 tonnes (-83.6%). This was one result of the AdP Group PEPE project (2017 - 2020).

- Aware of this area and the national goals, an objective the AdP Group defined in the Energy Production and Efficiency Plan (PEPE 2020) involved the energy certification of its company vehicle fleets achieved by the end of 2020. To this end, in collaboration with ADENE (the energy agency), it actively participated in the pilot project for fleet energy certification, seeking efficient mobility for the energy transition. The 13 AdP Group companies, which together account for 1,430 vehicles, actively participated in the process and correspondingly obtained their fleet energy certification within the scope of the pilot project developed by ADENE, with results varying between Class B and Class D.

- The commitment to energy neutrality taken on by the Águas de Portugal Group was reaffirmed with the ZERO Energy Neutrality Program, which aims for the Group to achieve energy neutrality within a decade through the implementation of a continued strategy of consumption reduction and the increased production of 100% renewable energy.

- In the international field, the Group's activities also underwent important developments in 2020, particularly through implementing technical assistance to the Government of Goa for improving the operating efficiency of water treatment systems and planning sanitation systems interventions in this Indian state, formalised in a contract signed in February between AdP Internacional and the Public Works Department of Goa (PWD) under the auspices of the state visit of the President of the Republic to India. Progress was also made in East Timor, where the Águas de Portugal Group has been present since 2000, providing significant support to developing the water sector. Additionally, in the context of the pandemic dominating the world agenda, special reference should be made to the partnership established by AdP Internacional with the World Bank for the "Covid Just-in-Time" project, an initiative designed to support supply and sanitation management entities in their emergency responses to the Covid-19 pandemic, including a reference framework for the preparation of Emergency Plans for Water Service Operators and support to operators in different countries, mainly located in Africa and Latin America.

- As regards promoting the circular economy in the urban water cycle, 2020 will see the AdP Group draft its Action Plan for the Reuse with the aim of identifying treatment facilities able to feasibly produce water for reuse (ApR), the potential usages and investment needs to ensure treatment levels in accordance with the required quality standards and the corresponding construction of ApR distribution systems in keeping with the demand in effect at any given time.

- Furthermore within the scope of the circular economy, we should highlight the participation in various European consortia that are developing innovation projects, in particular "LIFE RENATURWAT", which involves demonstrating the improvement of wastewater treatment using the sludge that results from the water filtration process in Wastewater Treatment Plants, and "LIFE PHOENIX", which aims to develop and demonstrate modular, flexible and efficient solutions for the sustainable and safe production of water for reuse (ApR).

- It should be noted that in 2020, and in partnership with the Ministry of Education under the EDS Project - Education for Sustainable Development, pedagogical resources developed by Águas de Portugal were provided to the Ministry of Education through the Directorate General of Education and are now in usage by teachers on #EstudoEmCasa.

- In this context, it is also worth highlighting the game "Aquaquiz" that provides a tool made available by the Group to teachers and education communities while seeking to support the development of participative, creative and dynamic pedagogic practices that promote the value of water within the context of the Sustainable Development Goals (SDGs).

- We maintained the "Water at 360º" project in order to pursue the National Strategy for Environmental Education, specifically for the guiding principles and thematic axes: Decarbonising Society, Making Circulation Economical and Valuing the Territory, the aim of the "Water at 360º" project, which includes the Water at 360º Environmental Education Centre.

- One of our core guidelines is equality and respect for diversity. We actively promote the combating of discrimination and consider ethics to be fundamental values within the scope of our performance. In 2020, we continued to play an active role in various projects fostering gender equality and combating poverty and social exclusion. The AdP Group has implemented a sustained Gender Equality policy. In addition to this specific policy, the existence of a set of non-discriminatory Human Resource policies, the Code of Conduct and Ethics, the Collective Labour Agreement, the SA 8000 Social Responsibility and the Conciliation between Professional, Family and Personal Life NP 4552:2016 certifications, consolidate this issue. The Group's Human Resources Policy guarantees respect for diversity and equal opportunities, increasing corporate culture and social cohesion in the Group. The AdP Group Strategic Sustainability Plan adopts specific commitments to "Guarantee equal opportunities" and to "Promote the balance between professional and personal life". Águas de Portugal is one of the flagship organisations in the Conciliation Pact, with six companies with key advances including AdP SGPS, AdP Valor, AdP Internacional and AdP Energias certified since 2019 and EPAL and Águas do Vale do Tejo certified in 2020 with the NP 4552: 2016 standard - Management System for conciliation between professional, family and personal life. In 2020, we integrated the project "Engineers for a day", an initiative that seeks to promote the take-up of the branches of engineering and technology among secondary school students, demystifying the idea these areas reflect male domains.

- The AdP Group annually discloses in the Corporate Annual Report and Sustainability Report relevant human resources information disaggregated by gender (as well as at the individual company level). The corporate Sustainability Report is delivered to the key stakeholders and made available on Group and company websites as well as on its intranet.

COVID-19 PANDEMIC

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

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

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

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

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

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

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

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

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

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

STAKEHOLDERS

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

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

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

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

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

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

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

SPECIAL INFORMATION DISCLOSURE DUTIES

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

INNOVATION 2020

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

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

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

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

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

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

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

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

- **REUSE** *(Financed by: Environmental Fund; 2019-2020; Status: completed; AdP Valor Role: coordinator)*
  The project seeks to boost recourse to water for reutilisation (ApR) for agricultural irrigation in the Alentejo region through the deployment of environmentally sustainable and low-cost technologies while also fostering knowledge and the development of communication actions over water reutilisation. The objective of the methodology adopted demonstrates how such reutilisation is safe and adapted to the respective case, supported by cost-effectiveness analysis. The project applies the circular economy as a pillar, seeking to enhance the reutilisation and recovery of water and nutrients as well as the level of recourse to renewable energies.

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

- **PYROLIFE** *(Marie-Curie Innovative Training Networks financing (H2020; 2019-2023; Status: on going; AdP Valor Role: secondment)*
  The greater incidence of forest fires, not only in southern Europe but also in other European regions, requires a change in the paradigm of combatting forest fires and instead to "live with fire", which involves planning resilient landscapes and communities better prepared to deal with forest fires.

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

- **FRISCO** (*Financed by: FCT; 2020-2023; Status: on going: AdP Valor Role: partner*)
  Rural fires may lead to mass water contamination with fine sediments, nutrients and ashes with water managers thereby needing the appropriate information to determine the post-fire risk and select the most suitable impact mitigation measures. FRISCO seeks to provide answers to these needs through the construction of two outputs:

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

- **CRISI ADAPT II** *(Financed by: EIT Climate KIC; 2019-2022; Status: to be decided; AdP Valor Role: case study provider)*
  This seeks to monitor and optimise planning for adaptation to climate change through the implementation and validation in real time of seasonal predictions for climate and nature related dangers. As risk and operating management require holistic approaches to the various sectors affected, this project shall foster the democratisation of information on climatic risks necessary for each user and information on the vulnerability inherent to each impact model.

- **COVIDETECT** *(Financed by: Compete 2020; 2020-2021; Status: to be determined; AdP Valor Role: coordinator)*
  COVIDetect aims to create an early warning system of the presence of the SARS-CoV-2 virus, the etiologic agent of Covid-19, through the analysis of wastewater, contributing to improving responses to possible new outbreaks of the disease.

- **LIFE PHOENIX** *((Financed by: LIFE; 2020-2024; Status: on going; AdP Valor Role: partner)*
  The LIFE PHOENIX project aims to develop and demonstrate modular, flexible and efficient solutions for the sustainable and safe production of water for reuse (ApR) from wastewater following secondary treatment in line with new European requirements.

- **LIFE RENATURWAT** *(Financed by: LIFE; 2020-2024; Status: on going; AdP Valor Role: partner)*
  LIFE RENATURWAT seeks to demonstrate the effectiveness of using sludge from drinking water purification processes to improve wastewater treatment through its use in artificial wetlands, contributing to the removal of nutrients and organic compounds and to biodiversity and promoting the circular economy in the urban water cycle.

- **SARS CONTROL** *(Financed by: Compete 2020; 2020-2021; Status: on going; AdP Valor Role: coordinator)*
  SARS Control aims to understand the behaviour of the SARS-CoV-2 virus over the urban wastewater treatment chain (net phase and solid phase), to assess the extent to which wastewater treatment plants constitute effective barriers to the viability and dissemination of the virus, and to assess the direct and indirect impacts on public health and the health of ecosystems of the flows generated at the plants, in a circular economy context.

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

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

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

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

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

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

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

HUMAN RESOURCES

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

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

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

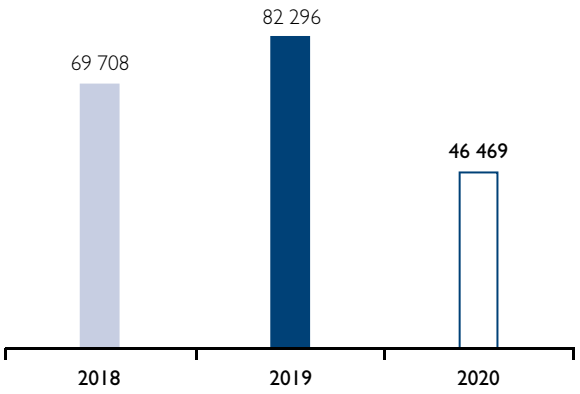
The internal mobility of employees is a practice that we value and stimulate across the Group, which represents an important factor in the professional evolution of our human resources. The internal recruitment of professionals for allocation to projects and / or to meet needs for specific knowhow is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

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

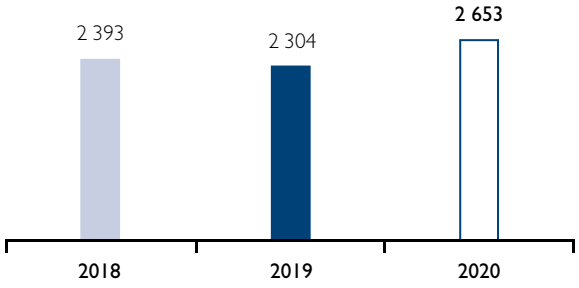
TRAINING AND DEVELOPMENT

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

NUMBER OF TRAINING HOURS



NUMBER OF TRAINEES



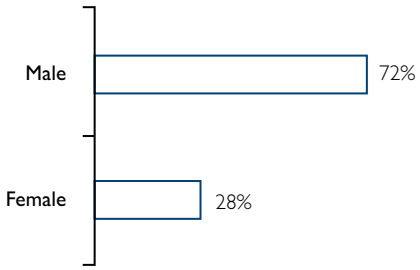
The number of training hours* decreased compared to previous years, mainly due to the pandemic situation that marked the year 2020. Several face-to-face training sessions were cancelled, due to the adaptation period that the partner entities had to assume, replacing face-to-face sessions by remote, digital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

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

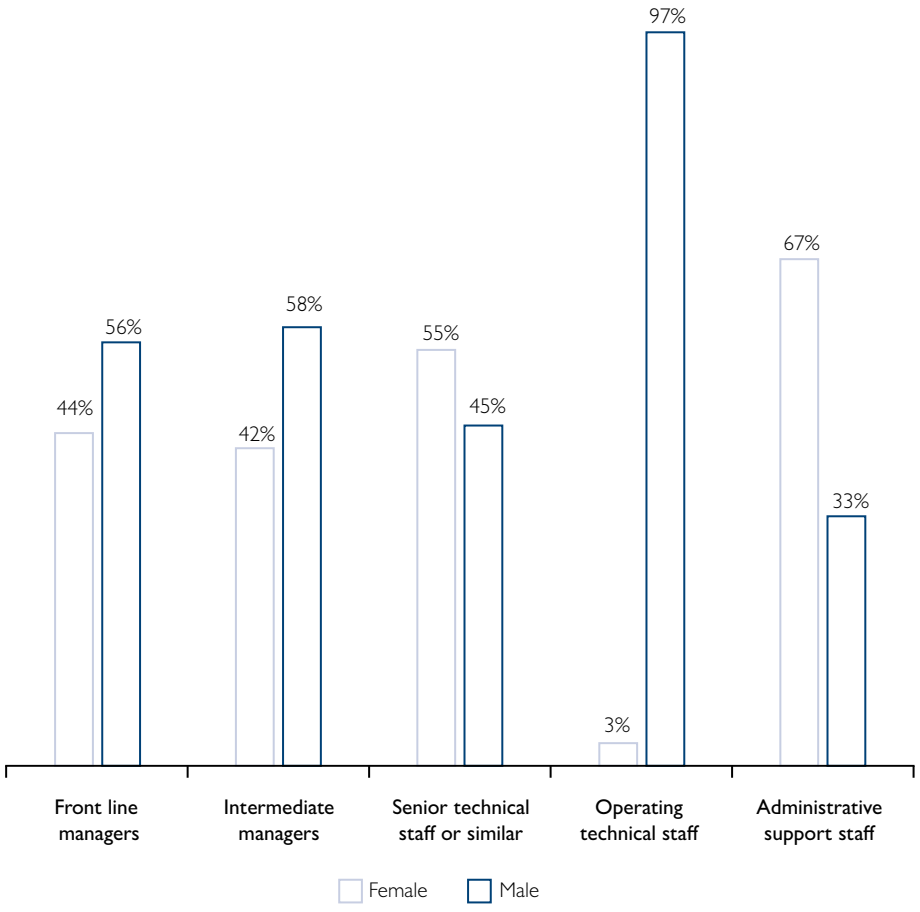
GENDER EQUALITY

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

GENDER DISTRIBUTION
(%)



PROFESSIONAL CATEGORIES, BY GENDER
(%)

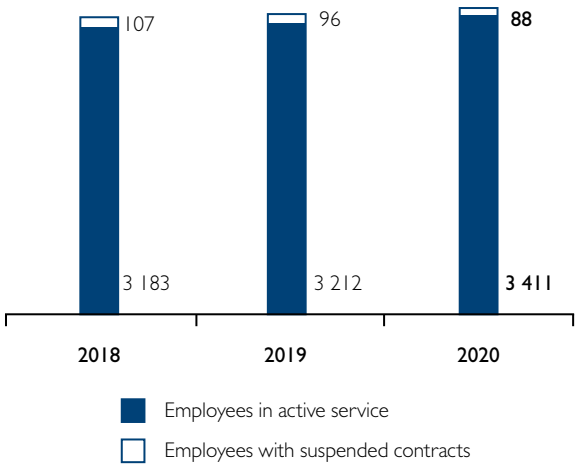


In compliance with paragraph 2 of Council of Ministers Resolution 18/2014 of 7 March and the procedures in place in the AdP Group, AdP SGPS, S.A. promotes, disseminates and publishes online information about the remuneration paid to women and men in its annual sustainability report.

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

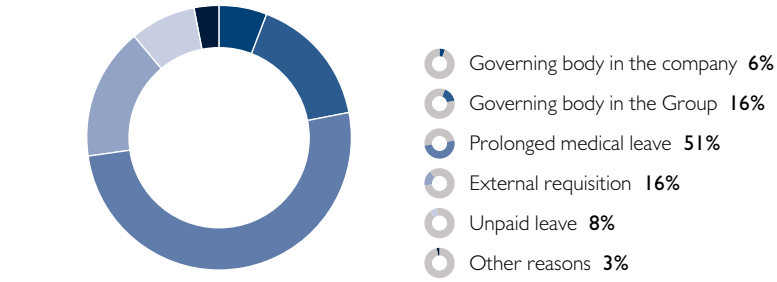
CHARACTERISTICS OF GROUP HUMAN RESOURCES AS AT 31 DECEMBER 2020

TOTAL GROUP EMPLOYEES



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

EMPLOYEES WITH SUSPENDED CONTRACTS
(%)

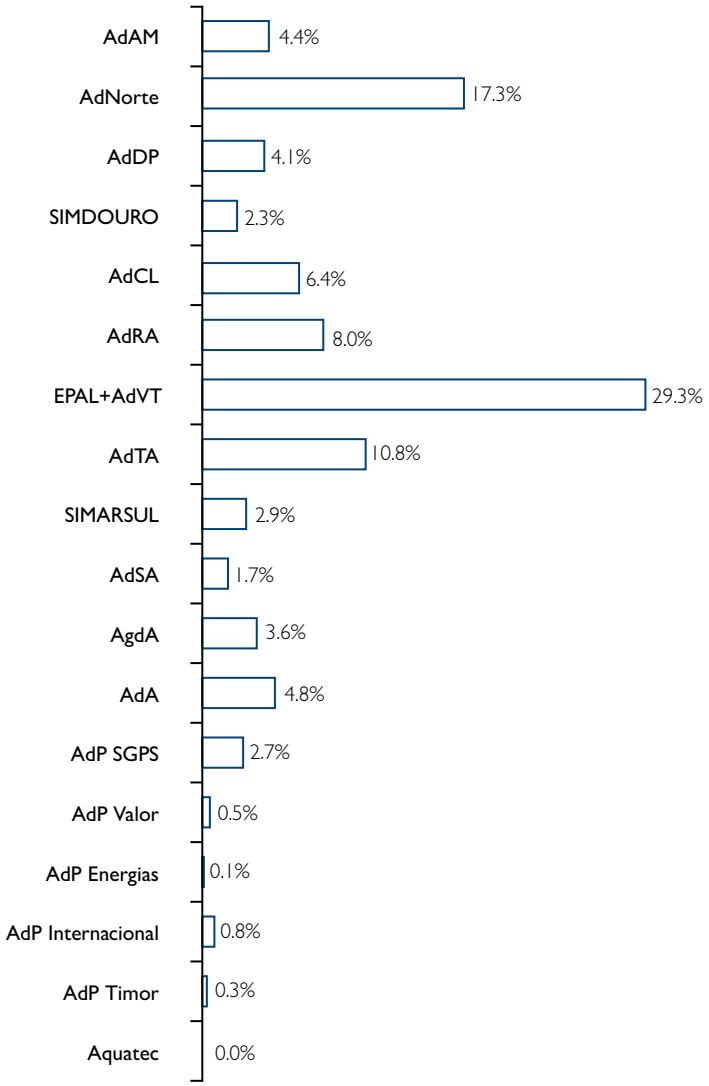


Of the employees with suspended contracts, 51% were on long-term sick leave while 22% were undertaking administrative functions in Group companies. The remaining situations concern suspended contracts for the performance of public duties (external requisition), unpaid leave, and other reasons.

CHARACTERISATION OF THE ACTIVE WORKERS

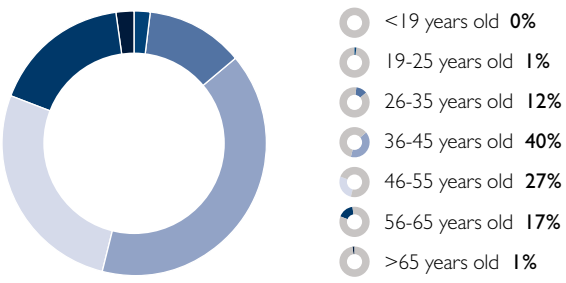
The companies employing the largest number of workers are EPAL (which includes AdVT workers) with 29.3%, Águas do Norte with 17.3% and Águas do Tejo Atlântico with 10.8%. The remaining companies concentrate the remaining 42.6% of active workers.

ACTIVE EMPLOYEES BY COMPANY
(%)

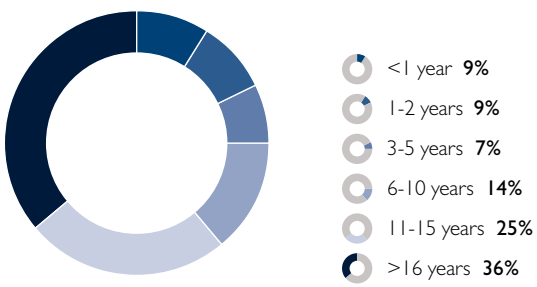


The average age of members of staff is 46, with 41% aged 36-45 and 27% aged 46-55. The active workers aged over 56 total around 17%.

AGE DISTRIBUTION
(%)



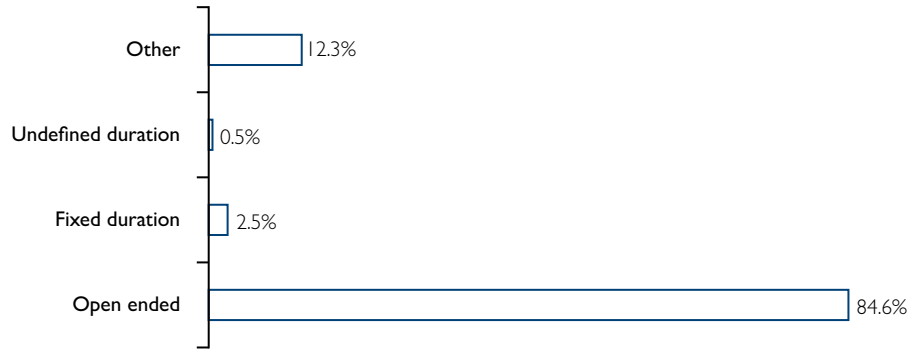
YEARS WORKED PER ACTIVE EMPLOYEE
(%)



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

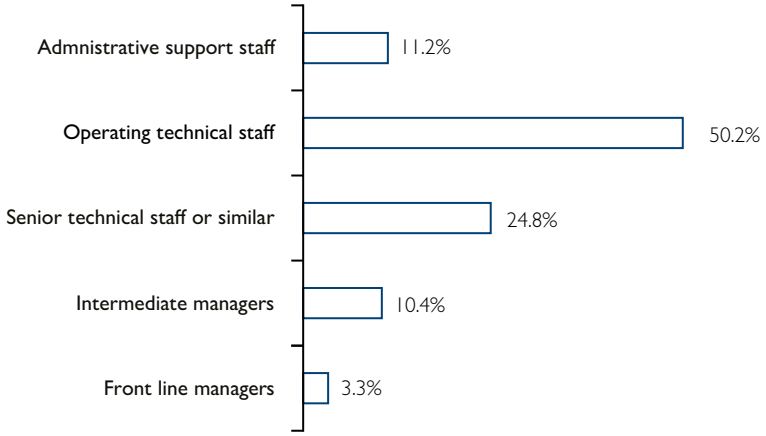
As regards the contractual relationship, 96.9% of the employees have permanent contracts (84.6%+12.3%). The employees on temporary assignment between Group companies, or on public interest assignment with other public bodies, represented in the chart as "other type of contract" are bound to their companies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

TYPES OF CONTRACTS
(%)



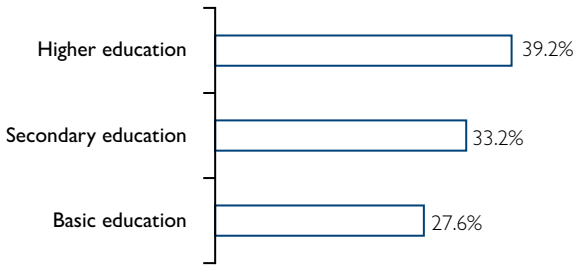
About 50% of the active workers are operational technicians and 25% are senior technicians. Management and middle management positions are occupied by 13.7% of the active workers.

PROFESSIONAL CATEGORIES
(%)



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

EDUCATION LEVELS
(%)



INTERNAL CONTROL AND RISK CONTROL SYSTEMS

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

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

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

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

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

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

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

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

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

The 2020 project drove the development of the following activities:

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

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

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

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

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

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

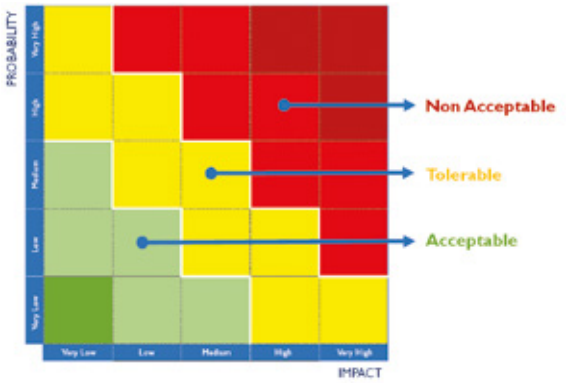
The above changes will also require the revision and adjustments to the risk management model in effect across the AdP Group to allow its Board of Directors to focus its monitoring and analysis on the critical risks identified, inherent to the activities and resulting from daily operations.

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

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

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

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



Risk assessment from the perspective of impact analysis includes the following analytical dimensions:
- Financial;
- Reputation;
- Legal or regulatory; and
- Level of alignment with business goals.

The probability of risk occurrence is also evaluated according to a wide range of factors, including:
- Existence and effectiveness of controls;
- Previous occurrence of the risk;
- Complexity of the risk; and
- Installed capacity to manage risk (people, processes, systems).

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

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

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

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

Bulk sanitation infiltrations: Risk of infiltrations along the bulk sanitation chain with a resulting reduction in treatment capacity and financial losses due to undetected malfunctions and faults, ageing infrastructure and the absence of network separation.
Losses in retail water supply: Risk of losses of hydric resources over the extent of the retail supply chain with consequent decreases in the supply capacity and financial losses stemming from breakdowns and leakages going undetected in due time or the ageing of the infrastructures.
Talent management: Risk of difficulties in attracting and retaining the human capital due to limitations inherent to the sectorial or economic conjuncture.
Environmental impact: Risk of the inefficient utilisation of environmental resources or their contamination due directly or indirectly to company activities or the failure to comply with the environmental legislation / regulation in effect.
Disasters: Risk of disasters that may have an impact at the level of continuity of the business through placing at risk the operating capacity of the infrastructures. In order to deal with these risks, Group companies have contracted insurance in order to ensure the transfer of these risks.
Regulatory: Decree Law no. 10/2014, of 6 March, approved the new ERSAR statutes which correspondingly takes on the role of an independent administrative entity with strengthened autonomy in organic, functional and financial terms and equivalent to the other independent regulatory entities.

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

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

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

FINANCIAL RISK MANAGEMENT

RISK FACTORS

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

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

MARKET RISK

INTEREST RATE RISK

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

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

EXCHANGE RATE RISK

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

RAW MATERIALS PRICE RISK (ENERGY AND FUEL)

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

LIQUIDITY AND CAPITAL RISKS

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

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

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

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

thousand EUR

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

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

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

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

Contracted short term lines of credit

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

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

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

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

(*) Only concerning leases with financial entities

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

CREDIT RISK

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

OPERATING COUNTERPARTY

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

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

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

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

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

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

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

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

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

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

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

DEPOSITS COUNTERPARTY

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

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

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

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

OPERATING RISK

DISASTER RISK

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

REGULATORY RISK

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

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

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FINANCIAL ANALYSIS

(YEAR-ON-YEAR)

NET RESULT

78.6

EUR MILLION

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

OPEX

517.3

EUR MILLION

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

GROSS DEBT

1 793.2

EUR MILLION

reduction of EUR 49.7 million (-2.7%)

INVESTMENT

128.9

EUR MILLION

down EUR 15.3 million (-10,6%) without the effects of IFRS16

BUSINESS TURNOVER

715.3

EUR MILLION

advance of EUR 23.8 million (+3.4%)

NET DEBT

1 514.0

EUR MILLION

reduction of EUR 157.9 million (-9.4%)

EBITDA (ADJUSTED)

374.1

EUR MILLION

improvement of EUR 8.4 million (+2.3%)

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

46.2 %

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

CRD (RESULTS)

55.4

EUR MILLION

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

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

This particularly considers the following issues.

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

These operations take place in close coordination with the concession 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 equity costs), in accordance with that stipulated in the concession contracts or the partnership management contracts.

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

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

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

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

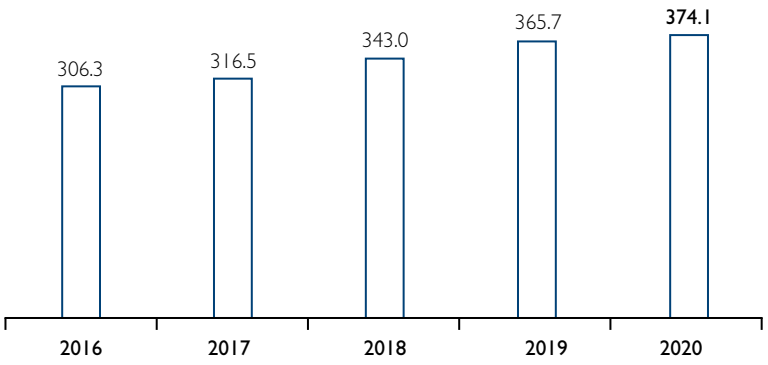
The reduction in Net Profit is mainly due to the following factors: **i)** lower sales due to the pandemic associated to SARS-CoV-2 virus, which particular impacted on the results of EPAL, Águas da Região de Aveiro, Águas do Algarve and Águas de Santo André, not offset by any reduction in charges; **ii)**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

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

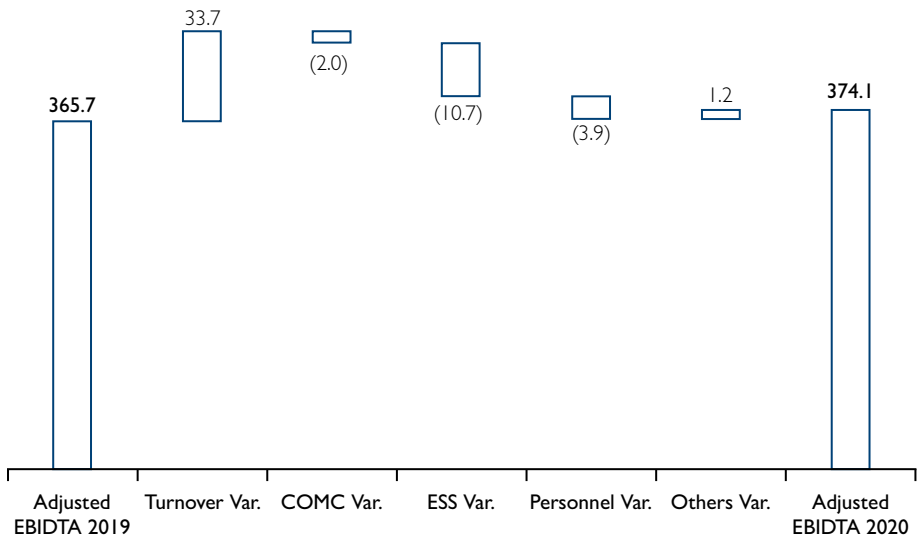
across the AdP Group. This growth is due to the improvement in the Business Turnover of both activities, (up EUR 23.8 million with particular emphasis on sanitation (up EUR 18.8 million), which allowed the Group to cope with an increase in operating expenses.

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

ADJUSTED EBITDA
(million EUR)



ADJUSTED EBITDA
(million EUR)



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

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

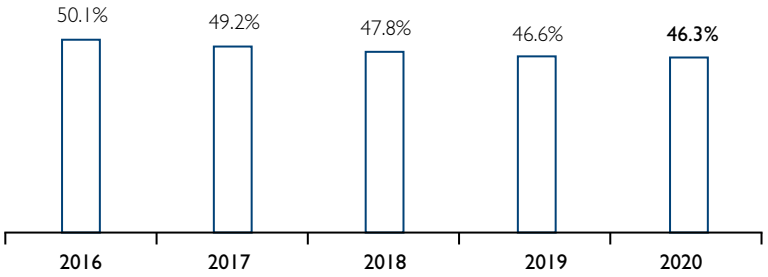
While falling within the scope of the consolidated accounts, in order to comply with the guidelines issued by the DGTF (Directorate General for the Treasury and Finance) for application to companies belonging to the Public Business Sector, the OC/BT ratio should be purged of the impacts of the SARS-CoV-2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

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

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

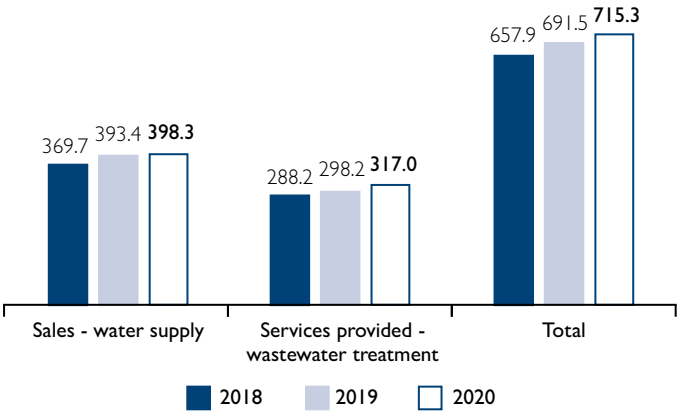
Without these effects, the coverage ratio for expenses by business turnover amounts to 47.4%.

OPERATIONAL COSTS/ TURNOVER

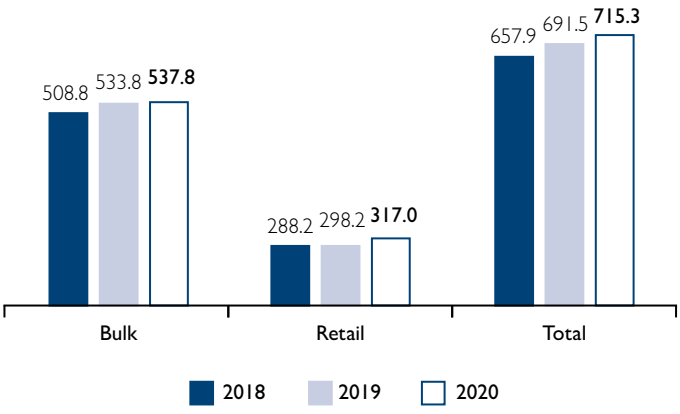


The Group's consolidated business turnover (excluding the income from the construction of concession assets under IFRIC 12 and the deviation in cost recovery) amounted to EUR 715.3 million, up approximately 3.4% on the previous year due to both the supply and sanitation activities.

TURNOVER BY BUSINESS AREA
(million EUR)



TURNOVER BY SEGMENT
(million EUR)



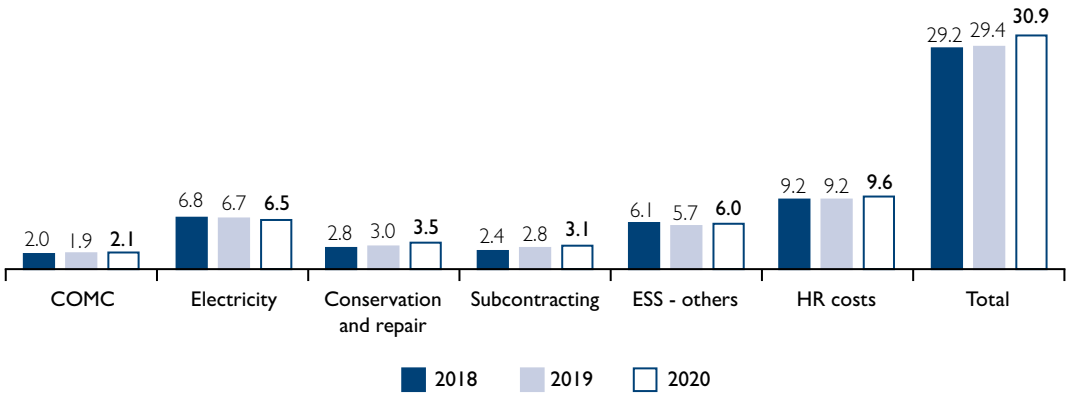
The 3.4% variation in business turnover derives from the following factors:

- In the supply activity, there was a 1.3% increase in sales resulting from the tariff update and the increase in the volume of billed water compared to 2019 (+4.7 million m^3).
  Despite the above, this should note that the retail activity was materially and negatively harmed by the Covid-19 pandemic. This effect was felt particularly in the regions with higher levels of tourism such as Lisbon (EPAL down 5.1 Mm^3 year on year), Oporto (AdDP down 1.8 Mm^3 year on year) and Algarve (Águas do Algarve with a 5.9 Mm^3 year on year fall). Furthermore, there were also the effects of the reduction in activities in the Sines Industrial Area (AdSA down 1.7 Mm^3 year on year).

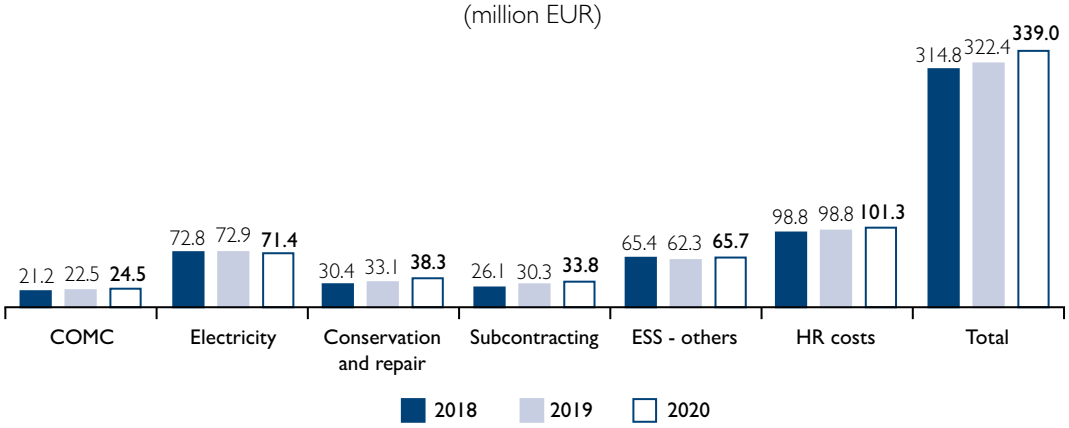
- In the wastewater treatment sector, there was an increase (6.7%) in the provision of services.
  This highlights how the business turnover generated by the treatment of bulk wastewaters maintained the two parameters essential for stabilisation: **(i)** applying a tariff earnings methodology, disconnected from the flow volume treated, and **(ii)** In its place, making recourse to a multi-year moving average based on the previous six full semesters in order to offset the effects of variations in levels of rainfall.

In unit terms, the cash-cost, which accounts for the costs of operation and maintenance for each measured unit of water produced and effluent treated, increased by 5.2% (approximately EUR 0.15 per m^3) from EUR 0.294 per m^3 in 2018 to EUR 0.309 EUR cents per m^3 in 2020, duly reflecting the rise in operating and maintenance costs.

CASH-COST
(ct€/ m^3)



CASH-COST STRUCTURE
(million EUR)



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

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

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

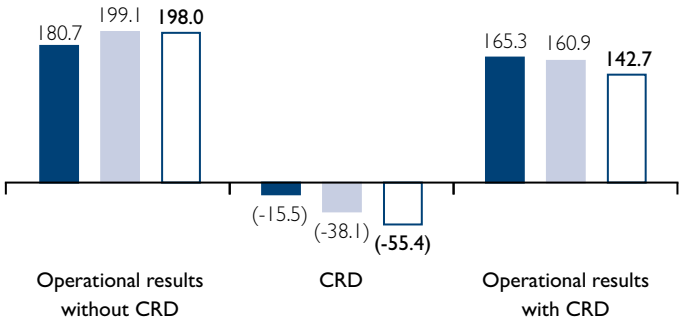
There was also an increase in operating expenses, due to the commissioning of the Companheira and Faro-Olhão Wastewater Treatment Plants, in Águas do Algarve, whose operating conditions and respective expenses are substantially higher due to the new technical solutions that these investments imply, and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

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

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

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

OPERATIONAL RESULTS
(million EUR)



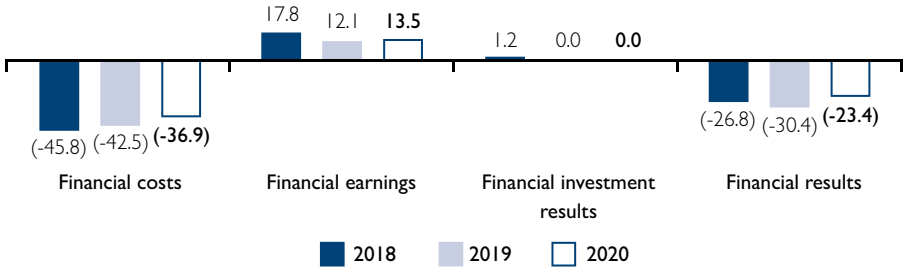
The cost recovery deviation corresponds to the difference between shareholder remuneration for the contractually defined and regulated activities and the net result generated by the respective activities, which in 2020, was a surplus of EUR 55.4 million (only SIMARSUL still did not register surpluses).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

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

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

This reflects in the following variation in the financial accounts:

FINANCIAL RESULTS
(million EUR)



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

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

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

MEUR

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

STATEMENT OF FINANCIAL POSITION

ASSETS

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

NON-CURRENT OPERATING ASSETS

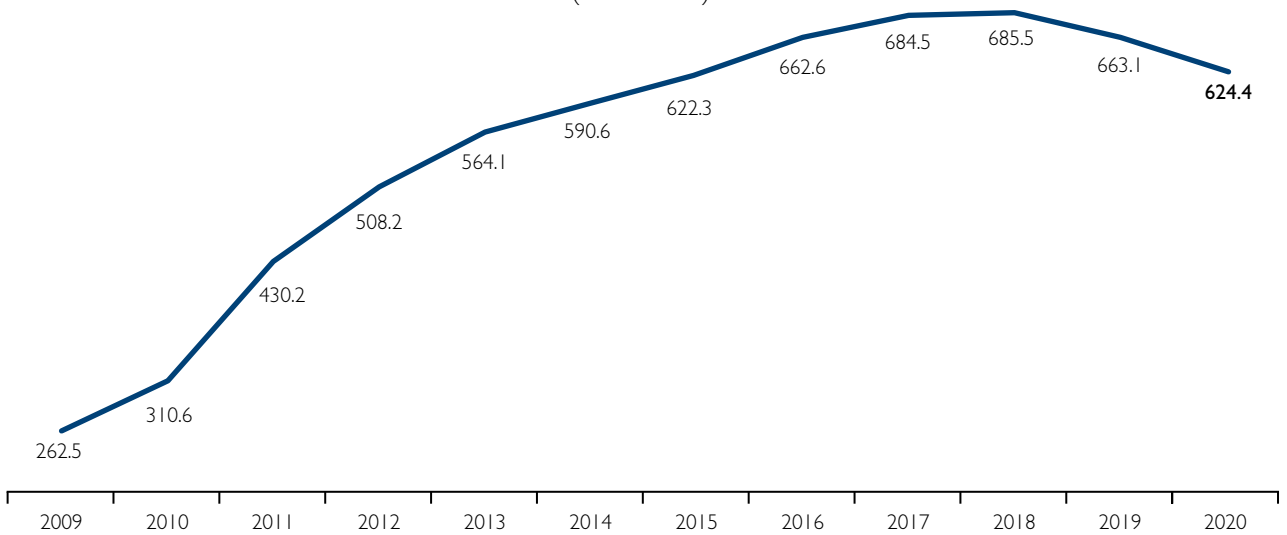
These assets are made up of **i)** intangible assets (that essentially correspond to accounting for the right to infrastructure utilisation); **ii)** tangible fixed assets investment properties; **iii)** assets under right of use; and iv) the accumulated value of the tariff deficit.

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

COST RECOVERY DEVIATION

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

COST RECOVERY DEVIATION
(million EUR)

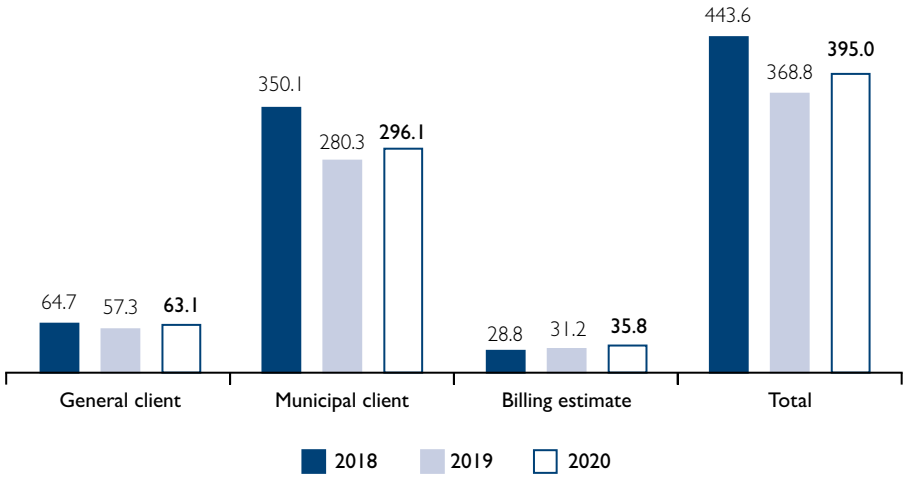


CLIENTS

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

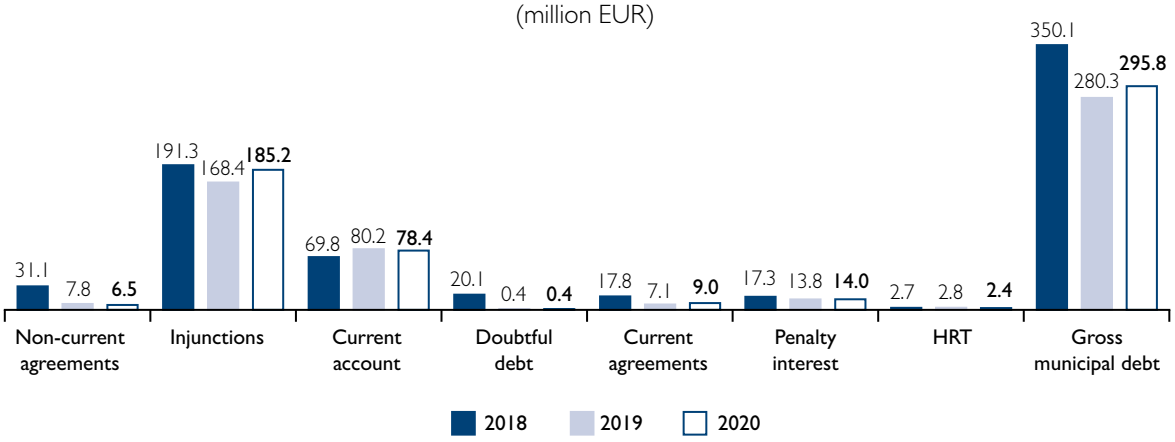
Note that the ARDs signed in 2019 are accounted for as financial assets at fair value through other comprehensive income, with an outstanding amount of EUR 17.6 million and reflecting the receipt of EUR 54.6 million in 2020.

GROSS CLIENT DEBT
(million EUR)



The Municipal Clients debt is broken down as follows:

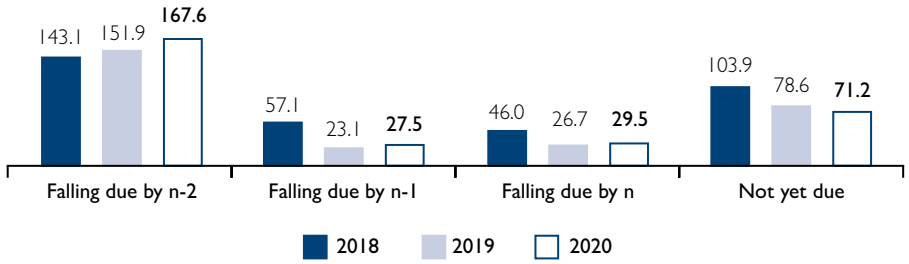
MUNICIPAL CLIENT DEBT*
(million EUR)



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

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

MUNICIPAL CLIENT DEBT BY AGE
(million EUR)



EQUITY

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

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

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

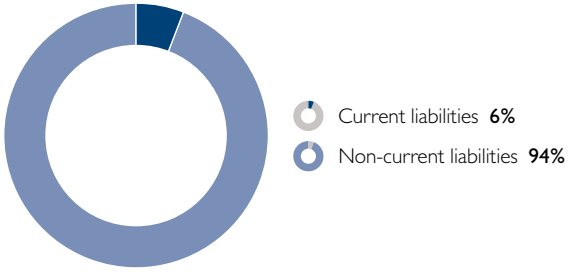
LIABILITY

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

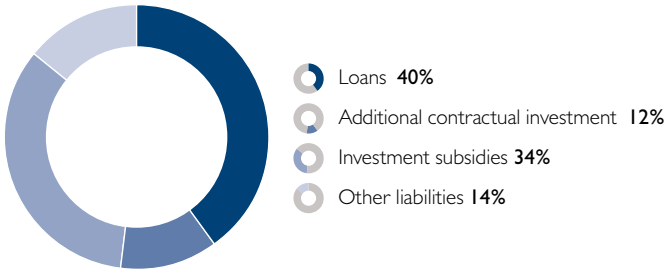
The non-current liabilities, EUR 4,158.4 million, represent 94% of total liabilities and are composed essentially of: **(i)** shareholder bonds (with a total value of EUR 551.1 million) and investments loans contracted from the European Investment Bank (amounting to EUR 1,235.0 million); **(ii)** investment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

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

DISTRIBUTION OF THE LIABILITIES
2020

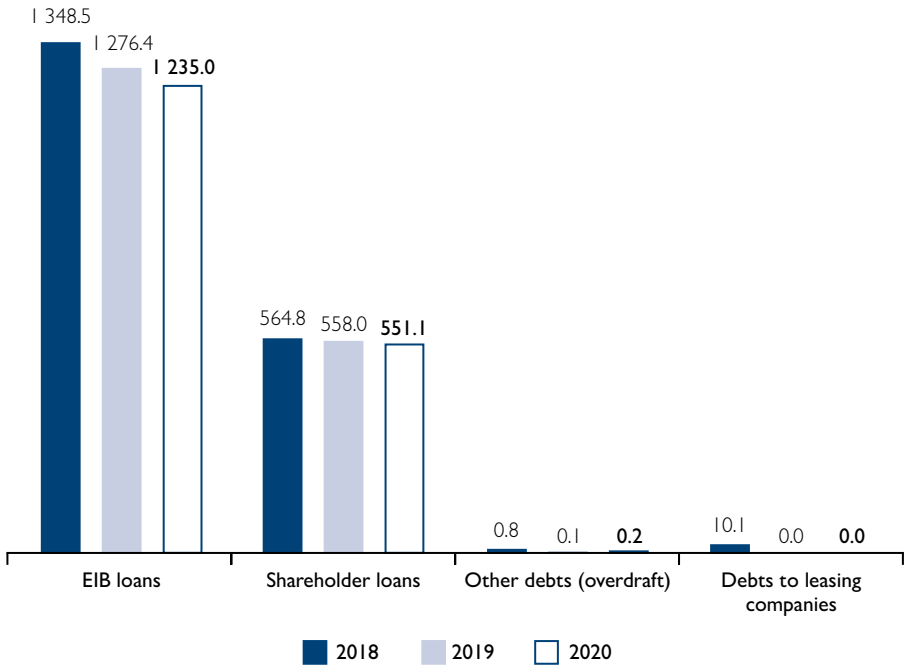


COMPOSITION OF THE LIABILITIES
2020



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

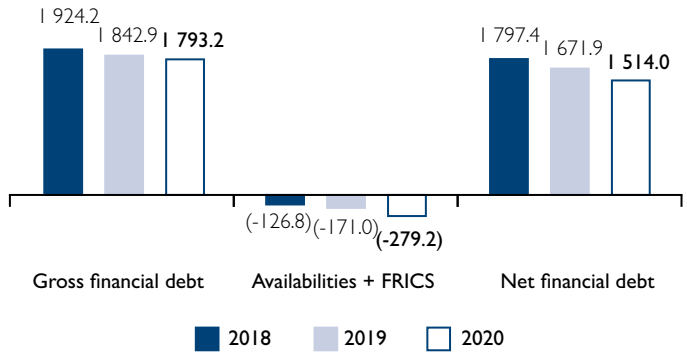
COMPOSITION OF THE LIABILITIES
(million EUR)



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

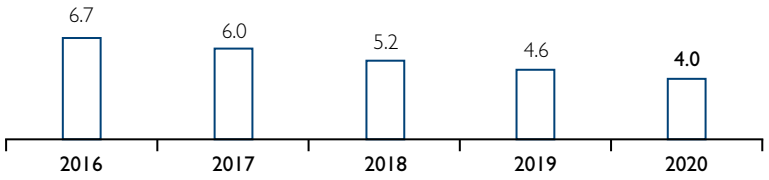
Furthermore, in the context of indebtedness, IFRS 16 was adopted with effect from 1 January 2019, which recognises debts to leasing companies as amounts to be reported under the liability heading "Lease Liabilities".

FINANCIAL DEBT
(million EUR)



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

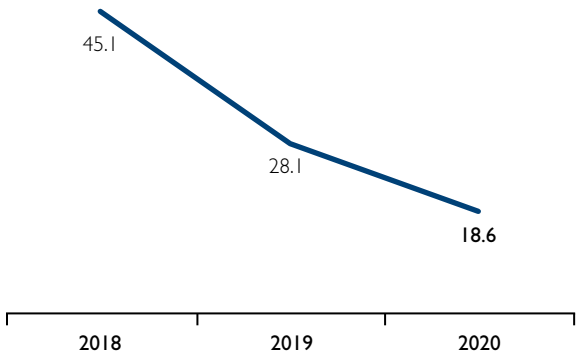
NET DEBT/ ADJUSTED EBITDA



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

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

INVESTMENT GRANTS RECEIVABLE
(million EUR)

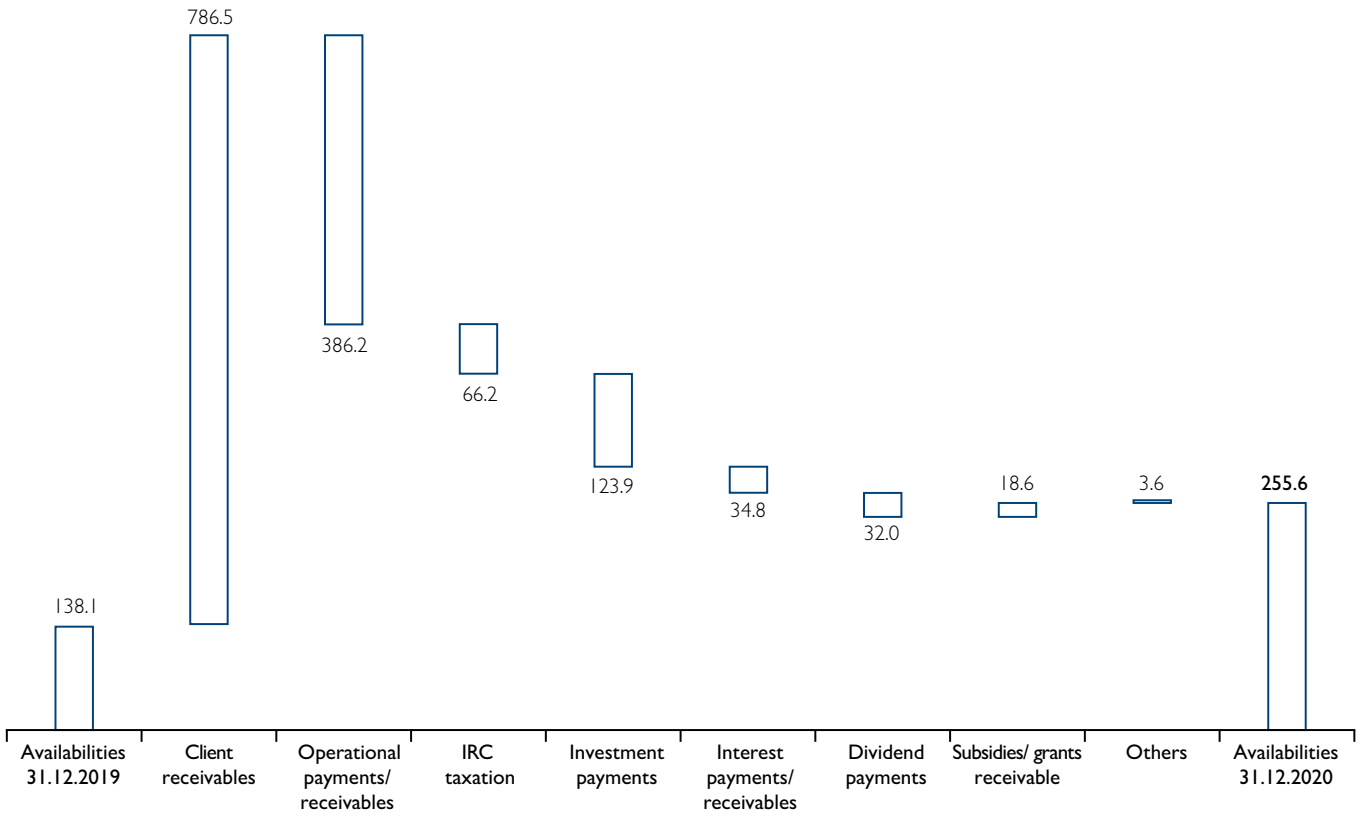


This should also highlight that the increased contractual investment costs item rose by 6.6% year-on-year. The total of EUR 526.1 million, reflects the quota-share of the charges estimated from contractual investment expenditure not yet incurred as well as the investments in expansion and modernisation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

CASH FLOW STATEMENT

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

CASH FLOW STATEMENT



FINANCIAL ANALYSIS OF INDIVIDUAL ACCOUNTS

2020

ACTIVITY FRAMEWORK

The performance of the AdP Group is based on the goals of the Strategic Plan for the Water Supply and Wastewater Sanitation Sector (PENSAASAR 2020) published by Order 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)** concession for multi-municipal systems, constituted by the State and municipalities; and **(iii)** management of systems constituted in Partnerships between the State and Municipalities.

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

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

THE RESULTS

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

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

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

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

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

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

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

MEUR

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

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

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

  Additionally, there were significant year-on-year reductions in the expenses incurred with Financial Advisory (58%), Legal Advisory (54%) and Studies and Consultancy (62%).
- For the reason explained in the previous bullet, the Personnel Costs item increased by 24% (EUR 1.1 million), which reflects the integration of the 38 employees assigned to the transferred departments, of whom 34 held active employment contracts at the year end.

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

This also reports the effects of applying IFRS16 to operation vehicle leasing contracts with an impact of EUR -278,000 on the ESS item. According to this norm, all leasing is now accounted for on the balance sheet in accordance with the single model similar to the model for reporting financial leases. The assets are reported on the balance sheet as right-of-use assets and with the liability item detailing the responsibility for the debt to the lessor. The costs of asset amortisations and of financial charges associated with leasing liabilities are reported in the statement of results.

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

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

MEUR

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

This variation in financial results was essentially due to:

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

STATEMENT OF FINANCIAL POSITION

KEY ITEMS

MEUR

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

ASSET

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

a) The reduction of EUR 56.6 million, compared to 2019, resulting from the subsidiary financing operations. As at 31 December 2020, the value of shareholder loans was EUR 51.3 million lower and Treasury Support was EUR 5.5 million higher. This should also note the reversal of impairment on loans granted for the amount of EUR 150,000.
The aforementioned reduction is materially justified by 2020 being greatly conditioned by the Covid-19 pandemic that substantially restricted the subsidiaries from executing their investment plans.

b) The increase of EUR 1.2 million related to Investments in subsidiaries and associates, stems from the share capital increase in the subsidiaries AdAM (EUR 0.37 million) and AgdA (EUR 0.62 million), having additionally covered the losses at AdP Internacional (EUR 0.22 million).

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

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

d) The decrease of EUR 5.0 million in Cash and cash equivalents.

SUPPLEMENTS

MEUR

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

TREASURY SUPPORT

MEUR

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

EQUITY

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

LIABILITY

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

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

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

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

MEUR

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

CASH FLOWS

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

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

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

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

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

SUBSEQUENT EVENTS

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

OUTLOOK

// WE NEVER STOP //

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The critical success factors of the Strategic Commitment Framework include:

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

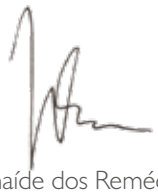
FINAL CONSIDERATIONS

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

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

Lisbon, 9 April 2021

The Board of Directors



José Carlos Athaíde dos Remédios Furtado

(Executive Chair)

José Manuel Leitão Sardinha

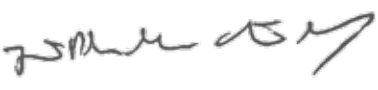
(Vice Executive Chair)

Carla da Conceição Afonso Correia

(Executive Director)

Catarina Isabel Clímaco Monteiro d'Oliveira

(Executive Director)



João Pedro Moura Castro Neves

(Executive Director)

Jaime Serrão Andrez

(Non-executive Director)

PROPOSED APPLICATION OF RESULTS

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

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

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

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

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

Lisbon, 9 April 2021

REPORT OF THE NON-EXECUTIVE DIRECTOR

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

I. INTRODUCTION

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

2. ACTIVITY

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

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

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

The non-financial reporting components include the Sustainability Report which, insofar as I could witness, was prepared according to the best practices in force and according to the United Nations guidelines and is, to the best of my knowledge, a clear picture of the activities performed by the company in this particular field.

Furthermore, the report presented about the impacts and expectations regarding the company in the current context of the ongoing COVID-19 pandemic reflects the best information available at this time and the great efforts deployed by the company and its Management Bodies in maintaining the possible regularity of the company's operations, protecting the health of its employees as well as strict compliance with the guidelines of the Government and Health Authorities, specifically those set out by the Contingency Plan in effect.

3. OPINION

As a result of the activities undertaken and the monitoring performed, to the present date nothing has come to my attention that prevents me from expressing an overall positive assessment of the performance of the Executive Directors. I can also herein report their extensive commitment and diligence in conducting the business, always bearing in mind compliance with the law and the strategic guidelines received from the relevant Sector and Financial Authorities as well as the efficiency and specific objectives defined, particularly as regards the containment of expenditure and the financial and economic valuations of the different business areas, and an excellent capacity for relations with the various stakeholders, in particular the PARPÚBLICA shareholder, in the performance of their public service.

Lisbon, 9 April 2021

The Non-executive Director
(one illegible signature)
Jaime Serrão Andrez

RELATÓRIO DO ADMINISTRADOR NÃO EXECUTIVO

RELATÓRIO DO ADMINISTRADOR NÃO EXECUTIVO SOBRE O DESEMPENHO DOS ADMINISTRADORES EXECUTIVOS

I. INTRODUÇÃO

Nos termos do artigo 7º do Decreto-Lei 8/2012, de 18 de janeiro, os Administradores não executivos devem apresentar um relatório sobre o desempenho dos Administradores Executivos.

2. ATIVIDADE

Nos termos da Lei e no exercício das competências que o Estatuto do Gestor Público e os estatutos da sociedade determinam, acompanhei, com as limitações decorrentes da qualidade de administrador não executivo, a gestão da empresa ao longo do exercício de 2020, podendo por isso dar nota do desempenho dos Administradores Executivos, e de eventuais factos relevantes que importe destacar.

Tanto quanto é do meu conhecimento, as Contas reportadas a 31 de dezembro de 2020, cumprem, em termos gerais, o quadro normativo específico vigente para as empresas que integram o Setor Público Empresarial, e constituem um retrato adequado da situação económica e patrimonial da empresa.

Saliento, também que as orientações legais foram cumpridas pela sociedade no exercício de 2020 tendo sido respeitadas as normas e os princípios do bom governo, definidas no Decreto-Lei nº 133/2013, de 3 de outubro, e nos regulamentos emitidos sobre a matéria, pela Direção Geral do Tesouro e Finanças, bem como orientações emanadas no âmbito da função acionista.

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

Também o reporte apresentado sobre os impactos e expetativas possíveis sobre a evolução da empresa no contexto de pandemia COVID-19 reflete a melhor informação disponível à data e um esforço grande da empresa, dos seus órgãos de gestão na manutenção da regularizada possível de funcionamento da empresa, de defesa da saúde dos seus colaboradores e colaboradoras, bem como o cumprimento estrito das orientações do Governo e das Autoridades de Saúde, nomeadamente plasmado no Plano de Contingência desenvolvido.

3. PARECER

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

Lisboa, 9 de abril de 2021

O Administrador não Executivo

Jaime Serrão Andrez

ANNEX I

COMPLIANCE WITH LEGAL GUIDELINES

For the purposes of demonstrating Compliance with the Legal Orientation of AdP SGPS, this followed the structure and the instructions on the accounts rendering process for 2020 (circular letter SAI_DGTF/2021/174 - DSPE of 12/01/2021.

1. MANAGEMENT OBJECTIVES (ARTICLE 38 OF RJSPE) AND ACTIVITY AND BUDGET PLAN

A) MANAGEMENT OBJECTIVES

The objectives of the AdP Group are determined by government policies for the sector, through guidelines set out in the strategic plans applicable to its areas of activity, by general guidelines issued by ministerial order and by specific guidelines of the shareholders. Under the terms of the legal regime of the business sector of the State and the Public Manager Statute, the State, as an indirect shareholder, defines the strategic guidelines.

The Board of Directors in office on 31 December 2020 was elected, for the mandate 2020-2022, on 4 May 2020, in the midst of a State of Emergency, arising from the current Covid-19 pandemic context. The strategic guidelines, objectives and management indicators and respective quantifiable targets for the 2020-2022 mandate have not yet been set, pending their approval in light of the Programme of the 22nd Constitutional Government and the exceptional measures approved by the Government in the current context of the Covid-19 pandemic.

Notwithstanding the above, the Board of Directors acted in 2020 in accordance with the legal determinations in force and with the guidelines transmitted to it by the holder of the shareholder position and by the Sectoral and Financial Guidance, in particular and without being exhaustive, through the development of contributions and measures to leverage the national economy in the particular and difficult context of the Pandemic, focusing on innovation, resilience, energy and carbon neutrality, the circular economy and solidarity with shareholder partners, also ensuring compliance with its Mission, reinforced by the order of the Sectoral Guidance (Order no. No. 3547-A/2020, of 23 March), through the continuous and uninterrupted provision of an essential public service of excellence and safeguarding the public health of the community.

Moreover, the Board of Directors of AdP SGPS challenged all managers and employees of the Águas de Portugal Group to build a Strategic Commitment Framework that aims to establish a mobilising path that will consolidate our shared and affirmative vision.

As the Águas de Portugal Group is one of the most efficient and sustainable international operators in water management, due to its focus on excellence in customer service, innovation, resilience, energy and carbon neutrality and the circular economy, its general strategic guidelines were defined, in 3 fundamental axes, which encompass 12 strategic challenges, materialised in an action programme for the three-year period 2020-2022.

B) IMPLEMENTATION OF ACTIVITY AND BUDGET PLANS FOR 2020

Under article 39, para. 6, of Decree-Law no. 133/2013, of 3 October, AdP SGPS made, presented and submitted the proposal of Activity Plan and Budget (PAO) for 2020, in December 2019. This proposal was approved by Order no. 78/2020-SET of 09/03/2020 and Order no. 51/SEAMB/2020 of 08/04/2020.

AdP SGPS based its budget exercise and monitored its execution, especially as regards the financial principles contained in the State Budget Law. The execution of the budget included in the 2020 approved PAO for AdP SGPS, reflects the general compliance with the financial principles and operational targets set for 2020.

Considering the reorganisation that occurred in the 2nd semester of 2020, the PAO values were revised in order to include the amounts allocated to the transferred departments, corresponding to the AdP Valor share of the approved PAO 2020.

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

	UN.	2020	BUD 2020	IMPLEMENT.	OBSERVATIONS
EBITDA*	EUR	5 742 724	2 844 554	202%	Increase in EBITDA through the positive contributions of business turnover and ESS's.
CMVC + ESS + Personnel costs	EUR	8 715 332	11 596 822	75%	Reduction in ESSs and personnel costs.
GO / VN	%	62.9%	80.4%	78%	Result of the increase in business turnover and reduction in operating costs.
Travel costs / Allowance costs / Vehicle fleet costs	EUR	269 676	332 854	81%	Reduction in the items "Travel and accommodation ", as well as "Allowance costs".
Business turnover	EUR	13 852 682	14 424 153	96%	Result of larger billing volumes by holdings than budgeted for.
Net result	EUR	60 565 736	63 827 280	95%	Main contribution from Operating Results, in particular the reduction in supplies and services and Personnel Costs.
Individual indebtedness (includes intragroup)	EUR	573 136 364	557 137 582	103%	In compliance with article 58 of the State Budget and article 159 of the Decree Law on Budget Implementation, growth in debt is capped at 2%. The debt level in the individual and consolidated accounts of AdP SGPS is positioned below budget, when intra-group operations are considered.
Individual indebtedness (excludes intragroup)	EUR	551 136 364	551 137 582	100%	
Consolidated debt	EUR	1 793 165 197	1 842 865 234	97%	
Financial investment	EUR	1 203 768	5 102 998	24%	Acquisition (subscribing) of capital as the holding of company holdings.
HR costs	EUR	5 897 672	6 759 550	87%	The variation stems from absenteeism, departures of workers and other budgetary provisions that went unneeded.
Employees	N.º	106	118	90%	
Vehicle fleet costs	EUR	256 937	276 931	93%	The 2020 expenditure is affected by the transfer of vehicles resulting from the Corporate Reorganisation and the impact of the IFRS16 application. However, the total expenses determined at the end of 2020 are mainly due to the number of vehicles being lower (-2) than forecast in the 2020 Budget.
Vehicles	N.º	44	46	96%	
APP	days	28	32	88%	Internal control measures continue to be implemented to reduce APP (reduced by 36 days between 2019 and 2020)

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

2. FINANCIAL RISK MANAGEMENT

AdP SGPS activities are exposed to a variety of financial risk factors: credit risk, liquidity risk and market risk (interest rate risk, cash flow risk associated with interest rate). The AdP Group developed and implemented a risk management program that, together with the permanent monitoring of the financial markets, seeks to minimize the potential adverse effects on the financial performance of AdP and its subsidiaries. Risk management is conducted by the central treasury department based on policies approved by the Board of Directors. The treasury department identifies, evaluates and performs operations in order to minimize the financial risks in strict cooperation with the AdP Group operating units. The Board of Directors provides principles for risk management as a whole and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity. The Board of Directors is responsible for defining general risk management principles as well as exposure limits. All transactions carried out with derivative instruments require the prior approval of the Board of Directors, which defines the parameters of each operation and approves formal documents describing the objectives of the operations.

INTEREST RATE RISK

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

	31.12.2020	AVERAGE RATE IMPACT +1%	AVERAGE RATE IMPACT -1%
Interest (costs) at a variable rate	**(1 080 130)**	(4 167 006)	-
Interest (earnings) at a variable rate	**12 966 118**	2 239 562	-
Net impact	**11 885 988**	(1 927 445)	-

EXCHANGE RATE RISK

Exposure to currency risk in AdP is residual. This risk is embodied in future business transactions, recognised under assets and liabilities, as well as net investments in foreign operations that were not incurred or expressed in the functional currency of AdP. The AdP Group's Central Treasury is responsible for the management of the AdP Group's net exposure in each currency, contracting swaps centrally, in order to minimise the commercial risks and recognised assets and liabilities, when so justified.

LIQUIDITY AND CAPITAL RISKS

Liquidity risk management requires maintaining available funds at a reasonable level, consolidating floating debt through an adequate amount of credit facilities and the ability to settle market positions. Due to the dynamics of the underlying business, AdP's treasury strives to secure the flexibility of floating debt, while maintaining available credit lines. AdP manages liquidity risk by contracting and maintaining credit financing facilities with underwriting commitments with national and international financial institutions with a high credit rating allowing immediate access to funds.

The table below shows the liabilities of AdP by contractual residual maturity intervals. The amounts presented in the table are the contractual cash flows, not discounted, receivable and payable in the future.

2020	< 1 YEAR	1 TO 5 YEARS	> 5 YEARS
Asset			
Group company loans	80 178 113	635 231 108	17 485 264
Cash and cash equivalents	11 522 666	-	-
	91 700 779	**635 231 108**	**17 485 264**
Liability			
Shareholder loans	7 376 665	379 244 461	167 433 523
Group company loans	22 003 423	-	-
	29 380 088	**379 244 461**	**167 433 523**
Net liquidity	62 320 691	255 986 647	(149 948 259)

For the purposes of determining future variable interest rates, it was considered **(i)** the coupon of the interest known on 31 December 2020 and to be settled in 2021; and **(ii)** the following coupons considered the Euribor indexing on 31 December 2020 plus the contractually formalised spread.

In September 2017, AdP signed a 25-year financing contract of EUR 220 million (tranche A) with the European Investment Bank, under a credit line of EUR 420 million approved in July 2017 by the Board of Directors of this financial institution. Additionally, on 31 July 2019 AdP Group formalised the remaining EUR 200 million (tranche B) that can be used against the assignment without recourse of debt settlement agreements entered into between AdP Group and municipal customers as provided for in Decree-Law no. 5/2019, of 14 January. On 31 December 2020, AdP Group had drawn down EUR 30 million from tranche A and EUR 41.8 million from tranche B.

Considering the above, as well as the recurrent operating free cash flow, AdP does not foresee any difficulties in meeting its financial responsibilities. Particularly regarding the Short-Term Bank Loans, AdP has the immediate liquidity to satisfy all foreseen debt servicing for the next 12 months.

Contracted short term credit lines:

LIQUIDITY RISK (MILLION EUR)	LINE OF CREDIT AVAILABLE	LINE OF CREDIT USED	LINE OF CREDIT UNUSED
Bank overdrafts (Attributable only to AdP SGPS)	72.5	-	72.5
Loans from Group companies	180.0	22.0	158.0
Loans to Group companies	(102.9)	(56.4)	(46.5)
Lines of credit available attributable to AdP SGPS	**(149.7)**	**(34.4)**	**184.0**
Bank overdrafts (AdP Group)	**140.0**	**-**	**139.8**

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

The Group's policy is to contract loans with financial entities under the aegis of the parent company, AdP, SGPS, SA (with the exception of investment-related loans), which in turn grants loans to its subsidiaries. This policy aims at optimising the capital structure with a view to greater efficiency and reductions in the average cost of capital.

	2020	2019
Non-current loans (Shareholder loans)	**544 318 182**	551 136 363
Current loans (Shareholder loans and Group company loans)	**28 818 182**	110 818 182
Availabilities	**(11 522 666)**	(16 477 809)
Net debt	**561 613 698**	**645 476 736**
Total of equity	**857 279 891**	**823 863 724**
Capital	**1 418 893 589**	**1 469 340 460**
Net debt/ total capital	**0.40**	**0.44**

The financing model of AdP SGPS is fundamentally based on two broad categories that allow the balance of capital structure, shareholder financing and short-term equity.

CREDIT RISK

The credit risk related to operations essentially stems from the risk of a counterparty failing to meet their obligations resulting in a financial loss to AdP. The AdP Group is subject to credit risk through its operating, investment and treasury activities.

OPERATING COUNTERPARTY

The operations related credit risk essentially encapsulates the credits for services provided to subsidiaries and the treasury supplements/ support granted to subsidiaries.

The credit risk of subsidiaries is low when considering their respective financial positions and the prevailing legal and regulatory frameworks. In effect, in the state-owned systems, there are high levels of financial autonomy and in the multi-municipal systems and partnership regime, the concession or partnership contracts provide for mechanisms for restoring economic-financial balance through means of ensuring compliance with all third-party liabilities, especially as regards liabilities resulting from debt servicing.

Furthermore, in the case of the multi-municipal systems and partnerships, there was consolidation of the regulatory and legislative provision underpinning the recovery of the debts of municipalities from these systems within the scope of calculating the cost recovery deviation which, in turn, has its debt recovery durations stipulated by Decree Law.

DEPOSIT COUNTERPARTY

The following table represents AdP's maximum exposure to credit risk (not including the balance of customers and other debtors) as of December 31, 2020, without regard to any collateral held or other credit enhancements. For assets in the Statement of Financial Position, the defined exposure is based on its carrying amount as reported in the Financial Position Statement.

FINANCIAL BANK ASSETS	2020
Current account deposits (Note 13)	**7 521 666**
Term deposits (Note 13)	**4 000 000**
	11 521 666

RATING	2020
A2	**2 839**
A3	**5 355**
Ba1	**4 252**
Baa1	**27 934**
Baa3	**11 481 286**
	11 521 666

Note: Moody's rating obtained from financial institution websites in February 2020.

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

Individual accounts

YEARS	2020	2019	2018	2017	2016
Financial charges (EUR)	**1 897 602**	2 835 322	3 034 860	4 381 031	4 728 255
Average financing rate (%)	**0.33%**	0.43%	0.44%	0.69%	0.88%

Consolidated accounts

YEARS	2020	2019	2018	2017	2016
Financial charges (EUR)	**34 160 885**	40 816 262	43 702 846	52 439 669	57 967 870
Average financing rate (%)	**1.91%**	2.21%	2.27%	2.30%	2.45%

3. CAPS ON THE GROWTH IN DEBT ACCORDING TO THE TERMS DEFINED IN NO. 1 OF ART. 60 PF LAW NO. 2/2020, OF 31 MARCH (STATE BUDGET LAW FOR 2020), RECTIFIED BY LAW 27-A/2020, OF 24 JULY, ASCERTAINED ACCORDING TO THE FORMULA HANDED DOWN BY ARTICLE 159, PARA. 4, OF DECREE LAW NO. 84/2019, OF 28 JUNE (DLEO 2019)

Individual accounts

REMUNERATED LIABILITIES	2020	2019
Remunerated financing (current and non-current)	**573 136 364**	662 287 282
Social Capital / Statutory capital	**434 500 000**	434 500 000
New Investments in 2020 (with material expression)	**-**	-
VARIATION IN DEBT	**(8.1%)**	

	2020	2019	VARIATION 20/19	
			AMOUNT	%
Gross debt (1)	**573 136 364**	662 287 283	(89 150 918)	(13.5%)
Intragroup loans (2)	**22 000 000**	104 000 000	(82 000 000)	(78.8%)
Gross debt without intragroup (1)-(2)	**551 136 364**	558 287 283	(7 150 918)	(1.3%)

Consolidated accounts

REMUNERATED LIABILITIES	2020	2019
Remunerated financing (current and non-current)	**1 793 165 197**	1 842 865 234
Capital Social / Statutory capital	**0**	0
New Investments in 2020 (with material expression)	**0**	0
VARIATION IN DEBT	**(2.7 %)**	

	2020	2019	VARIATION 20/19	
			AMOUNT	%
Gross debt	**1 793 165 197**	1 842 865 234	(49 700 037)	(2.7%)
Availabilities	**255 790 943**	138 163 519	117 627 424	85.1%
Reconstitution fund	**23 360 682**	32 810 072	(9 449 390)	(28.8%)
Net debt	**1 514 013 572**	1 671 891 643	(157 878 071)	(9.4%)

4. EVOLUTION IN AVERAGE PAYMENT TIMES

In accordance with Council of Ministers Resolution no. 34/2008, of 22 February, as amended by Order no. 9870/2009, of 13 April, disclosure covers both the payment delays ("arrears") themselves, according to Decree-Law no. 65-A/2011, of 17 May, as well as the strategy adopted to reduce them.

According to Order no. 9870/2009, the PMP of AdP SGPS at 31 December 2020 is 28 days, 56.3% less than in 2019 (64 days).

	2020	2019	VARIATION 20/19	
			AMOUNT	%
Term (days)	**28**	64	(36)	(56.3%)

Map of the position on 31/12/2020 of Overdue debts, in accordance with DL 65-A/2011, of 17/May:

OVERDUE DEBTS	AMOUNT (EUR)	VALUE OF DEBTS DUE ACCORDING TO ART. 1 OF DL 65-A/2011 (EUR)			
	0-90 DAYS	90-120 DAYS	120-240 DAYS	240-360 DAYS	> 360 DAYS
Acquisition of goods and services	133 610	0	0	0	4 104
Acquisition of capital					
Total	**133 610**	**0**	**0**	**0**	**4 104**

AdP SGPS disclosed during the 2020 financial year, pursuant to article 26(2) of Decree-Law no. 84/2019, of 28 June (DLEO 2019), on its website the average payment term, as well as a list of its certain, net and demandable debts, for more than 30 days, updated quarterly.

5. DUE DILIGENCE UNDERTAKEN AND THE RESULTS OBTAINED WITHIN THE SCOPE OF COMPLIANCE WITH THE SHAREHOLDER'S RECOMMENDATIONS MADE AT THE TIME OF THE FINAL APPROVAL OF THE ACCOUNTING DOCUMENTS

No recommendations were made by the shareholder for the year 2020 when the accounts for the financial year 2019 were approved. Full compliance was given to the instructions received in the context of the monitoring made to the management and activity of the company.

6. REMUNERATIONS

Appendix I to this Report shows the remuneration of the Governing Bodies and External Auditor.

7. APPLICATION OF THE PROVISIONS OF ARTICLES 32 AND 33 OF THE PUBLIC MANAGER STATUTE

As regards:

a) The non-use of credit cards and other payment instruments by public managers to make expense payments in the service of the company;

The provisions of Article 32 of the Statute of the Public Manager, as republished by Decree-Law no. 8/2012, of January 18, have been complied with in full, in particular regarding the use of credit cards and other payment instruments used by public managers, with the purpose of incurring expenses in the service of the company.

b) The non-reimbursement of public managers for any expenses that fall under the concept of personal representation expenses;

The provisions of article 32 of the Statute of the Public Manager, as republished by Decree-Law no. 8/2012, of January 18, have been fully complied with, specifically, the non-reimbursement to public managers of any expenses that fall within the concept of personal representation expenses.

c) Expenditure incurred with communications, that includes mobile phones, household phones and the Internet;

MANDATE 2016-2018 (END ON 3 MAY 2020)

BOARD MEMBER (NAME)	COMMUNICATIONS COSTS (EUR)		
	DEFINED MONTHLY PLATFORM	ANNUAL AMOUNT	OBSERVATIONS
Carla da Conceição Afonso Correia	80.00	183.36	-
José Manuel Leitão Sardinha	0.00	0.00	Remuneration incurred by EPAL.
Cláudio Miguel André de Sousa Jesus	80.00	627.02	Implementation deviation due to reasons of professional utilisation (performance of functions as Holding Group Director and President of AdP Internacional).
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	-	-
		810.38	

MANDATE 2020-2022 (BEGINNING ON 4 MAY 2020)

BOARD MEMBER (NAME)	COMMUNICATIONS COSTS (EUR)		
	DEFINED MONTHLY PLATFORM	ANNUAL AMOUNT	OBSERVATIONS
José Carlos Athaíde dos Remédios Furtado	80.00	100.8	-
José Manuel Leitão Sardinha	0.00	0.00	Remuneration incurred by EPAL.
Catarina Isabel Clímaco Monteiro d'Oliveira	80.00	76.00	-
Carla da Conceição Afonso Correia	80.00	204.23	-
João Pedro Moura Castro Neves	80.00	87.22	-
Miguel Jorge Campos Cruz, in rep. Parpública (*)	n.a	n.a	-
Jaime Serrão Andrez, in rep. Parpública (**)	n.a	n.a	-
		468.25	

(*) resigned on 15 June 2020.

(**) took office on 4 August 2020, replacing Miguel Cruz.

d) Amount of fuel and tolls monthly allocated to service vehicles;

MANDATE 2016-2018 (END ON 3 MAY 2020)

BOARD MEMBER (NAME)	MONTHLY FUEL AND TOLL PLATFORM	ANNUAL VEHICLE COSTS (EUR)			
		FUEL	TOLLS	TOTAL	OBSERVATIONS
Carla da Conceição Afonso Correia	515.05	300.81	59.01	359.82	-
José Manuel Leitão Sardinha	0	0	0	0	Remuneration incurred by EPAL
Cláudio Miguel André de Sousa Jesus	457.82	364.99	384.21	749.2	-
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	-	-	-	-
				1 109.02	

MANDATE 2020-2022 (BEGINNING ON 4 MAY 2020)

BOARD MEMBER (NAME)	MONTHLY FUEL AND TOLL PLATFORM	ANNUAL VEHICLE COSTS (EUR)			
		FUEL	TOLLS	TOTAL	OBSERVATIONS
José Carlos Athaíde dos Remédios Furtado	572.27	1 314.85	456.89	1 771.74	-
José Manuel Leitão Sardinha	0	0	0	0	Remuneration incurred by EPAL
Catarina Isabel Clímaco Monteiro d'Oliveira	457.82	128.16	18.42	146.58	-
Carla da Conceição Afonso Correia	457.82	377.18	74.35	451.53	
João Pedro Moura Castro Neves	457.82	668.66	405.51	1 074.17	
Miguel Jorge Campos Cruz, in rep. Parpública (*)	n.a	-	-	-	-
Jaime Serrão Andrez, in rep. Parpública (**)	n.a	-	-	-	-
				3 444.02	

(*) Resigned on 15 June 2020.

(**) Took office on 4 August 2020, replacing Miguel Cruz.

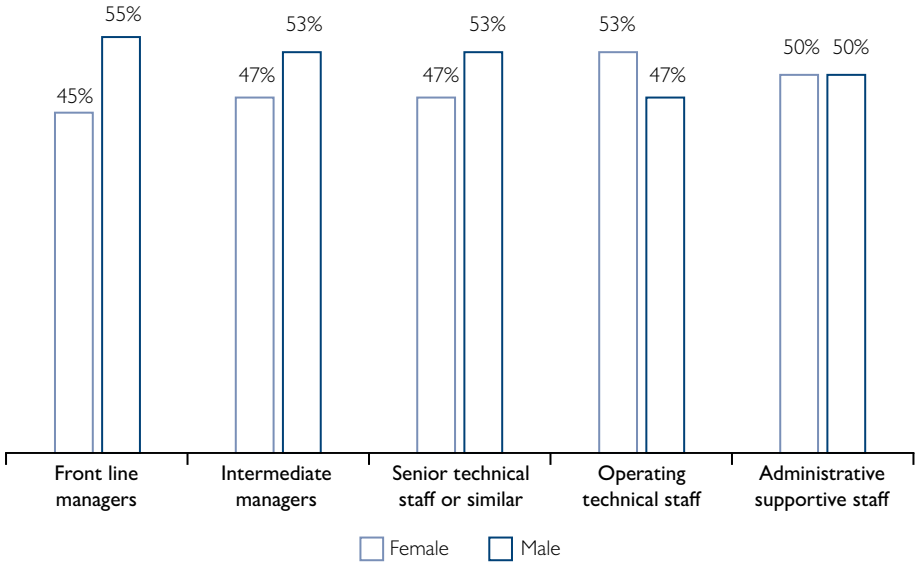
8. APPLICATION OF THE PROVISIONS OF ARTICLE 6, PARA. 2, OF DECREE-LAW NO. 133/2013, OF 3 OCTOBER AND ARTICLE 11 ON THE PUBLIC MANAGER STATUTE, WHICH PROHIBITS NON-DOCUMENTED OR CONFIDENTIAL EXPENSES

AdP SGPS fully complies with the provisions of no. 2 of article 16 of Decree-Law no. 133/2013, of October 3, as well as with the provisions of article 11 of the EGP and/or no undocumented or confidential expenses were made or reported.

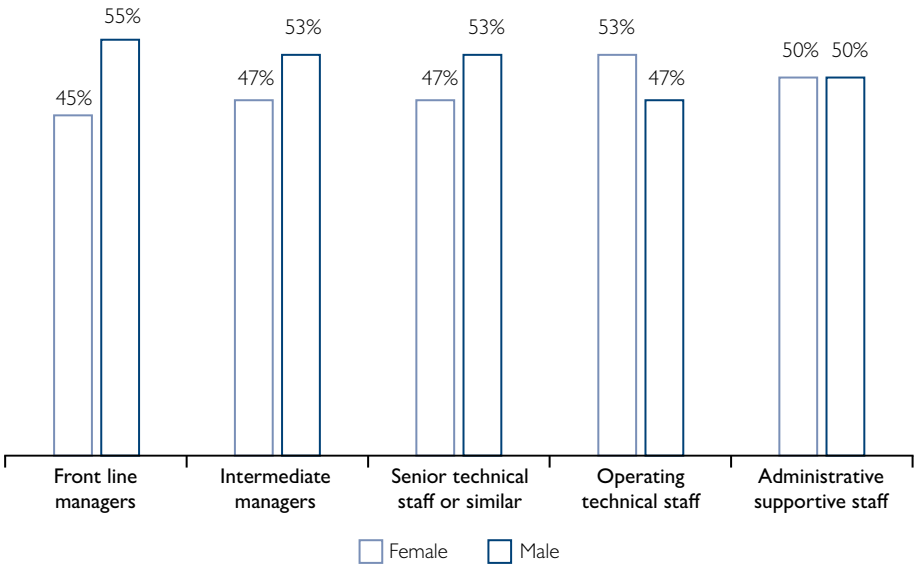
9. DRAFTING AND DISSEMINATION OF A REPORT ON THE REMUNERATION PAID TO WOMEN AND MEN AS PROVIDED FOR IN PARAGRAPH 2 OF THE RESOLUTION OF THE COUNCIL OF MINISTERS NO. 18/2014, OF MARCH 7

In compliance with paragraph 2 of the Resolution of the Council of Ministers no. 18/2014, of March 7, and following the procedures implemented in the AdP Group, the [company] promotes, disseminates internally and makes available on its website information on the remuneration paid to women and men through its annual sustainability report in harmony with the employees and in accordance with the principle "We value our staff relationships", and the commitment "We commit to guarantee equality of opportunities and fostering the personal and professional balance.

AVERAGE BASE MONTHLY EARNINGS, BY GENDER
(%)



AVERAGE BASE MONTHLY EARNINGS, BY GENDER
(%)



10. PREPARATION AND DISSEMINATION OF AN ANNUAL REPORT ON THE PREVENTION OF CORRUPTION PURSUANT TO ARTICLE 46, PARA. 1 OF THE RJSPE, OF 1 JULY 2009

Since 14 December 2012, the company has adopted a Risk Management Plan on Corruption and Related Infringements, also available on the intranet and internet (**https://www.adp.pt/downloads/file6_pt.pdf**).

Its objectives are to identify the areas that could potentially be more subject to the occurrence of acts of corruption, as well as the risks arising therefrom and the controls instituted by the company aimed at mitigating them.

The Plan also aims to strengthen the culture of the company and its employees with regard to ethical behaviour and good practices in commercial relations with customers, suppliers and other entities. Covering the whole company, this Plan complies with the recommendation of the Council for the Prevention of Corruption (CPC), of 1st July 2009.

In order to ensure compliance with that defined in article 46, para. 1 of Decree-Law (DL) no. 133 / 2013, of October, and following the procedures implemented in AdP Group, AdP SGPS proceeds with the annual evaluation of the PGRCIC in force in the company, preparing a report which includes conclusions about the identified occurrences or, risk of occurrences and other facts mentioned in paragraph a) of article 1 of article 2 of Law no. 54/2008 of September 4th, in particular:

"a) … information relating to the prevention of facts of active or passive corruption, economic and financial crime, money laundering, influence peddling, unlawful appropriation of public property, harmful administration, embezzlement, economic participation in business, abuse of power or breach of the duty of secrecy, as well as acquisitions of real estate or securities as a result of the unlawful obtaining or use of privileged information in the performance of duties in the public administration or in the public business sector.

In order to ensure compliance with paragraph 2 of paragraph 46 of Decree-Law (DL) No. 133/2013, of 3 October, the annual report is published on the website of the [COMPANY] and sent to the Technical Unit (UTAM).

It should also be noted that in 2019, the company, underwrote the Portuguese Anti-Corruption Campaign that comes in response to the Call to Action on Anti-Corruption, launched by the United Nations, Global Compact, which encourages the business sector to promote the taking of transparency, integrity and good governance measures by governments, thus promoting the adoption of its Principle 10, according to which "organisations should combat corruption in all its forms, including, extortion and bribery".

AdP SGPS and AdP Group thus reinforce their commitment to fight corruption and to develop and adopt strategies that promote integrity and sustainable development and the creation of a fairer and more balanced society.

11. PUBLIC PROCUREMENT

AdP Group ensured, through AdP Serviços, until July 31st 2020 and through AdP SGPS from August 1st 2020 onwards, the centralisation, optimisation and rationalisation of the acquisition of goods and services, in order to contribute to capture synergies in the procurement processes of Group companies as well as to disseminate best practices.

The potential to capture value arising from synergies and economies of scale achieved through the centralisation of purchases of certain categories such as energy, communications, insurance, reagents, vehicles, etc., leads to the creation and capture of value, resulting in financial gains and cost reductions.

The evolution of the AdP Group purchasing function towards a more integrated model, with the definition of new centralised categories has led to a greater transversal planning capacity and to the implementation of new transversal processes associated to the planning and management of the purchasing function by categories, based on a deeper knowledge of Group company needs.

Following the corporative centre reorganisation, according to the terms explicitly authorised by Ministerial Dispatch, dated August 1st, 2020, the AdP Serviços Purchasing, Legal and Information Systems Departments became part of the AdP SGPS organisational structure.

Therefore, this established a relational model between AdP SGPS and AdP Group companies, in a similar way to that hitherto existing with AdP Services, under the terms of which AdP SGPS assures the availability of contracting for a differentiated set of goods and services, whose contracting for companies is maintained through the Purchasing Department.

The existence of this internal Group structure, as at December 31, 2020, directly provided by AdP SGPS, allows for the taking advantage of both the scale and synergies generated by the Group's universe and thus to obtain more attractive contractual conditions

for this group of companies, while releasing them from the need to engage in autonomous contracting procedures, with their inherent associated administrative and financial burdens, and thus adding value to their activities.

In addition, a fair share of the goods and services required by the invested companies to carry out their activities are of considerable technical complexity, taking into account their specificity, in particular insurance, energy, chemical reagents and laboratory materials used by the water/wastewater segments and a high level of specialisation of the actors in the processes implicit to their respective procurement.

Extensive work has been developed to standardise procedures at the level of companies and ensure compliance with legal requirements and internal guidelines regarding public procurement procedures under the General Regime, given the changes introduced to the PCC by Decree-Law no. 111 - B / 2017, of August 31, to prepare a guidebook, called the contracting manual, that guides its users in the interpretation and application of the most important innovations brought about by this legislative revision and incorporating all the "learning" of the Group over the last ten years in the field of public procurement.

In conjunction with the guide indicated in the previous paragraph, a procurement manual was developed, which aims to systematise the role of each of the stakeholders involved in the procurement process, promoting an integrated and comprehensive vision, sharing the same concepts, standardising the tools used, designations, internal procedures and cooperation for the sustained development of procurement processes.

In 2020, there were no acts or agreements with contractual amounts superior to EUR 5 million and having consequently been subject to the prior inspection by the Court of Audit in any process.

Procurement and public contracting processes are included in the planning of internal audit work.

12. MEASURES TAKEN UNDER THE AUSPICES OF THE COMPANY'S MEMBERSHIP OF THE SNCP – THE NATIONAL PUBLIC PROCUREMENT SYSTEM

The companies that make up the AdP Group joined the SNCP – the National Public Procurement System on March 3, 2014 as voluntary purchasing entities.

Since then, public procurement procedures have been conducted using the SNCP covering different framework agreements, in particular:

- Paper and office materials;
- Surveillance and Security;
- Road fuels;
- Motor vehicles and motorcycles;
- Licensing of software and related services;
- Hygiene and cleaning.

This format was applied whenever there was an alignment between the AdP Group›s procurement needs, aggregated by AdP Serviços, and the respective specifications in effect, with a focus on capturing value not only by leveraging the demand resulting from scale but also for the simplification and speed that characterise this modality, thus enabling AdP Services to more efficiently manage its resources.

13. MEASURES TAKEN TO REDUCE THE OPERATING COSTS IDENTIFIED UNDER ARTICLE 158 OF DLEO 2019, JUSTIFYING IN DETAIL ANY NON-COMPLIANCE WITH THE DEFINED ORIENTATIONS AND OBJECTIVES

AdP SGPS has adopted several cost reduction measures that have led to compliance with defined guidelines and objectives.

The table below summarises the measures and results of the plan for the reduction of operating expenses, in accordance with the provisions of article 158 Decree-Law on Budget Execution no. 84/2019 and with the model provided by DGTF.

The 2020 activity was affected by the reorganisation of the corporate centre, also reflected in the budget, so the comparison with 2019 is not direct. The comparable basis effects are disclosed in the RET of the 3rd and 4th quarters reported in SIRIEF.

PRC (EUR)	2020 IMPL.	2020 BUD.	2019 IMPL.	2018 IMPL.	2020/2019 Δ ABS.	2020/2019 VAR. %
(0) EBITDA	**5 742 725**	**2 844 554**	2 954 468	2 453 616	2 788 257	94%
(1) CMVMC	**0**	**0**	0	0	0	0%
(2) ESS	**2 817 660**	**4 837 273**	3 612 184	4 567 853	(794 524)	(22%)
(3) Costs with staff	**5 897 672**	**6 759 550**	4 750 935	4 004 516	1 146 737	24%
(3.i) Compensation paid for contractual termination	**370 862**	**611 495**	0	0	370 862	0%
(3.ii) Rises in remuneration	**39 586**	**128 893**	9 763	6 546	29 823	305%
(3.iii) Impact of the application of IRCT	**35 154**	**0**	0	0	35 154	0%
(4) Personnel costs for the purpose of calculating operating efficiency ((3)-(3.i)-(3.ii)-(3.iii))	**5 452 070**	**6 019 162**	4 741 172	3 997 970	710 898	15%
(5) Impact of Covid-19 pandemic on operating expenses (CMVCM, ESSs and Personnel Costs) [a]	**39 927**	**0**	0	0	0	0%
(6) Operating Expenses for the purpose of calculating operating efficiency = ((1)+(2)+(4)-(5))	**8 229 803**	**10 856 435**	8 353 356	8 565 823	(83 626)	(1%)
(7) Business turnover (VN) [b]	**13 852 682**	**14 424 153**	11 317 017	11 065 816	2 535 665	22%
(7.i) Loss of revenue from the Covid-19 pandemic (+)	**0**	**0**	0	0	0	0%
(8) Business turnover for the purpose of calculating operating efficiency ((7)-(7.i))	**13 852 682**	**14 424 153**	11 317 017	11 065 816	2 535 665	22%
(9)) Weighting of Costs/VN = (6)/(8)	**59.7%**	**75.3%**	**73.8%**	**77.4%**	**(14.1)p.p.**	**(19%)**
(i) Travel and accommodation expenses (ESS)	**11 709**	**46 748**	25 019	32 175	(13 310)	(53%)
(ii) Expenses with daily allowances (Personnel costs)	**1 030**	**9 176**	5 586	6 192	(4 556)	(82%)
(iii) Vehicle fleet costs	**256 937**	**276 931**	222 176	210 951	34 761	16%
(10) Total = (i) + (ii) + (iii)	**269 676**	**332 854**	**252 781**	**249 317**	**16 895**	**7%**
(11) Charges with contracting studies, opinions, projects and consultancy	**315 335**	**543 355**	584 327	681 177	(268 993)	(46%)
Total number of HR staff (GB + BD + Employees) [c]	**106**	**118**	89	81	17	19%
Nº. Governing Bodies (GB)	**14**	**14**	12	14	2	17%
Nº. Board of Directors positions (BD)	**19**	**25**	17	13	2	12%
Nº. employees (without GB and BD)	**73**	**79**	42	54	31	74%
Nº. Employees / No. CD	**4**	**4**	2	4	-	-
Nº. of vehicles	**44**	**45**	31	27	13	42%

a) Under the terms of article 158 of Decree-Law no. 84/2019, of 28 June, the value of GO/VN is 72.6%, as in accordance with that law, this indicator is not adjusted by the items of rises in remuneration valuations or expenses arising from IRCT).

b) Costs with vehicles should include: leasing/ amortisations, inspections, insurance, tolls, fuel, maintenance, repairs, pneumatics, taxes and other fees.

c) In 2019, the Total HR reported in this item included 18 employees with suspended contracts..

14. CONTRACTING STUDIES, OPINIONS, PROJECTS AND CONSULTANCY – JUSTIFYING THE MEANS OF COMPLIANCE WITH THAT STIPULATED IN ARTICLE 49, PARA.7, OF DLEO 2019

The AdP SGPS Executive Commission approved the procedural model detailed below in order to ensure compliance with the formalities that take place prior to any decision to contract external services involving studies, opinions, projects and consultancy on behalf of AdP Group companies:

1. Contracting studies, opinions, projects and consultancy – justifying the means of compliance with that stipulated in no. 7 of article 49 of DLEO 2019;

2. Having verified condition **(1)**, a request is submitted to the AdP Serviços Department of Procurement and Logistics, which then undertakes the internal survey of all Group companies so as to ascertain whether such needs may be met by another

Company, establishing a deadline for responses and making available all the information necessary for informed decision-making by all participants;

3. On the deadline established in **(2)** lapsing and in the absence of any positive response on behalf of AdP Group companies:
   a. Should the subject of the contract not fall under the auspices of the services stipulated by no. 2 of article 49 of Decree Law no. 84/2019 of 28 June, the AdP Serviços Department of Procurement and Logistics submits a request to PARPÚBLICA for this entity to evaluate the eligibility for satisfying the procurement needs through means of its own resources or those of other Companies that maintain relationships with the Group, establishing a deadline for response.
   b. Should the subject of the contract fall under the auspices of the services stipulated by no. 2 of article 49 of Decree Law no. 84/2019 of 28 June, the AdP Serviços Department of Procurement and Logistics informs the Company as regards the impossibility of meeting the procurement need through the resources held by AdP Group companies so that they may respectively advance with submitting a request to PARPÚBLICA on the Internet website set up for such purpose.

Whenever there is no expression of availability, the conditions are then met for engaging in a public tender process after having demonstrated the inability to meet the procurement needs in question whether through their own resources or those of the Companies maintaining group relationships.

15. THE STATE TREASURY UNIT PRINCIPLE (ARTICLE 28 OF DECREE LAW NO. 133/2013, OF 3 OCTOBER, ARTICLE 141 OF LOE 2019 AND ARTICLE 115 OF DLEO 2019)

AdP SGPS, as defined in its corporate purpose, has become a flexible and efficient instrument that ensures the centralised and specialised management of the social investments included in its portfolio. Accordingly, in addition to the strategic guidelines issued to the managers representing it and the provision of technical management and administration services, it represents a crucial component in the financial function of subsidiaries held in controlling relationships (total holdings held).

The scope of the Group's companies covers a number of participations in the environmental sector in different phases of maturity, and AdP SGPS has taken on the responsibility of coordinating and obtaining the necessary financing to meet the respective needs of these companies and to balance the financing structure from a consolidated perspective.

In this regard, AdP SGPS:

- accompanied companies in their relationship with the Cohesion Fund in order to facilitate access to this Community support;
- entered into negotiations with the EIB in 1997 to finance the projects associated with the first phase, with a line of financing totalling EUR 167 million;
- in 2000, initiated a new negotiation process with the EIB for investments associated with the second phase which culminated in the granting of three financing lines (implemented between 2005 and 2009) for a total amount of EUR 1,472 million;
- in 2017, signed a line of financing with the EIB for EUR 220 million over 25 years to cover investments to be made in existing companies, ongoing until 2021, without the support of any guarantee, either from the state or the banking system;
- given that these EIB and Cohesion Fund lines of support did not prove sufficient to finance the entire project portfolio, AdP SGPS initiated a process of accessing external markets in 2003, with a 10-year private placement of debt in Japan in 2005 and issuing three privately-traded bonds in 2007, for 15 and 20 years and, in 2016, for a 12-year bond issue, totalling EUR 675 million.

All these funds arising from long-term operations are intended to finance the multi-municipal systems and partnerships in the components relating to investment and working capital for the early years of their operation.

The emphasis placed on water supply and wastewater treatment systems underlies the size and scale of these investments and the respectively associated time requirements.

The centralisation of a significant proportion of funding in AdP SGPS has allowed the Group to manage its financial needs cohesively and coherently, and avoiding liquidity and insolvency problems despite the serious financial problems that the country has recently experienced. Complementing this medium- and long-term framework, AdP SGPS also centralised negotiations with the banking system over obtaining short-term financing, thereby reducing the scope for individual banks to penalise some of the invested companies, whether in terms of costs or in terms of credits.

The fact that AdP SGPS centrally manages the negotiation of lines of financing and periodically checks for the existence of any temporary surpluses has allowed the Group to maintain satisfactory levels of financial health and with reduced impacts on its operating activities.

Following instructions from the Government, the Group applied its cash surpluses, net of the group's needs, to the IGCP, as well as transferring operational activities from the banking system to the IGCP.

Term deposits were constituted in IGCP (Treasury and Public Debt Management Agency - IGCP, E.P.E.) in December 2020, for the amount of 4 million EUR, maturing on 4 January 2021.

Complementarily and according to the following tables, this presents the details of the AdP SGPS Availabilities account.

IGCP	1ST QUARTER EUR	2ND QUARTER EUR	3RD QUARTER EUR	4TH QUARTER EUR
Availabilities	3 347 020.02	8 178 636.33	3 522 867.32	7 479 938.34
Financial Applications				
Total	**3 347 020.02**	**8 178 636.33**	**3 522 867.32**	**7 479 938.34**

Commercial bank	1ST QUARTER EUR	2ND QUARTER EUR	3RD QUARTER EUR	4TH QUARTER EUR
NOVO BANCO	5.20	5.20	5.20	0.00
BANCO BPI	116 809.98	19 854.21	54 830.27	18 815.21
BANCO SANTANDER TOTTA	3 331.93	2 839.13	2 981.43	2 839.13
BANCO BILBAO VIZCAYA ARGENTARIA	5 336.58	4 844.58	6 154.35	5 354.85
BANCO COMERCIAL PORTUGUÊS	1 622.81	1 569.61	1 403.56	1 348.21
CAIXA GERAL DE DEPÓSITOS	6 091.11	5 768.51	4 870.51	4 251.98
BANCO BANKINTER	9 348.54	9 280.89	9 199.71	9 118.53
Total	**142 546.15**	**44 162.13**	**79 445.03**	**41 727.91**
Interest received	**-**	**-**	**-**	**-**

16. PUBLICATION OF RECOMMENDATIONS MADE TO THE COMPANY RESULTING FROM AUDITS UNDERTAKEN BY THE COURT OF AUDITORS IN THE LAST THREE YEARS

No recommendations have been made by the Court of Auditors to the company in the last three years.

17. INFORMATION PUBLISHED AS OF 31 DECEMBER 2019 ON THE SEE INTERNET WEBSITE (DGTF PORTAL)

INFORMATION FOR DETAILING ON THE SEE WEBSITE	PUBLICATION		COMMENTS
	Y/N/N.A.	UPDATED ON	
Statutes	N.A.	--	See Note
Company characteristics	N.A.	--	See Note
Governance and shareholder structure	N.A.	--	See Note
Model of governance / Members of the Governing Bodies	N.A.	--	See Note
- Identification of the management bodies	N.A.	--	See Note
- Fixed remunerations statute	N.A.	--	See Note
- Publication of remunerations paid to the management bodies	N.A.	--	See Note
- Identification of the functions and responsibilities of Board of Director members	N.A.	--	See Note
- Presentation of brief CVs of management body members	N.A.	--	See Note
Public financial investment	N.A.	--	See Note
Summary file	N.A.	--	See Note
Historical and current financial information	N.A.	--	See Note
Principles of Good Governance	N.A.	--	See Note
- Internal and external regulations complied with by the Company	N.A.	--	See Note
- Relevant transactions with related entities	N.A.	--	See Note
- Other transactions	N.A.	--	See Note
- Analysing Company sustainability in terms of:	N.A.	--	See Note
Economic	N.A.	--	See Note
Social	N.A.	--	See Note
Environmental	N.A.	--	See Note
- Evaluation of compliance with the Principles of Good Governance	N.A.	--	See Note
- Code of Ethics	N.A.	--	See Note

Note: According to DGTF guidelines, AdP does not disclose information on the SEE website because it is not directly state owned.

APPENDIX 1

1 – GENERAL ASSEMBLY

Presented below are the members of the Board of the General Meeting for 2020, as well as their remuneration:

MANDATE 2016-2018 (END ON 03 MAY 2020)

MANDATE (BEGIN. - END)	POSITION	NAME	AMOUNT OF FIXED ALLOWANCE (EUR)	GROSS AMOUNT PAID (EUR)
2018-2020	Chair	João Manuel Plácido Pires	650.00	0.00
2018-2020	Vice-Chair	Maria Helena Dias Duarte	520.00	520.00
2018-2020	Secretary	Unoccupied	0.00	0.00
				520.00

MANDATE 2020-2022 (BEGINNING ON 4 MAY 2020)

MANDATE (BEGIN. - END)	POSITION	NAME	AMOUNT OF FIXED ALLOWANCE (EUR)	GROSS AMOUNT PAID (EUR)
2020-2022 (*)	Chair	Isabel Sofia Sousa Santos Albuquerque	650.00	0.00
2020-2022 (*)	Vice-Chair	Maria Helena Dias Duarte	525.00	0.00
2020-2022 (*)	Secretary	José Espirito Santo Menezes e Teles	400.00	0.00
				0.00

(*)Beginning on 4 May 2020

2 – BOARD OF DIRECTORS

MANDATE 2016-2018 (END ON 03 MAY 2020)

MANDATE			APPOINTMENT		OPRLO (2)				
(BEGIN. - END)	POSITION	NAME	FORM (1)	DATE	YES/ NO	ENTITY OF ORIGIN	DATE AND FORM OF AUTHORISATION	PAYING ENTITY TO (O/D)	N.º OF MANDATES
2016-2018	Vice-Chair	Carla da Conceição Afonso Correia	DUE	30/05/2016	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2016-2018	Director	José Manuel Leitão Sardinha	DUE	30/05/2016	Yes	EPAL - Empresa Portuguesa das Águas Livres, S.A.	n.a	O	2
2016-2018	Director	Cláudio Miguel André de Sousa Jesus	DUE	30/05/2016	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	2
2016-2018	Non-Executive Director	Miguel Jorge Campos Cruz	DUE	18/04/2017	No	-	n.a	-	1

(1) Indicate resolution (R)/AG/DUE/Dispatch (D).
(2) Remunerations option for Entity of Origin - as provided for under no. 8 of article 28 of EGP; indicate paying entity (O-Origin/D-Destiny)

BD MEMBER (NAME)	ACCUMULATION OF POSITIONS			
	ENTITY	POSITION	REGIME	DATE AND FORM OF AUTHORISATION
Carla da Conceição Afonso Correia	AdP Serviços	Non-Executive Director	Public	n.a
José Manuel Leitão Sardinha	AdP Serviços	Non-Executive Director	Public	n.a
	EPAL	Chair	Public	n.a
	Águas do Vale do Tejo	Chair	Public	n.a
	FCT	Guest Professor	Public	Order
Cláudio Miguel André de Sousa Jesus	AdP Serviços	Non-Executive Director	Public	n.a
	AdP Internacional		Public	n.a
Miguel Jorge Campos Cruz, in rep. Parpública (*)	Parpública	Chair	Public	n.a

BD MEMBER (NAME)	EGP			
	FIXED [Y/N]	CLASSIFICATION [A/B/C]	GROSS MONTHLY EARNINGS (EUR)	
			MONTHLY INCOME	REPRESENTATION ALLOWANCE
Carla da Conceição Afonso Correia	Y	A	5 150.48	2 060.19
José Manuel Leitão Sardinha (*)	Y	A	0.00	0.00
Cláudio Miguel André de Sousa Jesus	Y	A	4 578.20	1 831.28
Miguel Jorge Campos Cruz, in rep. of Parpública (**)	Y	A	1 144.55	-

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

BD MEMBER (NAME)	ANNUAL REMUNERATION (EUR)				
	FIXED (1)	VARIABLE (2)	GROSS AMOUNT (3)=(1)+(2)	REDUCTIONS IN REMUNERATION (4)	FINAL GROSS AMOUNT (5) = (3)-(4)
Carla da Conceição Afonso Correia	30 377.51	0.00	30 377.51	1 518.90	28 858.61
José Manuel Leitão Sardinha (*)	0.00	0.00	0.00	0.00	0.00
Cláudio Miguel André de Sousa Jesus	28 752.49	0.00	28 752.49	1 359.50	27 392.99
Miguel Jorge Campos Cruz, in rep. Parpública (**)	0.00	0.00	0.00	0.00	
			59 130.00	**2 878.40**	**56 251.60**

(1) The fixed amount of remuneration corresponds to earnings + representation allowances (without any reductions).

(4) Reduction stipulated by article 12 of Law no. 12-A/2010, of 30 June.

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

BD MEMBER (NAME)	SOCIAL BENEFITS (EUR)							
	MEAL ALLOWANCE		SOCIAL PROTECTION REGIME		ANNUAL HEALTH INSURANCE CHARGE	ANNUAL LIFE INSURANCE CHARGE	OTHERS	
	AMOUNT / DAY	AMOUNT PAID ANNUALLY	IDENTIFI.	ANNUAL CHARGE			IDENTIF.	AMOUNT
Carla da Conceição Afonso Correia	7.14	597.50	Social Security	7 092.84	436.28	615.24	-	-
José Manuel Leitão Sardinha	-	-	-	-	-	-	-	-
Cláudio Miguel André de Sousa Jesus	7.14	585.48	Social Security	6 772.19	436.28	546.88	-	-
Miguel Jorge Campos Cruz, in rep. Parpública	-	-	-	-	-	-	-	-
	14.28	1 182.98	-	13 865.03	872.57	1 162.12	-	

BD MEMBER (NAME)	VEHICLE FLEET COSTS								
	VEHICLE ATTRIBUTED	CONTRACT SIGNED	VEHICLE REFERENCE VALUE	MODE (1)	YEAR BEGIN.	YEAR ENDING	MONTHLY LEASING VALUE	ANNUAL LEASING COST	REMAINING CONTRACTUAL PAYMENTS (NO.)
Carla da Conceição Afonso Correia	Y	Y	32 992.62	AOV	2018	2022	322.16	1 313.35	18
José Manuel Leitão Sardinha	N	-	-	-	-	-	-	-	-
Cláudio Miguel André de Sousa Jesus	Y	Y	36 498.26	AOV	2018	2022	365.09	1 488.37	16
Miguel Jorge Campos Cruz, in rep. Parpública	N	-	-	-	-	-	-	-	-

(1) acquisition; ALD; Leasing or other

BD MEMBER (NAME)	ANNUAL EXPENDITURE ON BUSINESS TRAVEL (EUR)					
	BUSINESS TRAVEL	ACCOMMODATION COSTS	ALLOWANCE COSTS	OTHERS		TOTAL COST OF TRAVEL (Σ)
				IDENTIF.	AMOUNT	
Carla da Conceição Afonso Correia	-	-	-	-	-	-
José Manuel Leitão Sardinha	-	-	-	-	-	-
Cláudio Miguel André de Sousa Jesus	-	-	-	-	-	-
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	n.a	n.a	n.a	n.a	n.a
						-

MANDATE 2020-2022 (BEGINNING ON 04 MAY 2020)

MANDATE (BEGIN. - END)	POSITION	NAME	APPOINTMENT		OPRLO (2)				Nº. OF MANDATES
			FORM (1)	DATE	YES/NO	ENTITY OF ORIGIN	DATE AND FORM OF AUTHORISATION	PAYING ENTITY TO (O/D)	
2020-2022	Chair	José Carlos dos Remédios Athaíde Furtado	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2020-2022	Vice-Chair	José Manuel Leitão Sardinha	DUE	04/05/2020	Yes	EPAL - Empresa Portuguesa das Águas Livres, S.A.	n.a	O	3
2020-2022	Director	Catarina Isabel Clímaco Monteiro d'Oliveira	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2020-2022	Director	Carla da Conceição Afonso Correia	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S,A,	n.a	O	2
2020-2022	Director	João Pedro Moura Castro Neves	DUE	04/05/2020	No	AdP - Águas de Portugal, SGPS, S.A.	n.a	O	1
2020-2022	Non-Executive Director	Miguel Jorge Campos Cruz, in rep. Parpública (*)	DUE	04/05/2020	No	---	n.a	--	2
2020-2022	Non-Executive Director	Jaime Serrão Andrez, in rep. Parpública (**)	DUE/ CA	04/08/2020	No	---	n.a	--	1

(1) Indicate Resolution (R)/AG/DUE/Order (D)
(2) Option for Remuneration of the Place of Origin - provided for in article 28, para. 8 of the EGP; indicate paying entity (O-Origin/Destination)
(*) Resigned on 15 June 2020
(**) Took office on 04 August 2020, replacing Miguel Jorge Campos Cruz

BD MEMBER (NAME)	ACCUMULATION OF POSITIONS			
	ENTITY	POSITION	REGIME	DATE AND FORM OF AUTHORISATION
José Carlos Athaíde dos Remédios Furtado	n.a	n.a	n.a	n.a
José Manuel Leitão Sardinha	EPAL Águas do Vale do Tejo FCT	Chair Chair Guest Professor	Public Public Public	n.a n.a Order
Catarina Isabel Clímaco Monteiro d'Oliveira	n.a	n.a	n.a	n.a
Carla da Conceição Afonso Correia	n.a	n.a	n.a	n.a
João Pedro Moura Castro Neves	n.a	n.a	n.a	n.a
Miguel Jorge Campos Cruz, in rep. Parpública (*)	S Parpública	Chair	Public	n.a
Jaime Serrão Andrez, in rep. Parpública (**)	S Parpública	Chair	Public	n.a

(*) Resigned on 15 June 2020

(**) Took office on 04 August 2020, replacing Miguel Jorge Campos Cruz.

BD MEMBER (NAME)	EGP			
	FIXED [Y/N]	CLASSIF. [A/B/C]	GROSS MONTHLY EARNINGS (EUR)	
			MONTHLY INCOME	REPRESENTATION ALLOWANCES
José Carlos Athaíde dos Remédios Furtado	Y	A	5 722.75	2 289.10
José Manuel Leitão Sardinha	Y	A	-	-
Catarina Isabel Clímaco Monteiro d'Oliveira	Y	A	4 578.20	1 831.38
Carla da Conceição Afonso Correia	Y	A	4 578.20	1 831.38
João Pedro Moura Castro Neves	Y	A	4 578.20	1 831.38
Miguel Jorge Campos Cruz, in rep. of Parpública (*)	Y	A	1 144.55	-
Jaime Serrão Andrez, in rep. of Parpública (**)	Y		1 144.55	-

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

BD MEMBER (NAME)	ANNUAL REMUNERATION (EUR)				
	FIXED (1)	VARIABLE (2)	GROSS AMOUNT (3)=(1)+(2)	REDUCTIONS IN REMUNERATION (4)	FINAL GROSS AMOUNT (5) = (3)-(4)
José Carlos Athaíde dos Remédios Furtado	71 694.79	-	71 694.79	3 584.80	68 109.99
José Manuel Leitão Sardinha	-	-	-	-	-
Catarina Isabel Clímaco Monteiro d'Oliveira	57 355.83	-	57 355.83	2 868.00	54 487.83
Carla da Conceição Afonso Correia	59 285.13	-	59 285.13	2 964.30	56 320.83
João Pedro Moura Castro Neves	57 355.83	-	57 355.83	2 868.00	54 487.83
Miguel Jorge Campos Cruz, in rep. Parpública (*)	-	-	-	-	-
Jaime Serrão Andrez, in rep. Parpública (**)	-	-	-	-	-
			245 691.58	**12 285.10**	**233 406.48**

(1) The fixed amount of remuneration corresponds to earnings + representation allowances (without any reductions).

(4) Reduction stipulated by article 12 of Law no. 12-A/2010, of 30 June.

(*) The manager is remunerated by EPAL

(**) The manager does not earn remuneration. Remuneration invoiced by Parpública.

BD MEMBER (NAME)	SOCIAL BENEFITS (EUR)							
	MEAL ALLOWANCE		SOCIAL PROTECTION REGIME		ANNUAL HEALTH INSURANCE CHARGE	ANNUAL LIFE INSURANCE CHARGE	OTHERS	
	AMOUNT / DAY	AMOUNT PAID ANNUALLY	IDENTIF.	ANNUAL CHARGE			IDENTIF.	AMOUNT
José Carlos Athaíde dos Remédios Furtado	7.14	1 178.10	Social Security	16 722.88	858.49	-	-	-
José Manuel Leitão Sardinha	-	-	-	-	-	-	-	-
Catarina Isabel Clímaco Monteiro d'Oliveira	7.14	1 178.10	Social Security	13 547.55	619.32	1 076.12	-	-
Carla da Conceição Afonso Correia	7.14	1 166.08	Social Security	13 842.48	851.46	1 200.71	-	-
João Pedro Moura Castro Neves	7.14	1 178.10	Social Security	13 454.69	1 097.67	614.93	-	-
Miguel Jorge Campos Cruz, in rep. Parpública	-	-	-	-	-	-	-	-
Jaime Serrão Andrez, in rep. Parpública	-	-	-	-	-	-	-	-
	28.56	**4 700.38**		**57 567.60**	**3 426.94**	**2 891.76**		**-**

BD MEMBER (NAME)	VEHICLE COSTS								
	VEHICLE ALLOCATED	CONCLUSION OF CONTRACT	REFERENCE VALUE OF THE VEHICLE	MODE (1)	YEAR START	END YEAR	AMOUNT OF THE MONTHLY LEASE	ANNUAL LEASE EXPENDITURE (EUR)	REMAINING CONTRACTUAL INSTALMENTS (N.º)
José Carlos dos Remédios Athaíde Furtado (a)	Y	Y	50 962.61	AOV	2020	2024	571.51	4 528.24	44
José Manuel Leitão Sardinha	N	-	-	-	-	-	-	-	-
Catarina Isabel Clímaco Monteiro d´Oliveira (b)	Y	Y	36 498.26	AOV	2018	2022	365.09	2 892.71	16
Carla da Conceição Afonso Correia	Y	Y	32 992.62	AOV	2018	2022	322.16	1 313.35	18
João Pedro Moura Castro Neves (c)	Y	Y	36 498.26	AOV	2018	2022	365.09	2 892.71	16
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Jaime Serrão Andrez, in rep. Parpública	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

(1) Acquisition; ALD; Leasing or other.
(a) The value of EUR 5,577.54 was recorded, relative to a rent-a-car vehicle.
(b) The value of EUR 1 758.14 was recorded, relative to rent-a-car.
(c) EUR 341.61 was recorded, relative to rent-a-car.

BD MEMBER (NAME)	ANNUAL SERVICE REPRESENTATION COSTS (EUR)					
	BUSINESS TRAVEL	ACCOMMODATION COSTS	ALLOWANCE COSTS	OTHERS		TOTAL COST OF TRAVEL (Σ)
				IDENTIF.	AMOUNT	
José Carlos dos Remédios Athaíde Furtado	228.00	0.00	0.00	-	0.00	228.00
José Manuel Leitão Sardinha	0.00	0.00	0.00	-	0.00	0.00
Catarina Isabel Clímaco Monteiro d´Oliveira	76.00	0.00	0.00	-	0.00	76.00
Carla da Conceição Afonso Correia	340.00	236.00	0.00	-	0.00	576.00
João Pedro Moura Castro Neves	486.00	115.00	0.00	-	0.00	601.00
Miguel Jorge Campos Cruz, in rep. Parpública	n.a	n.a	n.a	n.a	n.a	n.a
Jaime Serrão Andrez, in rep. Parpública	n.a	n.a	n.a	n.a	n.a	n.a
						1 481.00

3 – AUDIT

On 29 April 2018, the Supervisory Board was elected for the 2018-2020 mandate with the following composition and remuneration status:

Mandate (Begin - End)	Position	Name	Appointment		Monthly Fixed Remuneration Status (EUR)	N.º of Mandates
			Form (1)	Date		
2018-2020	Chair	Carla Maria Lamego Ribeiro (*)	AG	29/04/2018	1 370.03	3
2018-2020	Director	Rui Mendes Cabeças	AG	29/04/2018	1 027.52	1
2018-2020	Director	Mário José Alveirinho Carrega	AG	29/04/2018	1 027.52	3

(1) Indicate AG/DUE/Order.

NAME	Annual Remuneration (EUR)		
	Gross (1)	Reductions in Remunerations (2)	Final Amount (3) = (1)-(2)
Carla Maria Lamego Ribeiro (*)	-	-	-
Rui Mendes Cabeças	16 824.92	841.40	15 983.52
Mário José Alveirinho Carrega	16 824.92	841.40	15 983.52
			31 967.04

(*) No remuneration due.

ROC/STATUTORY AUDITOR

MANDATE (BEGIN. - END)	POSITION	IDENTIFICATION OF STATUTORY AUDITOR FIRM / STATUTORY AUDITOR			APPOINTMENT			Nº. OF YEARS IN FUNCTION IN THE GROUP	Nº. OF YEARS IN FUNCTION IN THE COMPANY
		NAME	SAO REGISTRATION Nº.	CMVM REGISTRATION Nº.	FORM (1)	DATE	DATE OF CONTRACT		
2018-2020	SAF, Full time	Grant Thornton, SROC, Lda., represented by Dr. Pedro Lisboa Nunes (*)	67	20161403	DUE	27/12/2018	01/01/2019	2	27/12/2018
2018-2020	ROC Alternate	Carlos António Lisboa Nunes	427	20160131	DUE	27/12/2018	01/01/2019		27/12/2018

(1) Indicate AG/DUE/Order (D).
(*) N.º of registration with the Statutory Auditor Order 1202 and CMVM 20160813.

STATUTORY AUDITOR FIRM/ STATUTORY AUDITOR NAME	ANNUAL AMOUNT OF SERVICE PROVISION CONTRACT 2020 (EUR)			ANNUAL AMOUNT OF ADDITIONAL SERVICES - 2020(EUR)			
	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1)-(2)	IDENTIFICATION OF SERVICE	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1)-(2)
Grant Thornton, SROC, Lda, represented by Dr. Pedro Lisboa Nunes (*)	35 722.91	-	35 722.91	n.a.	-	-	-
Carlos António Lisboa Nunes	-	-	-	n.a.	-	-	-

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

4 – EXTERNAL AUDITOR

Identification of External Auditor			Date of Contracting	Duration of Contract	N.º of years in function in the Group	N.º of years in function in the company
External Auditor Name	SAO N.º	CMVM N.º				
Pricewaterhouseccopers, SROC, Lda rep. by João Rui Fernandes Ramos, Statutory Auditor (SA 1333, CMVM nº. 20160943)	183	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)	IDENTIFICATION OF SERVICE	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1)-(2)
Pricewaterhouseccopers, SROC, Lda rep. by João Rui Fernandes Ramos, Statutory Auditor (SA 1333, CMVM no. 20160943)	24 500.00	n.a.	24 500.00	n.a.	-	-	-

APPENDIX 2

COMPLIANCE WITH LEGAL ORIENTATIONS - 2020	COMPLIANCE Y/N/N.A.	QUANTIFICATION/ IDENTIFICATION	JUSTIFICATION / REPORT REFERENCE
Management objectives (a)			**See Point 1.a)**
Targets set in the ABP 2020			
Financial investment	Y	24%	See Point 1.b)
Debt	Y	103%	See Point 1.b)
Degree of execution of the budget uploaded to SIGO/SOE	N.A.	-	The AdP Group is not covered by this obligation
Financial risk management	Y	0.33%	See Point 2
Debt growth limits	Y	(8%)	See Point 3
Evolution of the PMP to suppliers	Y	(36)	See Point 4
Disclosure of delayed payments ("Arrears")	Y	4 104	See Point 4
Shareholder recommendations on the last approval of accounts	N.A.	-	See Point 5
Remuneration/fees			
Non attribution of management bonuses	Y		See Appendix 1
BD- salary reductions in force in 2020 (if applicable)	Y	15 315 EUR	See Appendix 1
Auditors (CF/Statutory Auditor/FU) - remuneration reductions in effect in 2019 (when applicable)	Y	1 682.80	See Appendix 1
External Auditor - remuneration reductions in effect in 2020 (when applicable)	N.A.	-	
EGP – article 32 and 33 of EGP	Y		See Point 7
Non-utilisation of credit cards	Y		See Point 7
Non-reimbursement of personal representation costs	Y		See Point 7
Maximum amount for communications associated costs	Y		See Point 7
Maximum amount for fuel and tolls allocated monthly to service vehicles	Y		See Point 7
Undocumented or confidential expenditure - article 16, para. 2, of RJSPE and article 11 of EGP	Y		See Point 8

COMPLIANCE WITH LEGAL ORIENTATIONS - 2020	COMPLIANCE Y/N/N.A.	QUANTIFICATION/ IDENTIFICATION	JUSTIFICATION / REPORT REFERENCE
Ban on making undocumented or confidential expenditure	Y		See Point 8
Promoting salary equality between females and males - no. 2 of RCM no. 18/2014	Y		See Point 9
Producing and publishing a report on the remunerations paid to female and male workers	Y	www.adp.pt	See Point 9
Producing and publishing an annual report on preventing corruption	Y	www.adp.pt	See Point 10
Public tendering	Y		See Point 11
Application of norms for company public tendering	Y		See Point 11
Application of norms for holding company public tendering	Y		See Point 11
Contracts submitted for prior validation by the Court of Audit	N.A.		
Joining the National Public Purchasing System	Y		See Point 13
Operating costs of state-owned enterprises	Y	(19%)	See Point 13
Contracting of Studies, Opinions, Projects and Consultancy (Article 49 of DLEO 2019)	Y		See Point 13
Principle of Treasury Unity (Article 28 of DL 133/2013)	Y		See Point 14
Availabilities and applications centralised at IGCP	Y	99,4%	See Point 14
Availabilities and applications in Commercial Banking (c)	Y	41 727,91	See Point 14
Interest earned on UTE default and delivered as State Revenue	Y	-	See Point 14
Auditing by the Court of Audits (b)	Y		See Point 16
Drafting of the Equality Plan, as required by Article 7 of Law 62/2017, of 1 August	Y		
Presentation of the non-financial statement	N.A.		This compliance is measured against AdP SGPS (individual)

(a) Indicate each Company management objective.
(b) This should also indicate any recommendations resulting from transversal audits of the sector of activity and/or SEE.
(c) Not considered for the purposes of calculating available cash flow.

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THE ACCOUNTS

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OF OUR SUSTAINABLE WATER
RESOURCE MANAGEMENT.

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	31.12.2020	31.12.2019
Non-current assets			
Intangible assets	7	**3 763 653 082**	3 820 161 862
Tangible fixed assets	8	**659 001 071**	675 756 651
Assets under right of use	9	**34 704 870**	33 085 375
Investment properties	10	**13 241 854**	13 320 907
Other financial assets	11	**21 834 325**	23 605 969
Financial investments in associates	12	**47 107**	47 107
Deferred tax assets	13	**259 543 731**	243 399 961
Tariff deviation	14	**624 414 185**	663 054 661
Trade receivables and other non-current assets	15	**30 925 564**	28 758 518
Total non-current assets		**5 407 365 789**	**5 501 191 011**
Current assets			
Inventories	16	**12 922 162**	12 320 074
Financial assets at fair value through other comprehensive income	17	**17 551 801**	72 213 412
Trade receivables	18	**326 835 549**	299 809 204
State and other public entities	19	**9 800 412**	8 280 251
Other current assets	20	**106 179 272**	95 539 222
Other financial assets	11	**2 177 301**	9 488 784
Cash and cash equivalents	21	**255 790 943**	138 163 519
Total current assets		**731 257 440**	**635 814 466**
Total assets		**6 138 623 229**	**6 137 005 477**
Equity			
Share capital	22	**434 500 000**	434 500 000
Reserves and other adjustments	23	**42 712 480**	38 774 676
Retained earnings	24	**829 557 871**	777 010 089
Net annual result		**78 552 489**	83 116 158
		1 385 322 840	**1 333 400 923**
Non-controlling interest	25	**321 832 916**	316 561 908
Total equity		**1 707 155 756**	**1 649 962 831**
Non-current liabilities			
Provisions	26	**17 442 438**	16 456 661
Pension liabilities	27	**-**	115 000
Loans	28	**1 705 786 127**	1 756 133 493
Lease liabilities	9	**12 629 517**	17 716 814
Trade payables and other non-current liabilities	29	**91 249 514**	90 132 659
Deferred tax liabilities	13	**254 449 162**	268 840 209
Accrued contractual investment expenses	30	526 118 375	493 673 568
Investment grants	31	**1 484 046 405**	1 523 133 254
Tariff surplus	14	**66 680 208**	50 225 368
Derivative financial instruments	44.1	**-**	2 788 817
Total non-current liabilities		**4 158 401 746**	**4 219 215 843**
Current liabilities			
Loans	28	**80 579 663**	78 264 969
Lease liabilities	9	**10 234 039**	5 564 472
Trade payables	32	**54 744 780**	63 317 116
Other current liabilities	33	**91 983 644**	85 996 832
Income tax for the year	34	**9 972 210**	11 691 025
State and other public entities	19	**25 551 391**	22 992 389
Total current liabilities		**273 065 727**	**267 826 803**
Total liabilities		**4 431 467 473**	**4 487 042 646**
Total liabilities and equity		**6 138 623 229**	**6 137 005 477**

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	31.12.2020	31.12.2019
Revenue from contracts with customers	35	**715 303 240**	691 532 097
Income from construction of concession assets (IFRIC 12)	35	**107 823 223**	139 576 905
Cost recovery tariff deficit / surplus	14 e 35	**(55 351 557)**	(38 119 189)
Sales costs/variations in inventories	36	**(24 472 547)**	(22 470 360)
Costs of construction of concession assets (IFRIC 12)	36	**(107 823 223)**	(139 576 905)
Supplies and external services	37	**(209 302 663)**	(198 589 462)
Personnel costs	38	**(105 198 055)**	(101 308 047)
Financial year amortisations, depreciations and reversals	39	**(234 851 210)**	(226 425 668)
Financial year provisions (increases) and reversals	40	**(992 779)**	(50 859)
Financial year impairment losses (increases) and reversals	41	**(4 011 776)**	(2 129 199)
Investment grants	31.3	**63 783 190**	61 915 631
Other operational expenses and losses	42	**(11 809 112)**	(12 832 052)
Other operating income and gains	43	**9 588 762**	9 412 251
Operating income		**142 685 493**	**160 935 143**
Financial costs	44	**(36 916 837)**	(42 458 484)
Financial income	45	**13 539 180**	12 059 863
Financial results		**(23 377 657)**	**(30 398 621)**
Profit before tax		**119 307 836**	**130 536 522**
Tax for the year	46	**(64 520 412)**	(62 651 821)
Deferred tax	46	**30 663 565**	23 872 688
Net profit of the year		**85 450 989**	**91 757 389**
Net profit allocable to AdP shareholders	22.2	**78 552 489**	83 116 158
Net profit allocable to non-controlling interests	25.2	**6 898 500**	8 641 231
		85 450 989	**91 757 389**
Earnings per share (basic and diluted)	**22.2**	**0.90**	**0.96**

The Board of Directors

José Carlos Athaíde dos Remédios Furtado (Executive Chair)
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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	31.12.2020	31.12.2019
Net profit for the year		**85 450 989**	**91 757 389**
Foreign exchange gains/ losses	23.1	**329 793**	(21 066)
Fair value of hedging instruments	44.1	**350 431**	526 598
Gains/ losses to be reclassified through profit or loss		**680 224**	**505 532**
Remuneration of post-employment benefit liabilities	27.3	**180 030**	418 660
Gains/ losses to be reclassified through profit or loss		**180 030**	**418 660**
Comprehensive income		**86 311 243**	**92 681 581**
Comprehensive income allocable to AdP shareholders		**79 412 743**	84 040 350
Comprehensive income allocable to non-controlling interests		**6 898 500**	8 641 231
		86 311 243	**92 681 581**
Earnings per share (basic and diluted)		**0.91**	**0.97**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	FOREIGN EXCHANGE RESERVE	LEGAL RESERVE	RESERVES - FAIR VALUE OF FINANCING NEGATIVE HEDGING	OTHER RESERVES	RETAINED EARNINGS	NET ANNUAL RESULT	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance as at 31.12.2018	**434 500 000**	**791 925**	**32 945 571**	**(877 029)**	**2 431 884**	**719 304 806**	**87 263 416**	**1 276 360 573**	**312 816 849**	**1 589 177 422**
Appropriation of results for 2018			2 976 793			84 286 623	(87 263 416)	-		-
Dividend paid						(27 000 000)		(27 000 000)	(6 634 152)	(33 634 152)
Paid-in capital								-	1 737 980	1 737 980
Comprehensive income		(21 066)		526 598		418 660		924 192	-	924 192
Net profit in December 2019							83 116 158	83 116 158	8 641 231	91 757 389
Balance as at 31.12.2019	**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– AdAM - Águas do Alto Minho								-	352 800	352 800
Paid-in capital- Águas do Norte									195 488	195 488
Paid-in capital- AgdA-Águas Públicas do Alentejo									593 635	593 635
Result from the previous year (AdAM - Águas do Alto Minho)						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 31.12.2020	**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**

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CONSOLIDATED CASH FLOW STATEMENT

	NOTE	31.12.2020	31.12.2019
Operating activities			
Flows generated by operations			
Trade receivables		786 531 312	724 388 473
Trade payables		(287 259 068)	(267 766 573)
Payments to personnel		(109 673 880)	(105 451 907)
Flows generated by operations		**389 598 364**	**351 169 993**
Other operating flows			
Corporate income tax (payable)/ Receivable		(66 239 227)	(63 328 660)
Other receiv./(pay.) of operating activities		10 746 169	6 673 386
Other operating flows		**(55 493 058)**	**(56 655 274)**
Total operating activities (1)		**334 105 306**	**294 514 719**
Investment activities			
Receivables from:			
Financial assets		9 449 390	2 871 063
Tangible fixed assets		-	9 788
Intangible assets		179 414	670 930
Investment grants		18 617 784	28 071 915
Interest and similar income		2 210 141	2 849 817
Sub-total		**30 456 729**	**34 473 513**
Payments for:			
Financial assets		-	(41 960)
Tangible fixed assets		(9 500 211)	(2 843 294)
Intangible assets		(114 359 222)	(125 204 081)
Sub-total		**(123 859 433)**	**(128 089 335)**
Total investment activities (2)		**(93 402 704)**	**(93 615 822)**
Financing activities			
Receivables from:			
Loans obtained	28	30 000 000	-
Paid-in capital, additional capital contributions		1 141 923	1 740 867
Sub-total		**31 141 923**	**1 740 867**
Payments for:			
Loans obtained	28	(78 182 933)	(78 955 201)
Leasing capital		(7 184 105)	(5 742 075)
Interest and similar expenses		(36 975 114)	(40 920 829)
Dividends		(32 025 311)	(30 031 158)
Sub-total		**(154 367 463)**	**(155 649 263)**
Total financing activities (3)		**(123 225 540)**	**(153 908 396)**
Changes in cash and cash equivalents (1 + 2 + 3)		**117 477 062**	**46 990 501**
Effects of exchange rate differences		101	1 860
Cash and cash equivalents at the start of the period	21	138 081 302	91 088 941
Cash and cash equivalents at the end of the period	**21**	**255 558 465**	**138 081 302**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 INTRODUCTION

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, 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 2020	% CAPITAL	SUBSCRIBED AMOUNT	N.º 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 the responsibility for developing multi-municipal systems in Portugal for the abstraction, treatment and distribution of water for public consumption and the collection, treatment and disposal of urban wastewaters and the treating and improvement of solid household wastes. This latter activity was discontinued in 2015 after the privatisation process of EGF. The Company's mission was extended in 1998, beginning a process of diversification in terms of business segments and geographical locations. It expanded into water distribution systems and the collection of effluent directly from the communities served, in Portugal and abroad.

1.2 BUSINESS ACTIVITY

AdP was incorporated 27 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 was expanded, beginning a process of diversification at the levels of both water distribution systems and effluent collection directly to the populations served.

In the 2000 financial year, AdP took over the entire capital of the Empresa Geral de Fomento, S.A. (EGF) with the mission of developing multi-municipal systems for the collection and treatment of municipal solid waste. This shareholding was sold in 2015 (95%) and in 2017 (5%). The performance of the AdP Group is based on the targets of the Strategic Plan for Water Supply and Sanitation of Wastewater (PEAASAR) 2020 published by Order No. 4385/2015 of April 30.

The prevailing business model is based on three management models: **(i)** delegated or concessionary management for state-owned systems (EPAL and Águas de Santo André respectively); **(ii)** concessions 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 merged with Águas do Norte, AdRA - Águas da Região de Aveiro, AgdA - Águas Públicas do Alentejo and AdAM - Águas do Alto Minho).

1.2.1 REGULATED ACTIVITY (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.

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 and disposal 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, equity and the resources generated by business operations. 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, equity 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 equity. 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.

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, Sao Tome and Principe and Mozambique.

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

1.3 STRATEGY

Pursuant to the law on the State-owned business sector and the Public Manager Statute, the State, as the shareholder, sets out strategic guidelines for the Board of Directors of AdP.

The Board of Directors must ensure that AdP, S.A. and its invested companies, without prejudice to the independence of their management:

- Fulfil their mission and undertake business in keeping with the sector's strategic policies defined by the government within a rational business framework, the constant optimisation of efficiency, and the quality and safety of the service provided;
- Are socially responsible, pursue social and environmental goals in their works and foster competition in the market, act on behalf of consumer protection, and invest in personal and professional progress, equality, environmental protection and respect for ethical principles;
- Conduct environmental awareness campaigns and foster the protection and efficient use of water resources;
- Promote an appropriate balance between quantitative and qualitative levels of public service with a view to customer satisfaction and economic, financial and environmental feasibility and sustainability;
- Deploy methods that enable them to promote the continuous improvement of the quality of the service provided and customer satisfaction;

- Devise and implement human resource policies that value individuals, strengthen motivation and stimulate increased employee productivity and satisfaction within a framework of balance and the strict control of the associated costs, compatible with their size;
- Implement action plans that promote equal treatment and opportunities for men and women, eliminate discrimination and ensure a life-work balance (promotion of equality);
- Adopt policies of consistent scientific and technological innovation, foster research into new ideas, products, processes and market approaches in order to better fulfil their mission and meet collective needs while oriented towards economic, financial, social and environmental sustainability; and
- Apply information and internal control systems suited to their size and complexity to cover all relevant risks and that are constantly ready and available for auditing by the competent authorities.

1.4 MISSION AND FUTURE GUIDELINES

The AdP Group is responsible for providing essential public services in water supply and wastewater sanitation. The positive impacts on the fields of national cohesion, public health and the environment are universally recognised.

As the State's business tool for implementing public policy and national objectives in these segments of the environmental sector, the AdP Group prioritises **(a)** universality, continuity and quality of service, **(b)** the sustainability of the sector and **(c)** the protection of environmental values.

AdP is a holding company that, through its subsidiaries, designs, constructs, operates and manages water supply and wastewater sanitation systems within a framework of economic, financial, technical, social and environmental sustainability. It also aims to develop a strong Portuguese business group that is highly competent and capable of effectively and efficiently responding to the major challenges that the environmental sector currently faces.

1.5 ORGANISATION

The business and organisational model adopted at the core level by the AdP Group is based on three fundamental factors: **(i)** the division of the business into four business units, with independent management and adequate finances for the nature of each activity, supported by resources made available at the corporate level and shared services; **(ii)** a legally defined relationship; **(iii)** an integrated, scalable information system platform for the entire Group.

1.6 APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for publication by the Board of Directors on 9 April 2021. 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. The Board of Directors expects these financial statements to be approved by the Shareholders General Meeting without material changes.

2. ACCOUNTING POLICIES

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 2020.

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

2.1 BASIS FOR PRESENTATION

2.1.1 INTRODUCTION

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.

2.1.2 NEW NORMS AND CHANGES IN POLICIES

2.1.2.1 Voluntary changes in accounting policies

No voluntary policy changes to accounting policies were made in the financial year that ended on 31 December 2020, with respect to those considered in the preparation of the financial information relating to the financial year ending on 31 December 2019 as demonstrated in the comparative reporting.

2.1.2.2 New norms, interpretations and changes in effect as of 1 January 2020

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.

IFRS 3 (amendment) - 'Business definition'

This amendment constitutes a revision to the definition of business for the purpose of accounting for business combinations. The new definition requires an acquisition to include a substantial input and process that jointly generate outputs. Outputs are now defined as goods and services that are provided to customers, that generate financial and other investment income, excluding returns in the form of cost savings and other economic benefits to shareholders. 'Concentration tests' are now allowed to determine whether a transaction concerns the acquisition of an asset or a business.

IFRS 9, IAS 39 and IFRS 7 (amendment) - 'Reform of benchmark interest rates'

These amendments are part of the first phase of the IASB's 'IBOR reform' project and allow exemptions related to the reform of the benchmark for reference interest rates. The exemptions refer to hedge accounting in terms of: **i)** risk components; **ii)** 'highly probable' requirement; **iii)** prospective assessment; **iv)** retrospective effectiveness test (for IAS 39 adopters); and v) recycling of the cash flow hedge reserve, and striving to ensure that the reform of the benchmark interest rates does not determine the cessation of hedge accounting. However, any ineffectiveness determined in the hedging continues to be recognised in the income statement.

IAS 1 and IAS 8 (amendment) - 'Definition of material'

This amendment introduces a change to the concept of "material" and clarifies how the mention of unclear information refers to situations whose effects are similar to omissions or distortions in such information, and the entity must assess materiality within the scope of the financial statements as a whole. Clarifications are also made regarding the meaning of "key users of financial statements", defined as 'current and future investors, lenders and creditors' who rely on financial statements to obtain a significant part of the information they require.

Conceptual framework - 'Changes in the reference to other IFRSs

Following the publication of the new Framework, the IASB made changes to the text of various standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32 in order to clarify the application of the new definitions of asset / liability and expense / income in addition to some of the characteristics of financial information. These amendments are of retrospective application, unless otherwise impracticable.

The application of these new standards brought about no relevant impacts to the Group's consolidated financial statements.

2.1.2.3 New standards and interpretations already issued but not yet mandatory

The standards and interpretations recently issued by IASB whose application is mandatory but only in periods beginning on or after 1 January 2021, and that the AdP Group has not early adopted, are the following:

- Already endorsed by the EU

DESCRIPTION	AMENDMENT	EFFECTIVE DATE
• IFRS 16 – Rental subsidies related to COVID-19	Application of exemption to the accounting of subsidies granted by lessors related to COVID-19, as modifications	1 June 2020
• IFRS 4 – deferral of application of IFRS 9	Ending the deferral of the beginning of applying IFRS 9 to entities with insurance activity, postponed to 1 January 2023	1 January 2021

• 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 an entity holds to defer its payment. New definition of "settlement" of a liability	1 January 2023
• IFRS 3 – References to the conceptual framework	Updating the references to the Conceptual Framework and clarification on recording provisions and contingent liabilities in a business grouping	1 January 2022
• IAS 16 – Income before commissioning	Prohibition of deducting income obtained from the sale of items produced during the testing phase for the tangible asset acquisition cost	1 January 2022
• IAS 37 – Onerous contracts - costs of fulfilling a contract	Clarification on the nature of the costs considered for determining whether a contract has become onerous	1 January 2022
• Improvements 2018 – 2020	Specific and one-off changes to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
• IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of benchmark interest rates - phase 2	Additional exemptions stemming from the impacts of the of the reference interest rate ("IBOR") reforms, and especially the replacement of a reference interest rate by an alternative financially traded instrument	1 January 2021
• IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	1 January 2023
• IFRS 17 – Insurance contracts (amendments)	Inclusion of amendments to IFRS 17 on areas such as: **i)** scope of application; **ii)** level of insurance contract aggregation; **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

IFRS 14 Deferral accounts related to regulated activities

This norm 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 norm.

The application of these changes in the norms, new norms and their interpretations are not expected to return any relevant impacts for the financial reporting of AdP Group after 1 January 2021.

2.2 CONSOLIDATION

2.2.1 DATES

The consolidated financial statements reflect the assets, liabilities, results and cash flows of AdP and its subsidiaries and the profits proportional to the shareholdings in associate companies for the financial year ending on 31 December 2020 (and comparisons with 31 December 2019).

2.2.2 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.

When the Group loses control over a subsidiary, recognition of the assets and liabilities of that subsidiary is withdrawn along with any non-controlling interest and other components of its equity. Any gain or loss resulting is recognised in the financial results. Any interest retained in the entity is measured by its fair value at the time of the loss of control.

The accounting policies applied by subsidiaries in compliance with their legal and statutory obligations, whenever so necessary, are corrected in the consolidation process 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 equity 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 equity 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 equity if the contingent consideration is classified as equity; **(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.

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	EQUITY	NET PROFIT FOR THE PERIOD
WATER SUPPLY AND WASTEWATER SANITATION								
Águas do Algarve, S.A.	Faro	54.44%	54.44%	54.44%	EUR	29 825 000	30 190 825	739 364
Águas do Centro Litoral, S.A.	Coimbra	60.33%	62.77%	60.71%	EUR	39 974 969	100 744 804	1 621 441
Águas do Douro e Paiva, S.A.	Oporto	51.00%	51.00%	51.00%	EUR	20 902 500	30 542 554	776 726
Águas do Norte, S.A.	Vila Real	68.73%	72.50%	70.74%	EUR	108 095 468	269 248 435	4 448 537
Águas de Santo André, S.A.	Vila Nova de Santo André	100.00%	100.00%	100.00%	EUR	1 000 000	24 510 191	3 893 555
AgdA - Águas Públicas Alentejo, S.A.	Beja	51.00%	51.00%	51.00%	EUR	9 053 000	10 152 449	560 638
AdAM - Águas do Alto Minho, S.A.	Viana do Castelo	51.00%	51.00%	51.00%	EUR	1 800 000	1 878 595	60 608
Águas do Tejo Atlântico, S.A.	Lisbon	50.68%	51.61%	51.83%	EUR	113 527 680	115 574 654	3 735 125
Águas do Vale do Tejo S.A.	Guarda	68.74%	68.27%	68.74%	EUR	83 759 578	208 006 395	3 273 714
SIMARSUL, S.A.	Quinta do Conde	51.00%	51.43%	51.00%	EUR	25 000 000	66 902 631	1 035 050
SIMDOURO, S.A.	Vila Nova de Gaia	58.52%	58.61%	58.52%	EUR	20 046 075	31 984 939	739 789
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	51.00%	51.00%	51.00%	EUR	17 500 000	18 733 218	619 483
EPAL, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	150 000 000	640 098 264	46 972 206
INTERNATIONAL								
AdP Internacional, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	175 000	210 941	29 566
AdP Timor-Leste, Lda.	East Timor	100.00%	100.00%	100.00%	USD	5 000	(504 472)	85 318
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	(66 204 648)	(18 017 127)
CORPORATIVE								
AdP Valor S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	50 000	15 542 717	1 353 721
AdP Energias, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	1 250 000	1 040 490	(93 402)

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 2020.

2.2.3 FINANCIAL INVESTMENT IN ASSOCIATES

Holdings in associates 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.

The entities qualifying as associates are listed below.

COMPANY		HEAD OFFICE	% CAPITAL HELD	SHARE CAPITAL
Trevo Oeste, S.A.	(a)	Alcobaça	43%	1 336 085

(a) Companies without any operational activities.

2.2.4 HOLDINGS IN SUBSIDIARIES RESIDENT ABROAD

See note 2.4.3.

2.2.5 BALANCES AND TRANSACTIONS

Intragroup transactions, dividends distributed among Group companies, balances and gains not realised in the transactions among Group companies are all eliminated.

2.2.6 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 equity item. The gains or losses from sales to non-controlling interests are also registered as equity.

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.

2.2.7 LOSS OF CONTROL OR SIGNIFICANT INFLUENCEA

Whenever the Group no longer has control or significant influence, any residual participation in the equity is re-measured for its market value with any alteration duly recognised in the results reported. The fair value is the initial accounting value for the purposes of the subsequent accounting treatment of this holding as a financial asset.

2.3 INFORMATION BY BUSINESS AREA

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)

a. Water supply and wastewater sanitation

II – Regulated activities "delegated for indefinite terms"
b. EPAL – production and distribution of water

III – International activities
c. International - includes consulting operations by AdP Internacional outside of Portugal

IV – Corporate activities
d. Corporate - includes the activities of AdP, AdP Valor and AdP Energias.

2.4 FOREIGN EXCHANGE

2.4.1 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4.2 TRANSACTIONS AND BALANCES IN FOREIGN CURRENCIES

Transactions in currencies other than EUR 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 equity 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.

2.4.3 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 to equity. 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.

2.4.4 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	31.12.2020		31.12.2019	
		AVERAGE	FINAL	AVERAGE	FINAL
Angola	Kwanza	**665.13**	**797.13**	414.89	536.26
Brazil	Reais	**6.27**	**6.37**	4.41	4.52
Cape Verde	Escudo C.V.	**110.27**	**110.27**	110.27	110.27
Mozambique	Meticais	**79.87**	**91.05**	69.43	68.70
U.S.A.	USD	**1.22**	**1.23**	1.11	1.12

Source: Banco de Portugal

2.5 REGULATED ACTIVITIES

2.5.1 INTRODUCTION

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.

2.5.2 FRAMEWORK – CONCESSION ACTIVITIES

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 the system infrastructure and the operation and management (operate and maintain) of the systems composed by the infrastructures necessary for service delivery to users.

Accordingly, the AdP Group must recognise and measure revenue (profit) from the services provided as stipulated by the provisions of IFRS 15 – Revenue of contracts with customers. When the AdP Group provides more than one service under one single concession contract (i.e., service and operation construction and modernisation), the value (prices or tariffs) receivable should be distributed according to the fair values, when these are individually (separately) identifiable. The nature of the prices and the tariffs determine how they are accounted for. The AdP Group company should recognise revenues and costs related to the construction or modernisation of infrastructures in accordance with IFRS 15.

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.

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.

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.

WATER SUPPLY AND WASTEWATER SANITATION	CONCESSION/ PARTNERSHIP	TERM	PERIOD	SHAREHOLDER REMUNERATION - RATE	SHAREHOLDER REMUNERATION BASIS OF INCIDENCE [1]
Águas do Algarve [2]	Share Capital+ Legal Res.	30 years	2019-2048	OT 10 years + 3%	Share Capital+ Legal Res.
AdAM - Águas do Alto Minho [6]	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 [3]	Partnership	50 years	2015-2064	OT 10 years + 3%	Share Capital+ Legal Res.
Águas do Douro e Paiva [4]	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.
AdRA - Águas da Região de Aveiro [5]	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.
AgdA - Águas Públicas do Alentejo [5]	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) On July 24, 2019 a Concession Contract was signed for the Algarve Multi-municipal Water Supply and Sanitation System managed by Águas do Algarve, S.A. for a period of 30 years (2019-2048). This contract results from the aggregation of existing concession contracts.

(3) Partnership and Management Contract signed in 2013. Prior approval by the Court of Auditors obtained in 2014, being a necessary condition for the activity starting in 2015.

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

(5) Partnership Agreement and Management Agreement signed in 2009. Start of activity occurred in 2010.

(6) Partnership Agreement and Management Agreement entered into in 2019 (July 11 and June 22, respectively). Start of activity occurred in 2020.

2.5.3 INFRASTRUCTURE CLASSIFICATION

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 infrastructure.

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.

2.5.4 AMORTISATIONS

The intangible assets, rights 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 sanitation 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 2020 of the right to use the infrastructures and the respective flows were as follows:

	AMORTISATION RATE 2020			REMAINING FLOW RATE 2020 (M³)			FLOW RATE 2020 (M³)		
	WATER SUPPLY	WASTEWATER SANITATION	STRUCTURE	WATER SUPPLY	WASTEWATER SANITATION	STRUCTURE	WATER SUPPLY	WASTEWATER SANITATION	STRUCTURE
AgdA	2.88%	2.31%	-	686 153 074	306 478 737		19 822 054	7 068 945	
AdCL	4.26%	3.94%	4.03%	685 951 619	1 741 869 334	2 411 228 182	30 448 818	70 524 700	100 973 518
AdTA	-	3.39%	-		4 737 089 975			178 943 460	
AdSA	8.33%	8.33%	8.33%	N/a	N/a	N/a	N/a	N/a	N/a
AdVT	5.17%	4.72%	5.01%	1 510 363 055	859 168 576	2 369 531 631	80 305 852	41 608 407	121 914 259
SIMARSUL	-	3.02%	-		981 242 872			30 466 181	
AdRA	2.16%	1.87%	2.02%	779 794 174	636 153 213	1 415 947 387	16 966 298	13 695 176	30 661 474
AdAM	3.01%	2.38%	-	268 925 891	194 116 401		8 356 967	5 298 140	
AdDP	-	6.15%	-		1 536 080 667			100 589 014	
AdNorte (Bulk)	4.15%	3.59%	3.84%	1 827 586 411	2 202 059 810	4 029 646 221	75 735 631	79 153 331	154 888 962
AdNorte (Retail)	1.50%	1.61%	1.57%	206 109 341	306 568 620	512 677 961	3 088 964	4 937 572	8 026 536
SIMDOURO	-	1.94%	-		1 029 769 835			20 355 098	
AdA	3.73%	3.15%	3.50%	1 764 448 965	1 153 643 619	2 918 092 584	68 208 781	37 389 396	1 058 177

2.5.5 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, for the duration of the concession agreements concluded with the State. These accruals correspond, in practice, to accountability for reimbursement at 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.

2.5.6 COST RECOVERY DEVIATION

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. The new management companies, 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 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, the cost recovery deviations determined on the date of concession companies closing the systems aggregated under the auspices of this decree-law are recorded, including outstanding shareholder remuneration, capitalised at the rate of Portuguese 10-year Treasury Bonds plus three percentage points from the date 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.

2.5.7 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 the operation and maintenance service 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.

2.6 TANGIBLE FIXED ASSETS

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.

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

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.

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 and 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.

Gains or losses arising from write-downs or disposals are calculated as the difference between receivables from disposals and the accounting amount of the asset and recognised in the income statement as income or expenses.

2.7 INTANGIBLE ASSETS

2.7.1 RIGHTS TO USE THE INFRASTRUCTURES

See note 2.5.3.

2.7.2 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. 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.

2.8 INVESTMENT PROPERTIES

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. Investment properties are derecognised on disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal. 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 2.6).

For the purpose of analysing and disclosing the recovery value of investment properties, the AdP Group has external appraisals made by specialised 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, on the reporting date, AdP Group records the respective impairment loss. If, 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 amount of the assets had no impairment loss been recognised.

2.9 LEASES

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 statement of financial position. At the commencement date of the lease, the AdP Group will recognise 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., the assets under right of use). The AdP Group recognises separately the financing cost related to the lease liability and the cost with depreciation or amortisation of the right-of-use asset.

The AdP Group holds 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:

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 the use 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 component, 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/vendor 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, together 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 asset

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
Buildings and other constructions	1 - 40
Transport equipment	1 - 4
Other equipment	1 - 2

The AdP Group is a lessee on a lease that provides for a purchase option, which has been taken into account in determining the value of the asset under use and the liability for the lease.

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 uses the following practical arrangements under IFRS 16:

i) Contracts with the 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
Accounting for lessors does not change with norm IFRS 16. Therefore, 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 consider the non-leasing component as a lease.

Under financial leasing, the lessor recognises a financial asset at amortised cost in 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..

2.10 FINANCIAL INSTRUMENTS

2.10.1 FINANCIAL ASSETS

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:
  i. Financial assets held for trading;
  ii. Financial assets not held for trading 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 principal and interest on the outstanding principal) and the business model.

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.

a) 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:

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).

b) Financial assets at fair value through other comprehensive income

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

i. It is managed with a business model whose objective combines the receipt of contractual cash flows from financial assets and their sale; and
ii. 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.

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.

2.10.2 FINANCIAL LIABILITIES

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 creditors 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.

Trade payables and other liabilities

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 "Trade payables" 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.

2.10.3 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. Financial liabilities cannot be reclassified between portfolios.

2.10.4 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.

2.11 INVENTORIES

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.

2.12 CASH AND CASH EQUIVALENTS

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.

2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

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 goodwill and other intangible assets with indefinite useful lives, the recoverable amount is estimated annually at the balance sheet date. Taking into account the premises of concession contracts, the recoverable amount 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

An impairment loss recognised on a medium- or long-term receivable only gets reverted when the justification for the increase in the respective recoverable amount is based on an event occurring after the date the impairment loss was recognised. 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.

2.14 CAPITAL

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

2.15 DIVIDENDS PAYABLE

Dividends are recognised as liabilities when declared.

2.16 GOVERNMENT GRANTS

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.

The remaining grants are deferred and recognised in the income statement for the same period as the expenses they offset, recognised as a deduction against costs in the item recognising such costs.

2.17 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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 assets and liabilities

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.

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.

2.18 EMPLOYEE BENEFITS

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 contributions 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). These contributions are recognised as an expense in the period they refer to.

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 equity 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 with the retirement top-up are financed through the independent fund that has been set up and the liabilities with 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. The Company changed the defined benefits pension plan on 22 March 2008 for a mixed defined benefits and defined contribution plan.

2.19 INCOME TAX

AdP and the AdP Group subsidiaries 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 the taxable profit that exceeds 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 equity. The amount of current tax payable is calculated based on 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 profit, 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 its tax submissions will not result in material adjustments to the consolidated financial statements that require any provision for taxes.

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 the losses can be utilised.

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. Any differences that may arise from expected changes in the rates that will reverse temporary tax differences are accounted for 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 profits or in other reserves, depending on how the transaction or event giving rise to them is recorded.

2.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

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:

2.20.1 SERVICES PROVIDED

Regulated activities - Bulk services – wastewater sanitation and partnerships

Revenues are recognised based on **(i)** minimum guaranteed amounts, 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.

2.20.2 SALES OF GOODS

Regulated activities - Bulk services - Water supply

Revenues are recognised based on **(i)** minimum guaranteed amounts, 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 m^3 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.

2.20.3 REGULATORY AND CONCESSION RELATED REVENUES
See note 2.5.6 on cost recovery deviations and note 2.5.7 on revenue from construction services.

2.20.4 ADDITIONAL TARIFF COMPONENT
Under the terms of Decree-law no. 16/2017, of 1 February and Decree-law no. 34/2017, of 24 March, the AdP Group companies - Águas do Douro e Paiva, S.A. (AdDP), EPAL - Empresa Portuguesa das Águas Livres, S.A. and Águas do Tejo Atlântico, S.A. (AdTA), issue monthly client invoices on behalf of the companies Águas do Norte and Águas do Vale do Tejo, respectively, including a proportion entitled the CTA - the Additional Tariff Component. The CTA is recognised as a revenue under the items "Sales" or "Services provided", in turn corresponding to the supply of water or sanitation services.

2.20.5 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.

2.21 OWN WORK CAPITALISED
The costs of resources directly allocated to tangible and intangible assets during their development/construction stage are recognised in this item and, when concluded, they are then recoverable through the realisation of those assets. Capitalised financial expenses as well as some personnel expenditure are particularly important. These are measured at their cost based on internal information especially prepared for this purpose (internal costs) or at the respective purchase costs plus other expenses inherent therein, therefore meaning they are recognised without any profit margin. 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.

2.22 EXPENSES AND LOSSES
Expenses and losses are recorded in the period to which they relate, regardless of when paid or received, according to an accruals basis (for each specific financial year).

2.23 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. FINANCIAL RISK MANAGEMENT POLICIES

3.1 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.

3.2 MARKET RISKS

3.2.1 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.

	31.12.2020	AVERAGE RATE +1%	AVERAGE RATE -1%
Variable rate interest	1 080 130	4 601 585	-
	1 080 130	**4 601 585**	**-**

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

3.2.2 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.

3.2.3 RAW MATERIAL PRICE RISKS (ENERGY AND FUELS)

The annual Águas de Portugal Group expenses on energy and fuel represent 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.

3.3 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
Asset				
Capital reconstitution fund	11	2 177 301	21 183 381	-
Financial assets at fair value	17	17 551 801	-	-
Other financial assets	11	-	451 284	-
Trade receivables and other assets	15;18	326 835 549	6 680 864	-
Cash and cash equivalents	21	255 790 943	-	-
		602 355 594	**28 315 529**	**-**
Liability				
Financing EIB	28	100 771 760	450 211 319	875 155 345
Shareholder financing	28	7 376 665	379 244 461	167 433 523
Bank overdrafts	28	232 478	-	-
Trade payables and other liabilities	29; 33; 34	146 728 424	75 212 954	16 036 560
		255 109 327	**904 668 734**	**1 058 625 428**
Net amount		**347 246 267**	**(876 353 205)**	**(1 058 625 428)**

The EIB loans contractually allow 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 2020, the outstanding principal related to the EIB Loans presents the following stratification by years of rate re-fixing/ revision:

thousand EUR

THE YEAR THE PERIOD THE INTEREST RATE CURRENTLY IN FORCE ENDS	AMOUNT OUTSTANDING AT 31.12.2020 (NOTE 28)
2021	142 884
2022	2 631
2023	8 077
2024	7 917
2025	700 585
2026	75 959
2027	72 693
2028	8 000
2029	186 251
2040	30 000
	1 234 997

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

In September 2017, AdP SGPS entered into a 25-year, EUR 220 million (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 July 31 2019, the AdP Group formally took up the remaining EUR 200 million (tranche B) 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 January 14. As at 31 December 2020, the Group has drawn down EUR 30 million of tranche A and EUR 41.8 million of tranche B.

In view of the above, as well as recurring operating assets, AdP SGPS does not foresee difficulties in fulfilling its financial commitments. Particularly for short term bank loans, AdP SGPS 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)	140.0	0.2	139.8
	140.0	**0.2**	**139.8**

The AdP 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.

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

(*) 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.

3.4 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.

3.4.1 OPERATING COUNTERPARTY

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

Local authorities, municipal or intermunicipal services and municipal or inter-municipal enterprises

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 notes 15 and 18 of customers) as well as the income (see note 45.1)

The Board of Directors of AdP continues to understand that on these dates there are 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).

Individuals, institutions and companies supplied by the retail distribution network
The credit risk associated with these customers is considered medium, as the supply through the retail distribution network allows the supply to be cut 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 the failure to pay the 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.

Large industrial clients
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.

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

3.4.2 COUNTERPARTY DEPOSIT

The following table represents the Group's maximum exposure to credit risk (not including Trade receivables and other debtors balance) as of December 31, 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 their carried over amount as reported in the financial position statement.

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

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

Note: Moody's ratings obtained from financial institution websites in February 2021.

3.5 OPERATING RISKS

3.5.1 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.

3.5.2 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.

4. ESTIMATES AND JUDGEMENTS

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 as follows:

4.1 PROVISIONS

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. (notes 26 and 49.1).

4.2 TANGIBLE FIXED ASSETS, INTANGIBLE ASSETS AND ASSETS UNDER RIGHT OF USE

i) Useful life (notes 7, 8 and 9)

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 return 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 2.5).

When determining a contractual investment, the Group applies, as the basis for depreciations, 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.

The financial building lease undergoes amortisation over a life span of 25 years irrespective of the financial leasing contract duration lasting a total of 15 years. The Board holds the expectation of acquiring the building at the end of the financial leasing contract and hence the reason this was attributed the life span usual for this asset type.

ii) Impairments (notes 7, 8 and 9)
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.

4.3 IMPAIRMENTS IN ACCOUNTS RECEIVABLE

Losses dues 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 (notes 15, 18 and 20).

As disclosed in note 3.4.1, 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 equity of the AdP Group.

4.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 (note 17).

4.5 POST-EMPLOYMENT BENEFIT

Determining liabilities for retirement pensions and other employee benefits requires recourse to assumptions and estimates, including the use of actuarial projections, estimated rates of return on investments, discount rates and growth of pensions and salaries and other factors that may impact on the costs and liabilities of pension plans, health care plans and on other benefits. The main actuarial assumptions serving to calculate retirement benefit liabilities are described in note 27.

4.6 COST RECOVERY DEVIATIONS

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 equity 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. (note 14).

5. INFORMATION BY OPERATIONAL SECTOR

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)
Financial year provisions (increases) and reversals	(844 619)	(148 160)	-	-	-	(992 779)
Financial year impairment losses (increases) and reversals	(3 042 099)	(1 474 091)	293 826	210 588	-	(4 011 776)
Investment grants	62 486 621	1 289 902	-	6 667	-	63 783 190
Other operational 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	-
Operating income total	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)
Intersegments financial results	(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 profit for the year	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

31.12.2019	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	501 523 390	146 840 057	4 831 175	218 286	-	**653 412 908**
Income from construction of concession assets (IFRIC 12)	139 576 905					**139 576 905**
Cost of sales/ variation in inventories	(20 709 804)	(1 760 556)	-	-	-	**(22 470 360)**
Costs of construction of concession assets (IFRIC 12)	(139 576 905)					**(139 576 905)**
Supplies and external services	(165 495 988)	(28 022 481)	(2 691 796)	(2 379 197)	-	**(198 589 462)**
Personnel costs	(56 484 075)	(34 992 389)	(1 580 649)	(8 250 934)	-	**(101 308 047)**
Financial year amortisations, depreciations and reversals	(197 680 713)	(26 683 515)	(99 703)	(1 961 737)	-	**(226 425 668)**
Financial year provisions (increases) and reversals	(67 306)	(291 556)	-	308 003	-	**(50 859)**
Financial year impairment losses (increases) and reversals	834 028	(952 600)	(789 447)	(1 221 180)	-	**(2 129 199)**
Investment grants	60 610 203	1 298 761	-	6 667	-	**61 915 631**
Other operating expenses and losses	(6 727 495)	(5 282 458)	(623 080)	(199 019)	-	**(12 832 052)**
Other operating income and gains	4 740 311	3 831 444	467 607	372 869	-	**9 412 251**
Operating income intersegments	(38 229 341)	21 897 902	(386 220)	16 506 037	211 622	**-**
Operating income total	**82 313 210**	**75 882 609**	**(872 113)**	**3 399 795**	**211 622**	**160 935 143**
External financial results	(24 290 130)	(1 496 137)	(67 073)	(4 545 281)	-	**(30 398 621)**
Intersegments financial results	(20 025 220)	711 576	(42 544)	19 567 810	(211 622)	**-**
Profit before tax	**37 997 860**	**75 098 048**	**(981 730)**	**18 422 324**	**-**	**130 536 522**
Income tax for the year	(10 800 430)	(22 889 525)	90 702	(5 179 880)	-	**(38 779 133)**
Net profit for the year	**27 197 430**	**52 208 523**	**(891 028)**	**13 242 444**	**-**	**91 757 389**
Attributable to non-controlling interests	8 641 231	-	-	-	-	**8 641 231**
Attributable to AdP, SGPS, S.A. shareholders	18 556 199	52 208 523	(891 028)	13 242 464		**83 116 158**
	27 197 430	**52 208 523**	**(891 028)**	**13 242 464**	**-**	**91 757 389**

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.

31.12.2020	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**	**6 138 623 228**
Segment liabilities	**3 676 372 933**	**189 966 675**	**1 315 231**	**563 812 633**	**4 431 467 472**

31.12.2019	REGULATED ACTIVITY PROD., TREAT., TRANSP.	REGULATED ACTIVITY EPAL	UNREGULATED ACTIVITY INTERNATIONAL	UNREGULATED ACTIVITY CORPORATE	CONSOLIDATED TOTAL
Segment assets	5 332 262 525	763 234 758	2 700 050	38 808 144	**6 137 005 477**
Segment liabilities	3 698 826 980	209 067 969	1 181 149	577 966 548	**4 487 042 646**

6. FINANCIAL INSTRUMENTS BY IFRS 9 CATEGORY

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
Trade receivables and other non-current assets	-	350 623 067	-	350 623 067
Financial assets at fair value through other comprehensive income	17 551 801	-	-	17 551 801
Cash and cash equivalents	-	255 790 943	-	255 790 943
	17 551 801	**630 425 636**	**-**	**647 977 437**
Loans	-	-	1 786 365 790	1 786 365 790
Trade payables and other non-current liabilities	-	-	145 994 294	145 994 294
	-	**-**	**1 932 360 084**	**1 932 360 084**

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES 31.12.2019	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL FINANCIAL INSTRUMENTS
Other financial assets	-	33 094 753		-	33 094 753
Trade receivables and other non-current assets	-	324 685 223		-	324 685 223
Financial assets at fair value through other comprehensive income	72 213 412	-		-	72 213 412
Cash and cash equivalents	-	138 163 519		-	138 163 519
	72 213 412	**495 943 495**		**-**	**568 156 907**
Loans	-	-		1 834 398 462	1 834 398 462
Trade payables and other non-current liabilities	-	-		153 449 775	153 449 775
Derivative financial instruments	-	-	2 788 817	-	2 788 817
	-	**-**	**2 788 817**	**1 987 848 237**	**1 990 637 054**

7. INTANGIBLE ASSETS

	31.12.2020	31.12.2019
Right of infrastructure utilisation - IFRIC 12	**3 544 537 442**	3 614 907 466
Development projects	**4 247 271**	4 385 518
Industrial property and other rights	**259 555**	350 791
Computer software programs	**21 962**	24 044
Other intangible assets	**14 590 893**	15 162 679
Intangible assets ongoing (DUI)	**199 995 959**	185 331 364
	3 763 653 082	**3 820 161 862**

The Group does not recognise internally generated intangible assets.

7.1 MOVEMENTS IN THE PERIOD

GROSS VALUE	31.12.2019	INCREASES	DECREASES/ WRITE-OFFS	CURR. EXCH.	TRANSFER	31.12.2020
Right of use of 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 in progress (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 39)	DECREASES/ WRITE-OFFS	CURR. EXCH.	TRANSFER	31.12.2020
Right of use of infrastructures	(2 061 546 247)	(143 539 011)	493 502	(note 30.1)	(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 value	**3 820 161 862**	**(31 367 603)**	**84 754**	**-**	**(25 225 931)**	**3 763 653 082**

In the 2020 financial year, the transfer of the amount of EUR 86 508 161 to the "Right of infrastructure utilisation" item essentially results from the entrance into operation or completion of construction of various infrastructures by Group companies (new infrastructures investment in rehabilitating water and sanitation treatment and transport infrastructures). Following either their entrance into operation or termination of construction on these infrastructures, they are subject to reclassification of the item "Accrued contractual investment expenses" under the accumulated amortisations of "Right of infrastructure utilisation" in the amount of EUR 25 225 931.

On 31 December 2020, the "Intangible assets - ongoing" item corresponds to infrastructure construction projects ongoing at Group companies (new infrastructures or rehabilitation investments in water and wastewater treatment and transport).

8. TANGIBLE FIXED ASSETS

	31.12.2020	31.12.2019
Land and natural resources	**117 828 163**	117 790 217
Buildings and other constructions	**92 647 410**	95 350 499
Core equipment	**433 839 061**	444 508 016
Transport equipment	**385 612**	385 032
Administrative equipment	**5 015 025**	5 040 863
Others	**2 641 408**	2 736 179
Investments – ongoing	**6 644 392**	9 945 845
	659 001 071	**675 756 651**

8.1 MOVEMENTS IN THE PERIOD

GROSS VALUE	31.12.2019	ENTRY INTO THE PERIMETER ÁGUAS DO ALTO MINHO	INCREASES	EXCHANGE RATE	REDUCTIONS/ DISPOSALS	TRANSF.	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**
Core 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 39)	EXCHANGE RATE	REDUCTIONS/ DISPOSALS	TRANSF..	31.12.2020
Buildings and other constructions	(125 092 047)	-	(4 488 696)	-	-	(83 548)	**(129 664 291)**
Core 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 (NOTE 41)	EXCHANGE RATE	REDUCTIONS/ DISPOSALS	REVERSAL (NOTE 41)	31.12.2020
Buildings and other constructions	(370 000)	-	-	-	-	-	**(370 000)**
Core equipment	(1 175 103)	-	-	-	-	209 445	**(965 658)**
	(1 545 103)	**-**	**-**	**-**	**-**	**209 445**	**(1 335 658)**
Net value	**675 756 651**	**292 915**	**(16 920 592)**	**(8 127)**	**(363 432)**	**243 656**	**659 001 071**

The "Core 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 2020, the "Core 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 2.9 million.

The transfers taking place in 2020 correspond essentially to infrastructure works on the EPAL water supply network. As at 31 December 2020, 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).

9. LEASES

9.1 ASSETS UNDER RIGHT OF USE

ASSETS UNDER RIGHT OF USE	31.12.2019			2020 FINANCIAL YEAR				31.12.2020		
	GROSS VALUE	ACCUMULATED AMORTISATIONS	NET VALUE	INCREASES IN GROSS VALUE	AMORTISATION FOR THE YEAR	WRITE-OFFS/DECREASES/ TRANSFERS IN GROSS VALUE	WRITE-OFFS/ DECREASES/TRANSFERS IN AMORTISATIONS	GROSS VALUE	ACCUMULATED AMORTISATIONS	NET VALUE
Land and natural resources	6 186 769	(343 321)	5 843 448	(note 39)	(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

9.2 LEASE LIABILITIES

LEASE LIABILITIES	31.12.2020	31.12.2019
Current	10 234 039	5 564 472
Non-current	12 629 517	17 716 814
	22 863 556	23 281 286

CAPITAL OUTSTANDING BY TYPE OF ASSET ACQUIRED	31.12.2020	31.12.2019
Software licences	3 257 506	
Lands and buildings and other constructions	14 071 057	14 653 546
Transport equipment and other equipment	5 534 993	8 627 740
	22 863 556	23 281 286

FUTURE MINIMUM PAYMENTS	31.12.2020	31.12.2019
Up to 1 year	10 636 785	5 982 666
From 1 to 5 years	7 710 282	12 817 764
Over 5 years	8 492 895	8 568 170
	26 839 962	27 368 600

PROFITS	31.12.2020	31.12.2019
Up to 1 year	402 745	418 194
From 1 to 5 years	1 051 509	1 030 559
Over 5 years	2 522 152	2 638 561
	3 976 406	4 087 314

PRESENT VALUE OF MINIMUM PAYMENTS	31.12.2020	31.12.2019
Up to 1 year	10 234 040	5 564 472
From 1 to 5 years	6 658 773	11 787 205
Over 5 years	5 970 743	5 929 609
	22 863 556	23 281 286

9.3 LEASING PAYMENTS

i) As lessee

TOTAL OF LEASING PAYMENTS	31.12.2020	31.12.2019
Accounted for according to the single model stipulated in IFRS 16	**7 676 522**	5 990 709
Accounted for as expenditure in the results	**2 354 712**	1 301 782
	10 031 234	**7 292 491**

ii) As lessor

TOTAL OF FUTURE LEASING INCOME	31.12.2020	31.12.2019
Up to 1 year	**354 000**	354 000
From 1 to 5 years	**501 500**	855 500
	855 500	1 209 500
Leasing income (note 43.1)	**354 000**	**197 500**

10. INVESTMENT PROPERTIES

	31.12.2020	31.12.2019
Lands	**12 883 737**	12 883 737
Buildings	**2 454 269**	2 537 817
	15 338 006	**15 421 554**
Accumulated depreciations	**(2 096 152)**	(2 100 647)
	13 241 854	**13 320 907**

ACCUMULATED DEPRECIATIONS	NOTE	31.12.2020	31.12.2019
Opening balance		**(2 100 647)**	**(2 021 594)**
Amortisation of the year	39	**(79 053)**	(79 053)
Others		**83 548**	
Closing balance		**(2 096 152)**	**(2 100 647)**

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 use 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.

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 its value. As at 31 December 2020, 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.

11. OTHER FINANCIAL ASSETS

		31.12.2020	31.12.2019
Non-current asset			
Capital reconstitution fund	(i)	**21 183 381**	23 321 288
Angola Public Debt Securities	(ii)	**227 670**	-
Other financial assets		**551 275**	284 681
		21 962 326	**23 605 969**
Impairment for public debt securities	18.4; (ii)	**(22 201)**	-
Impairment for other financial assets	20.2	**(105 800)**	-
		(128 001)	**-**
		21 834 325	**23 605 969**
Current asset			
Capital reconstitution fund	(i)	**2 177 301**	9 488 784
		2 177 301	9 488 784
		24 011 626	33 094 753

(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 equity 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 process, 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:

	31.12.2020	31.12.2019
Águas do Centro Litoral, S.A.	**5 260 101**	6 303 686
Águas do Douro e Paiva, S.A.	**12 010 557**	12 010 557
Águas de Santo André, S.A.	**566 667**	527 274
Águas do Vale do Tejo S.A.	**2 177 301**	2 177 301
SIMARSUL, S.A.	**2 274 998**	2 274 998
SIMDOURO, S.A.	**1 071 058**	1 071 058
Águas do Tejo Atlântico, S.A.	**-**	8 445 198
	23 360 682	**32 810 072**

(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 an impairment in the amount of EUR 22 201 was recorded.

12. FINANCIAL INVESTMENT IN ASSOCIATED COMPANIES

	NOTE	31.12.2020	31.12.2019
Miese, Vila a Real/ Alijó - Sistemas Energéticos a Biomassa, LDA. – In liquidation	(i)	-	271 366
Trevo Oeste	(i)	572 990	572 990
Trevo Oeste (Suprimentos)		47 107	47 107
		620 097	891 463
Impairment losses		(572 990)	(844 356)
		47 107	47 107

Impairment losses	NOTE	31.12.2020	31.12.2019
Opening balance		(844 356)	(899 956)
Increase	41	-	(20 588)
Reversal	41	1 142	76 188
Usage (Miese)	(i)	270 224	-
Closing balance		(572 990)	(844 356)

(i) An impairment was recognised on the value of the Miese financial shareholding (on 28 December 2018, registering on the Miese company online certificate the closure of the company and the appointment of the official receiver) and on Trevo Oeste taking into account current uncertainties about the future development of its activity. Following the liquidation of Miese, the investment was derecognised and the respective impairment was applied.

13. DEFERRED TAXATION

	31.12.2020	31.12.2019
Deferred tax – asset	259 543 731	243 399 961
	259 543 731	243 399 961
Deferred tax – liability	254 449 162	268 840 209
	254 449 162	268 840 209
	5 094 569	(25 440 248)

13.1 MOVEMENTS IN THE PERIOD

	31.12.2019			INCREASES/REVERSALS IN RESULTS (NOTE 46)			INCREASES/REVERSALS IN RESERVES			RECLASSIFICATIONS/ SETTLEMENTS				31.12.2020		
	BASIS	RATE	TAX	BASIS	RATE	TAX	BASIS	RATE	TAX	BASIS	RATE	TAX	RATE ADJUSTMENT (IN RESULTS) (NOTE 47)	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																
IFRC 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**
IFRC 12 Effect (Transition) - fixed subsidy investment	17 666 911	25.82%	4 561 870	-		-	-		-	-		-	34 276	**17 666 911**	**26.02%**	**4 596 146**
IFRC 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**
IFRC 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**
IFRC 12 Effect for the Period - IFRC 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**
IFRC 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**
IFRC 12 Effect for the Period - IFRC 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**
IFRC 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																
IFRC 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)**
IFRC 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)**
IFRC 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)**
IFRC 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)**
IFRC 12 Effect for the Period - IFRC 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)**
IFRC 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 2.19 and note 4.6, the AdP Group records deferred taxes whenever considering 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 undertaken annually and included in the respective accounts.

There are a number of Group companies with levels of expected future taxable income preventing them from recovering the deferred tax assets generated by the reported losses:

YEAR OF GENERATION	YEAR OF REPORTING	VALUE OF TAX LOSSES REPORTABLE
2015	2029	545 132
2016	2030	987 965
2017	2024	546 663
2018	2025	682 432
2019	2026	529 531
2020	2032	2 157 080
		5 448 803

14. TARIFF DEVIATION/ TARIFF SURPLUS

	31.12.2020	31.12.2019
Regulatory asset – gross tariff deviation	**624 414 185**	663 054 661
Regulatory liability – gross tariff deviation	**(66 680 208)**	(50 225 368)
	557 733 977	**612 829 293**

Conciliation of the gross tariff deviations:

	31.12.2019	CRD FOR 2020 (NOTE 35)	EXCESS ESTIMATE OF 2019 CRD CORRECTION AND OTHERS (NOTE 35)	ESTIMATED CORRECTION TO 2020 CRD (NOTE 35)	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 Alentejo	1 079 835	(418 310)	-	-	-	**661 525**
AdAM - Águas do Alto Minho	-	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 2018 registered a corrective estimate for the cost recovery deviation (CRD) for the gross tax amount of EUR 1 932 763, with a net impact on tax and AdP SGPS minority shareholder interests totalling EUR 843 659. In 2020, ERSAR issued the final CRD corrections for each subsidiary that amounted to EUR 1 073 121 (EUR 471 012 net of tax and attributable to AdP SGPS shareholders).

The consolidated financial reporting for the financial year ending on 31 December 2020 registered a corrective estimate for CRD for the gross tax amount of EUR 2 460 851, with a net impact on tax and AdP SGPS minority shareholder interests totalling EUR 1 139 000. The accounting of these effects takes place according to the norms of financial prudence and transparency and is thus not subject to any understanding or agreement with the analysis and consequent decisions of the Regulatory entity communicated directly to the companies Águas do Centro Litoral, S.A., Águas do Douro e Paiva, S.A. Águas do Norte, S.A., Águas do Tejo Atlântico, Águas do Vale do Tejo, S.A., SIMARSUL, S.A. and SIMDOURO, S.A. With the exception of Águas do Algarve, the correction estimate recorded in 2020 corresponds to the cut in costs proposed by ERSAR in its first project reports even while they remain in a contradictory phase as regards the preparation of the financial reporting for the financial year ending on 31 December 2020. In the case of Águas do Algarve, due to not having received the ERSAR project report on the date of preparing the financial reporting for the financial year ending on 31 December 2020, the correction to the CRD was calculated in accordance with the best estimate based on the efficiency metrics set for 2020.

14.1 NET RESULTS BY COMPANY

	31.12.2020	31.12.2019
OT 10 years +3%	**3.41%**	3.75%

	NOTE	31.12.2020	31.12.2019
Net company result		59 298 287	49 737 148
Guaranteed income		17 691 000	20 729 371
Net deviation		41 607 288	29 007 778
Gross deviation	35	(55 351 557)	(38 119 189)
Deferred tax		13 744 269	9 111 411
Effect on results		(41 607 288)	(29 007 778)

31.12.2020	NET RESULT WITHOUT DEVIATIONS	CORRECTED GUARANTEED INCOME	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 Alentejo, S.A.	882 451	558 261	(324 190)
AdAM - 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)

31.12.2019	NET RESULT WITHOUT DEVIATIONS	CORRECTED GUARANTEED INCOME	NET DEVIATION
Águas do Algarve, S.A.	4 729 337	511 458	(4 217 878)
Águas do Centro Litoral, S.A.	5 431 251	1 957 910	(3 473 341)
Águas do Douro e Paiva, S.A.	8 185 619	858 947	(7 326 672)
Águas do Norte, S.A.	7 619 605	5 464 867	(2 154 737)
AdRA - Águas da Região de Aveiro, S.A.	2 638 686	679 816	(1 958 870)
AgdA - Águas Públicas Alentejo, S.A.	(627 439)	479 907	1 107 347
Águas do Tejo Atlântico, S.A.	14 066 585	4 055 172	(10 011 413)
Águas do Vale do Tejo S.A.	5 647 963	4 320 294	(1 327 670)
SIMARSUL, S.A.	99 615	1 277 023	1 177 409
SIMDOURO, S.A.	1 945 927	1 123 975	(821 952)
	49 737 148	20 729 371	(29 007 778)

15. TRADE RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2020	31.12.2019
Trade receivables	15.1	**6 680 864**	7 769 365
Investment grants - Cohesion Fund	20.1	**2 915 234**	-
Others	15.2	**22 685 017**	22 344 704
		32 281 115	**30 114 069**
Impairment		**(1 355 551)**	(1 355 551)
		30 925 564	**28 758 518**

15.1 TRADE RECEIVABLES

	NOTE	31.12.2020	31.12.2019
General clients		**222 477**	-
Municipalities	18.3	**6 458 387**	7 769 365
		6 680 864	**7 769 365**

The table below details the leading municipalities with outstanding debts under the non-current clients item, hence resulting from agreements reached with these clients (debt settlement agreements not covered by DL 5/2019, of 14 January):

MLP municipal clients	NOTE	31.12.2020	31.12.2019
CMPEA- Emp. Águas Municip. Porto		**2 603 822**	-
APIN-EMP. IN.DE A. DO P.INTERIOR		**1 310 918**	-
Vimágua		**582 131**	-
Municipality of Monte Agraço		**630 658**	535 501
Municipality of Tarouca		**410 404**	-
Municipality of Óbidos		**231 046**	310 262
Municipality of Miranda do Corvo		**214 496**	270 451
Municipality of Gouveia		**211 135**	-
Municipality of Mira		**196 097**	-
Municipality of Mesão Frio		**37 686**	74 077
Municipality of Vila Pouca de Aguiar		**24 282**	-
Taviraverde, EM		**5 712**	66 913
Municipality of Alcobaça		**-**	800 763
Municipality of Campo Maior		**-**	25 811
Municipality of Figueiró dos Vinhos		**-**	52 474
Municipality of Mourão		**-**	654 902
Municipality of Penacova		**-**	28 277
Municipality of Portalegre		**-**	992 008
Municipality of Sardoal		**-**	200 764
Municipality of Vidigueira		**-**	63 683
FAGAR, EM		**-**	1 057 393
Águas de Alenquer, S.A.		**-**	2 636 086
		6 458 387	**7 769 365**

15.2 OTHER NON-CURRENT ASSETS

	NOTE	31.12.2020	31.12.2019
Águas do Centro Litoral, S.A.	(i)	**17 106 654**	17 106 654
EPAL, S.A.	(ii)	**5 388 321**	5 045 000
Others		**190 042**	193 050
Total		**22 685 017**	**22 344 704**

(i) The ex-SIMRIA (dissolved company), made a payment agreement defined in the concession contract with the Municipalities, through the distribution of future dividends, in which the Municipalities renounce future dividends for the amount of EUR 14 million;

(ii) The amount presented by EPAL includes the total of EUR 5 235 000 in excess pension plan coverage, as disclosed in note 27.2.

16. INVENTORIES

	31.12.2020	31.12.2019
Subsidiary raw materials and consumables	**2 160 178**	2 372 582
Maintenance parts (fast wearing)	**10 761 984**	9 947 492
	12 922 162	**12 320 074**

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.12.2020	31.12.2019
Águas do Algarve, S.A.	**-**	2 072 184
Águas do Centro Litoral, S.A.	**-**	622 043
Águas do Norte, S.A.	**8 124 535**	28 637 918
Águas de Santo André, S.A.	**-**	3 609 179
AgdA - Águas Públicas Alentejo, S.A.	**-**	4 661 565
Águas do Vale do Tejo S.A.	**9 427 266**	32 610 523
Total	**17 551 801**	**72 213 412**

	31.12.2020	31.12.2019
Municipality of Reguengos de Monsaraz	**7 468 092**	7 325 213
Municipality of Caminha	**6 382 079**	6 539 429
Municipality of Tabuaço	**1 395 985**	1 485 091
Municipality of Évora	**723 787**	7 525 527
Municipality of Celorico da Beira	**527 755**	521 614
Municipality of Figueiró dos Vinhos	**316 619**	-
Municipality of Mirandela	**276 260**	1 945 600
Municipality of Sardoal	**237 139**	-
Municipality of Mourão	**124 701**	-
Municipality of Tarouca	**57 733**	1 757 268
Municipality of Manteigas	**29 172**	175 035
Municipality of Vila Pouca de Aguiar	**12 479**	1 247 793
Municipality of Moura	-	1 508 081
Municipality of Beja	-	2 513 734
Municipality of Ourique	-	639 750
Municipality of Belmonte	-	6 074 388
Municipality of Chaves	-	4 611 655
Municipality of Figueira de Castelo Rodrigo	-	1 409 552
Municipality of Freixo Espada À Cinta	-	609 458
Municipality of Lamego	-	2 223 616
Municipality of Lourinhã	-	389 173
Municipality of Macedo de Cavaleiros	-	2 283 045
Municipality of Miranda do Corvo	-	622 043
Municipality of Moimenta da Beira	-	456 865
Municipality of Peso da Régua	-	2 415 175
Municipality of Sines	-	3 609 179
Municipality of Sousel	-	845 190
Municipality of Vieira do Minho	-	538 051
Municipality of Gouveia	-	8 344 829
Ambiolhão, EM	-	2 072 184
TROFÁGUAS - Serviços Ambientais, EEM	-	2 083 241
Municipality of Mesão Frio	-	441 633
	17 551 801	**72 213 412**

On January 14, 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 following debts fall under the auspices of these Debt Settlement Agreements:

a) Debts due until December 31, 2018 and recognised by the user entity;
b) Debts subject to injunction proceedings or other judicial proceedings that commenced prior to September 30, 2018 and in which the transactions were duly ratified by judicial decision issued prior to December 31, 2018.

The Debt Settlement Agreement only comes into force when the following circumstances are cumulatively in effect:

a) Favourable deliberation by the respective local government entities with competence for signing such agreements;
b) Submission of a signed version of this agreement for the prior supervision of the Court of Auditors by March 31, 2019;
c) Issuing of approval by the Court of Auditors, under the terms legally stipulated, prior to May 31, 2019, apart from in cases of questions over the legality in accordance with the terms and for the purposes of article 84 of Law no. 98/97, of August 26, in its current version.

In addition, 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.

Finally, this Decree-Law provides for the assignment of these credits to third parties (without recourse to the AdP group), as well as: **(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, implemented prior to December 31, 2018.

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 date of Court of Auditors approval.

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 December 31, 2019; **(ii)** forgiveness of 30% of late payment interest charges due until December 31, 2019 when the Debt Settlement Agreements are concluded prior to September 28, 2020; **(iii)** 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 the Court of Auditors approval of the Debt Settlement Agreement. 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 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 payment 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 September 30, 2020 or the date of the assignment of claims, whichever event occurs first, no financial interest provided for under the Debt Settlement Agreements accrues to the AdP Group; and **(iii)** the period for the assignment of Debt Settlement Agreements entered into under DL 5/2019 is extended until September 30, 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 December 31, 2020, debts related to the provision of water supply and wastewater sanitation services for the period between April 1 and June 30, 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 Debt Settlement Agreement. Four Municipalities have adhered to this scheme (debt amounting to EUR 1.2 million as at 31 December 2020).

On 31 July 2019, the AdP Group formalised with the European Investment Bank a EUR 200 million credit line for application on the signing of the Debt Settlement Agreements entered into between the AdP Group and municipal customers as provided for under Decree-Law no. 5/2019, of 14 January. This assignment will be made at the nominal value of the credits and, in this sense, considering the fair value of the Debt Settlement Agreements as corresponding to their nominal value.

In 2020, the AdP Group assigned 18 Debt Settlement Agreements to the European Investment Bank for the amount of EUR 41 795 000 corresponding to the nominal value of the debt on the date of assignment. Additionally, 2020 saw Debt Settlement Agreements signed with other financial institutions for the amount of EUR 9.7 million and the early settlement of Debt Settlement Agreements for a total amount of EUR 4.6 million. There were no losses in value in the Debt Settlement Agreements reached when compared to their existing book value that they were accounted for.

18. CLIENTS

	NOTE	31.12.2020	31.12.2019
Clients - current account		**276 057 683**	254 361 695
Clients - penalty interest	18.2	**14 540 193**	14 024 344
Clients with doubtful debt		**61 920 651**	61 441 396
Estimate of services for billing		**35 755 760**	31 173 614
		388 274 287	**361 001 049**
Client impairment losses	18.4	**(61 438 738)**	(61 191 845)
		326 835 549	**299 809 204**

	NOTE	31.12.2020	31.12.2019
General	18.1	**63 137 417**	57 269 023
Municipalities	18.3	**289 381 110**	272 558 412
Contractual assets - Estimate of services for billing		**35 755 760**	31 173 614
		388 274 287	**361 001 049**
Client impairment losses	18.4	(61 438 738)	(61 191 845)
		326 835 549	**299 809 204**

18.1 GENERAL CLIENTS

The general clients are served by the retail water distribution activities (EPAL, Águas de Santo André, Águas do Norte, AdRA - Águas da Região de Aveiro and AdAM - Águas do Alto Minho) and the unregulated activities.

	31.12.2020	31.12.2019
EPAL, S.A.	**22 133 823**	20 092 784
Águas de Santo André, S.A.	**16 184 251**	15 687 380
Águas do Norte, S.A.	**8 411 636**	7 670 930
AdRA - Águas da Região de Aveiro, S.A.	**6 727 569**	5 923 372
Águas do Alto Minho, S.A.	**3 985 358**	-
Águas do Tejo Atlântico, S.A.	**1 187 669**	424 685
AdP Internacional, S.A.	**1 982 264**	5 058 070
Other Group companies	**2 524 847**	2 411 802
	63 137 417	**57 269 023**

18.2 PENALTY INTEREST

Penalty interest stems from non-compliance with service payments within the contractually stipulated deadline.

	NOTE	31.12.2020	31.12.2019
General		**589 836**	268 509
Municipalities	18.3	**13 950 357**	13 755 835
		14 540 193	**14 024 344**

18.3 CLIENTS – MUNICIPALITIES

Conciliation of current and non-current clients debts with the municipality debt table:

	NOTE	31.12.2020	31.12.2019
Municipal clients - Non-current			
Agreements	15.1	**6 458 387**	7 769 365
Total non-current municipal clients		**6 458 387**	**7 769 365**
Municipal clients - Current			
TRH		**2 388 029**	2 770 024
Agreements		**9 046 599**	7 078 005
Injunctions		**185 205 834**	168 409 364
Current account		**78 414 995**	80 158 498
Doubtful debts		**375 296**	386 686
Penalty interest	18.2	**13 950 357**	13 755 835
		289 381 110	**272 558 412**
Impairment		**(30 373 295)**	(28 888 416)
Total municipal clients - current		**259 007 815**	**243 669 996**
Total municipal clients - gross		**295 839 497**	**280 327 777**
Total municipal clients (net impairment value)		**265 466 202**	**251 439 361**

Debts owed by municipal entity:

Note: whenever applicable, the balances set out also include the municipal company balance.

		DUE BY N-2	DUE BY N-1	DUE BY N	TOTAL DUE	TOTAL NOT DUE	TOTAL OF THE DEBT	
							31.12.2020	31.12.2019
SMAS Guarda	Guarda	29 259 953	-	-	29 259 953	-	**29 259 953**	29 259 953
Municipality of Guarda	Guarda	268 624	387 745	295 012	951 381	465 769	**1 417 149**	1 219 129
Municipality of Fundão	Fundão	26 404 120	249 610	200 611	26 854 341	378 751	**27 233 092**	26 924 896
Águas de Coimbra, EM	Coimbra	6 488 069	7 757 217	8 045 963	22 291 249	4 493 295	**26 784 544**	18 430 451
Municipality of Bragança	Bragança	6 610 942	4 928 297	3 387 894	14 927 134	5 316	**14 932 450**	12 043 001
SMAS de Castelo Branco	Castelo Branco	2 564 689	2 671 586	6 731 665	11 967 940	1 369 626	**13 337 566**	1 496 020
Municipality of Castelo Branco	Castelo Branco	-	-	-	-	-	**-**	8 863 212
VRSA SGU EM, S.A.	Vila Real Santo António	22 659 789	-	-	22 659 789	-	**22 659 789**	22 766 659
ADVRSA,S.A. (Águas de Vila Real de Santo António, S.A.)	Vila Real Santo António	-	-	244 494	244 494	445 890	**690 384**	392 639
Municipality of Pinhel	Pinhel	6 375 917	76 235	-	6 452 152	429 558	**6 881 711**	6 836 276
Municipality of Santiago do Cacém	Santiago do Cacém	5 288 958	506 586	420 175	6 215 720	359 457	**6 575 177**	5 966 233
Municipality of Sabugal	Sabugal	5 747 150	-	-	5 747 150	150 973	**5 898 123**	5 871 834
EMAR - Água e Resíduos de Vila Real, E.M.	Vila Real	5 419 207	292 663	-	5 711 870	-	**5 711 870**	6 081 485
Águas do Interior Norte, S.A.	Vila Real	-	-	-	-	616 957	**616 957**	-
Municipality of Mogadouro	Mogadouro	3 019 606	1 752 952	895 236	5 667 793	-	**5 667 793**	4 773 648
Municipality of Lamego	Lamego	4 257 141	-	2 002	4 259 143	47 482	**4 306 625**	4 496 441
Municipality of Peso da Régua	Peso da Régua	4 020 353	-	-	4 020 353	2 743	**4 023 097**	5 158 600
CMPEA- Emp Águas Mun. Porto	Oporto	2 350	-	-	2 350	4 016 563	**4 018 913**	2 350
APIN-EMP. IN.DE A. DO PINTERIOR	Penela	-	-	1 138 833	1 138 833	4 489 838	**5 628 670**	10 534
Municipality of Penela	Penela	427 373	85 346	-	512 719	-	**512 719**	512 719
Taviraverde, EM	Tavira	3 316 724	-	-	3 316 724	405 537	**3 722 261**	3 791 081
Municipality of Boticas	Boticas	1 893 890	1 200 646	619 046	3 713 582	-	**3 713 582**	3 094 536
Municipality of Valpaços	Valpaços	3 248 806	-	-	3 248 806	-	**3 248 806**	3 281 547
Municipality of Resende	Resende	2 703 688	419 926	-	3 123 614	32 644	**3 156 258**	3 125 302
Municipality of Lisboa	Lisbon	296 763	-	-	296 763	2 724 444	**3 021 207**	2 973 425
Municipality of Alcochete	Alcochete	421 872	2 504 555	-	2 926 427	75 894	**3 002 321**	2 991 898
Municipality of Oeiras	Oeiras	-	-	-	-	2 851 015	**2 851 015**	1 280 915
SMAS de Oeiras e Amadora	Oeiras	-	-	-	-	2 051 339	**2 051 339**	2 462 764

		DUE BY N-2	DUE BY N-1	DUE BY N	TOTAL DUE	TOTAL NOT DUE	TOTAL OF THE DEBT	
							31.12.2020	31.12.2019
SMAS Mirandela	Mirandela	207 353	-	-	207 353	-	**207 353**	207 353
Águas de Alenquer, S.A.	Alenquer	(2)	(8)	(152)	(162)	2 679 953	**2 679 792**	4 245 514
Municipality of Montalegre	Montalegre	2 051 701	522 724	-	2 574 424	-	**2 574 424**	2 574 626
Municipality of Almeida	Almeida	2 411 310	-	-	2 411 310	78 317	**2 489 626**	2 476 740
Municipality of Loures	Loures	-	-	-	-	2 220 952	**2 220 952**	2 147 663
Municipality of Tabuaço	Tabuaço	1 039 298	631 706	427 310	2 098 314	66 774	**2 165 088**	1 628 404
Vimágua	Guimarães	49 462	-	199 798	249 260	1 753 016	**2 002 276**	1 715 658
Municipality of Fornos de Algodres	Fornos de Algodres	1 978 357	-	-	1 978 357	-	**1 978 357**	2 028 403
Municipality of Chaves	Chaves	1 949 257	-	-	1 949 257	-	**1 949 257**	1 968 174
Municipality of Sines	Sines	1 747 417	-	83 674	1 831 090	71 241	**1 902 332**	2 221 195
Municipality of Silves	Silves	-	-	-	-	646 696	**646 696**	505 716
Municipality of Tarouca	Tarouca	1 159 468	-	123 357	1 282 826	591 154	**1 873 980**	1 598 619
SMAS Tomar	Tomar	1 014 731	415 372	192 001	1 622 104	-	**1 622 104**	1 717 509
Municipality of Tomar	Tomar	1 083	-	-	1 083	1 126 661	**1 127 745**	561 731
FAGAR, EM	Faro	1 057 392	-	-	1 057 392	526 009	**1 583 401**	1 562 281
Municipality of Évora	Évora	-	1 556	21 296	22 852	1 546 597	**1 569 449**	1 142 542
Tejo Ambiente EIM	Tejo Ambiente EIM	-	-	328 637	328 637	1 082 805	**1 411 441**	6 560
AQUAELVAS, Águas Elvas, S.A.	Elvas	393 612	354 302	216 017	963 931	331 560	**1 295 492**	957 799
Águas de Cascais, S.A.	Cascais	-	-	-	-	1 265 017	**1 265 017**	1 225 403
EMARP, EM	Portimão	-	-	-	-	1 193 216	**1 193 216**	608 259
Municipality of Aljustrel	Aljustrel	-	28 560	876 228	904 788	258 791	**1 163 579**	1 042 010
SMAS Torres Vedras	Torres Vedras	-	-	-	-	1 117 497	**1 117 497**	1 042 669
Municipality of Torres Vedras	Torres Vedras	297 900	-	-	297 900	-	**297 900**	297 900
Municipality of Amares	Amares	588 225	-	424 290	1 012 515	69 920	**1 082 435**	1 171 206
Municipality of Seixal	Seixal	-	-	-	-	1 081 821	**1 081 821**	723 389
Municipality of Vila Nova de Famalicão	Vila Nova de Famalicão	216 212	836 106	-	1 052 318	-	**1 052 318**	1 095 104
Municipality of Alcobaça	Alcobaça	-	-	339	339	1 051 518	**1 051 857**	1 942 884
SMAS de Alcobaça	Alcobaça	-	-	118 757	118 757	248 501	**367 257**	249 742
Municipality of Sobral de Monte Agraço	Sobral de Monte Agraço	-	1 408	77 445	78 853	1 063 858	**1 142 711**	1 320 690
Others Municipalities		8 248 725	1 869 871	4 376 787	14 495 377	25 569 366	**40 064 743**	52 918 335
		167 634 079	**27 494 961**	**29 483 083**	**224 612 117**	**71 227 379**	**295 839 497**	**280 327 777**

18.4 CLIENT IMPAIRMENT LOSSES

	NOTE	31.12.2020	31.12.2019
Opening balance		**(61 191 845)**	**(66 452 489)**
Increase	41	**(4 834 558)**	(3 861 835)
Reversal	41	**793 296**	971 274
Utilisation - Águas do Centro Litoral		**568 500**	1 123 443
Utilisation - Águas de Santo André (Industrial clients)		**-**	1 467 499
Utilisation - AdP Internacional		**1 548 119**	-
Utilisation – Other invested companies		**264 082**	34 023
Reclassification (Águas do Vale do Tejo S.A.)		**-**	5 526 182
Reclassification (AdP Internacional)	20.2	**1 390 434**	-
Reclassification (AdP Internacional)	11	**22 201**	-
Conversion differences		**1 033**	58
Closing balance		**(61 438 738)**	**(61 191 845)**

The recognition of current client impairments to Group companies in 2020 breaks down as follows:

INCREASES AND REVERSIONS	31.12.2020
Águas do Centro Litoral, S.A.	(1 395 908)
Águas do Norte, S.A.	(820 697)
AdP Internacional, S.A.	293 825
AdRA - Águas da Região de Aveiro, S.A.	(238 934)
Águas de Santo André, S.A.	(260 406)
AdAM - Águas do Alto Minho, S.A.	(156 445)
Águas do Vale do Tejo S.A.	11 394
EPAL, S.A.	(1 474 091)
	(4 041 262)

19. STATE AND OTHER PUBLIC ENTITIES

	NOTE	31.12.2020	31.12.2019
IRC – withheld by third parties		269 760	25 944
VAT receivable		8 605 059	7 399 997
Others	(i)	925 593	854 310
State and other public entities - assets		**9 800 412**	**8 280 251**
Withheld at source by third parties - IRC		(1 087 074)	(1 141 390)
VAT payable		(324 608)	(1 024 674)
Social security payments		(1 878 458)	(1 765 968)
TRH / TGR		(22 083 931)	(18 888 463)
Other taxes and charges		(177 319)	(171 894)
State and other public entities – liabilities		**(25 551 390)**	**(22 992 389)**
State and other public entities - net total balance		**(15 750 978)**	**(14 712 138)**

(i) Includes EUR 809 033 for which an impairment was recorded in 2018 under the item" Other current assets – losses due to accumulated impairments" (note 20).

20. OTHER CURRENT ASSETS

	NOTE	31.12.2020	31.12.2019
Advances to suppliers		**3 194 407**	3 157 484
Human resources		**503 301**	141 043
Additional interest - clients		**51 050 097**	43 390 009
Additional interest – others		**4 092 399**	2 348 608
Investment grants – Cohesion Fund and others	20.1	**19 979 107**	19 664 744
Advances – investment account		**833 241**	1 551 215
Deferrals – recognisable costs – insurance		**851 198**	2 283 836
Deferrals – bank charges and others		**920 954**	1 053 423
Invoicing of charges for Lisbon Municipal Council	(i)	**13 044 983**	12 705 023
Client collateral and others		**610 348**	610 348
Other accounts receivable		**15 886 428**	12 326 634
		110 966 463	**99 232 367**
Losses for accumulated impairments	20.2	**(4 787 191)**	(3 693 145)
		106 179 272	**95 539 222**

(i) Corresponds to the sanitation tax EPAL charges on water bills to its direct customers (retail) on account of the Lisbon Municipality (the balance of receivable results from a billing cycle renewed monthly). This amount is paid to the Lisbon Municipality after its respective collection.

20.1 INVESTMENT GRANTS

	NOTE	31.12.2020	31.12.2019
Investment grants- Cohesion fund (medium and long term)	15	**2 915 234**	
Investment grants - Cohesion fund (short term)		**19 979 107**	19 664 744
		22 894 341	**19 664 744**

20.1.1. AMOUNTS RECEIVABLE FROM COHESION FUND

	31.12.2020	31.12.2019
Águas do Algarve, S.A.	**5 999 403**	7 788 824
Águas do Centro Litoral, S.A.	**4 061 939**	22 071
Águas do Norte, S.A.	**1 482 695**	2 094 085
AdRA - Águas da Região de Aveiro, S.A.	**1 899 172**	3 347 258
AgdA - Águas Públicas Alentejo, S.A.	**1 014 279**	554 790
AdAM - Águas do Alto Minho, S.A.	**5 025 819**	-
Águas do Tejo Atlântico, S.A.	**26 864**	74 359
Águas do Vale do Tejo S.A.	**2 744 289**	5 416 372
EPAL, S.A.	**639 881**	366 985
	22 894 341	**19 664 744**

20.1.2. COHESION FUND RECONCILIATION

	NOTE	31.12.2020	31.12.2019
Cohesion Fund – opening balance of amounts receivable		**19 664 744**	25 201 337
Recognition of the right to funding	31.2	**24 794 313**	22 538 848
Receivables in the period	20.1.3	**(18 617 784)**	(28 071 915)
Derecognition of amounts receivable from requests - Águas do Vale do Tejo S.A.	31.1	**(2 501 975)**	-
Derecognition of amounts receivable from requests - AdRA - Águas da Região de Aveiro, S.A.	31.1	**(550 384)**	-
Other corrections		**105 427**	(3 526)
Cohesion Fund – closing balance of amounts receivable		**22 894 341**	**19 664 744**

20.1.3. RECEIVABLES

RECEIVABLES	31.12.2020	31.12.2019
Águas do Algarve, S.A.	**1 789 421**	1 509 759
Águas do Centro Litoral, S.A.	**14 218**	219 227
Águas do Norte, S.A.	**2 491 545**	7 573 915
AdRA - Águas da Região de Aveiro, S.A.	**897 702**	3 687 691
AgdA - Águas Públicas Alentejo, S.A.	**12 511 113**	13 302 364
Águas do Tejo Atlântico, S.A.	**112 663**	138 732
Águas do Vale do Tejo S.A.	**170 107**	1 540 283
EPAL, S.A.	**631 015**	99 944
	18 617 784	**28 071 915**

20.2 IMPAIRMENT LOSSES ON OTHER CURRENT ASSETS

	NOTE	31.12.2020	31.12.2019
Opening balance		**(3 693 145)**	**(5 638 101)**
Increases	41	**(185 845)**	(957 278)
Reclassification (EPAL)			(146 493)
Reclassification (other financial assets)	11	**105 800**	
Reclassification (AdP Internacional)	18.4	**(1 390 434)**	
Reversal (Norte e SIMARSUL)	41	**4 743**	2 838 142
Utilisation (Norte)		**371 690**	
Utilisation (EPAL)			210 585
Closing balance		**(4 787 191)**	**(3 693 145)**

21. CASH AND CASH EQUIVALENTS

	NOTE	31.12.2020	31.12.2019
Cash		**83 359**	142 060
Current account		**152 002 584**	113 016 459
Term accounts		**103 705 000**	25 005 000
		255 790 943	**138 163 519**
Bank overdrafts	28	**(232 478)**	(82 217)
		255 558 465	**138 081 302**

22. EQUITY

The capital, in the amount of EUR 434 500 000, consists of 86 900 000 shares of 5 euros each and is fully realised.

22.1 SHAREHOLDERS

	31.12.2020		31.12.2019	
	TOTAL	%	TOTAL	%
Parpública – SGPS, 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%**

22.2 NET RESULT PER SHARE

	31.12.2020	31.12.2019
Net result for the year	**78 552 489**	**83 116 158**
Average number of shares	**86 900 000**	**86 900 000**
Earnings per share (basic and diluted)	**0,90**	**0,96**

23. RESERVES AND OTHER ADJUSTMENTS

	NOTE	31.12.2020	31.12.2019
Reserves – legal		**39 179 944**	35 922 364
Reserves – free		**2 431 884**	2 431 884
Reserves – negative coverage fair value financial instruments		**-**	(350 431)
Reserve – exchange rate conversion	23.1	**1 100 652**	770 859
		42 712 480	**38 774 676**

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 Equity, until this reserve reaches amount 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.

23.1 EXCHANGE RATE RESERVE VARIATIONS

	31.12.2020	31.12.2019
Opening balance	770 859	791 925
Águas do Brasil	85 964	4 778
Águas de Timor-Leste	43 944	(10 441)
Aquatec	199 885	(15 403)
Movements in the year	329 793	(21 066)
Closing balance	1 100 652	770 859

24. RETAINED EARNINGS

	31.12.2020	31.12.2019
Opening balance	777 010 089	719 304 806
Applications of the 2019 net result	79 858 578	84 286 623
Dividends paid	(27 500 000)	(27 000 000)
Result from the previous year (AdAM - Águas do Alto Minho)	9 174	-
Pensions (EPAL) - actuarial deviations net of deferred taxes (note 27.3)	180 030	418 660
Closing balance	829 557 871	777 010 089

25. NON-CONTROLLING INTEREST

25.1 MOVEMENTS IN THE PERIOD

	NOTE	31.12.2020	31.12.2019
Opening balance		316 561 908	312 816 849
Dividends distributed		(2 778 228)	(6 634 152)
Net result	25.2	6 898 500	8 641 231
Paid-in capital- Águas do Norte, S.A.		195 488	615 145
Paid-in capital- AgdA - Águas Públicas Alentejo, S.A.		593 635	593 635
Paid-in capital– AdAM - Águas do Alto Minho, S.A.		352 800	529 200
Result from the previous year (AdAM - Águas do Alto Minho, S.A.)		8 813	
Closing balance		321 832 916	316 561 908

25.2 DETAILS ON THE NON-CONTROLLING INTERESTS

	MINORITY %	EQUITY	NET RESULT	MINORITY EQUITY	MINORITY NET RESULT
Águas do Algarve, S.A.	45,56%	27 572 107	767 869	12 561 852	349 841
Águas do Centro Litoral, S.A.	37,23%	100 508 850	1 671 362	37 419 445	622 248
Águas do Douro e Paiva, S.A.	49,00%	30 424 055	662 047	14 907 787	324 403
Águas do Norte, S.A.	27,50%	274 320 880	4 148 804	75 438 242	1 140 921
AdRA - Águas da Região de Aveiro, S.A.	49,00%	18 721 312	619 484	9 173 443	303 547
AgdA - Águas Públicas Alentejo, S.A.	49,00%	10 152 622	560 637	4 974 785	274 712
AdAM - Águas do Alto Minho, S.A.	49,00%	1 877 057	59 069	919 758	28 944
Águas do Tejo Atlântico, S.A.	48,39%	114 820 990	4 191 027	55 561 877	2 028 038
Águas do Vale do Tejo S.A.	31,73%	205 929 625	3 322 279	65 341 470	1 054 159
SIMARSUL, S.A.	48,57%	66 566 039	1 029 695	32 331 125	500 123
SIMDOURO, S.A.	41,39%	31 899 328	656 110	13 203 132	271 564
		882 792 865	**17 688 383**	**321 832 916**	**6 898 500**

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

26. PROVISIONS

	31.12.2020	31.12.2019
Legal processes	**3 792 996**	2 167 100
Workplace accidents	**-**	3 394
Environmental issues	**1 638 236**	1 638 236
Others	**12 011 206**	12 647 931
	17 442 438	**16 456 661**

26.1 MOVEMENTS IN THE PERIOD

	31.12.2019	INCREASE (NOTE 40)	CONVERSION DIFFERENCES	UTILISATIONS	REVERSIONS (NOTE 40)	31.12.2020
Legal processes	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 responsibilities. The movements in the period per Group company are:

PROVISIONS - OTHERS	31.12.2019	INCREASE (NOTE 40)	UTILISATION	REVERSIONS (NOTE 40)	31.12.2020
Águas do Algarve, S.A.	598 339	-	-	(598 339)	-
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	-	-	-	27 000
AdP Valor S.A.	-	-	-	-	-
AdRA - Águas da Região de Aveiro, S.A.	673 685	-	-	-	673 685
Águas de Santo André, S.A.	349 239	21 000	-	(188 740)	181 499
Águas do Vale do Tejo S.A.	5 808 654	-	-	-	5 808 654
Águas do Tejo Atlântico, S.A.	-	125 000	-	-	125 000
EPAL, S.A.	171 396	4 863	(509)		175 750
	12 647 931	**150 863**	**(509)**	**(787 079)**	**12 011 206**

27. PENSION LIABILITIES

	31.12.2020	31.12.2019
EPAL pension fund	-	115 000
	-	115 000

EPAL runs a system of social benefits for its employees as demonstrated by two levels of pension plan provision, a defined benefits plan and another with defined contributions, which both inherently reflect the commitment to the payment of a complement to the retirement pension (due to age or invalidity) paid out by Social Security. Additionally, this also meets any liabilities arising from pre-retirement situations.

The liabilities stemming from the Pensions Plan are financed through the EPAL Pensions Fund set up in November 1990, with pre-retirement costs met directly by the Company.

In 2008, EPAL proceeded with the restructuring of the Company Agreement with its workers and trade unions, especially as regards the pensions plan. This reformulation essentially focused on transferring a proportion of working EPAL employees to a defined contribution plan in place of the former defined benefits plan. The cut off in the previous plan and the entrance into effect of the new plan, for its respective participants, took place on 22 March 2008.

27.1 ACTUARIAL ASSUMPTIONS

The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligation and the pre-retirement obligation was made with reference to December 31, 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 December 31, 2020 and 2019, the main assumptions adopted in the actuarial valuation were as follows:

	31.12.2020	31.12.2019
Normal retirement age	**66 e 5 meses**	66 e 5 meses
Mortality table	**TV 88/90**	TV 88/90
Invalidity table	**EVK 80**	EVK 80
Discount rate	**0.00%**	0.50%
Wage growth rate	**2.00%**	2.00%
Pension growth rate	**1.00%**	1.00%
Pre-retirement payment growth rate	**1.00%**	1.00%

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

27.2 FUND SUMMARY

	NOTE	31.12.2020	31.12.2019
Liabilities at the end of the period	27.3 e 27.6	**28 111 000**	29 047 000
Asset value at the end of the period	27.5 e 27.6	**(33 346 000)**	(33 977 000)
Excess coverage	**15.2**	**(5 235 000)**	**(4 930 000)**

27.3 MOVEMENTS IN THE YEAR

	PLAN LIABILITIES	FAIR VALUE OF PLAN ASSETS	TOTAL
Opening balance	**29 047 000**	**(33 977 000)**	**(4 930 000)**
Pension costs			-
Current service cost	22 500		22 500
Net interest	139 000	**(164 000)**	(25 000)
Benefits paid/ forecast	(2 329 000)	**2 211 000**	(118 000)
Immediate recognition of gains and losses			
Re-measurements			
(gains)/ losses var. demographic assumptions	51 000		51 000
(gains)/ losses var. financial assumptions	1 180 500		1 180 500
income (gains)/ losses		**(1 416 000)**	(1 416 000)
31 December 2020	**28 111 000**	**(33 346 000)**	**(5 235 000)**

The re-measurements for the year show a gross value of EUR 255 000 which, after deducting the deferred tax effect of EUR 75 000 results in a net value of EUR 180 000 (as per statement of comprehensive income - note 24).

Regarding the benefits paid, the retirement pension supplements are paid directly by the Pension Fund (EUR 2 329 000).

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

	IMPACT ON THE DEFINED BENEFIT LIABILITY	
	CHANGE IN ASSUMPTIONS	LIABILITY FOR DEFINED BENEFIT
Assumption - discount rate	0.28%	Decrease of 2.4%

An increase of 0.28% in the discount rate would decrease the liabilities by 2.4% (+EUR 671 000).

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.

27.4 COST FOR THE PERIOD

Over the course of the financial years ending on 31 December 2020 and 2019, the following totals were recognised in the results under the item "Human resource costs":

	31.12.2020	31.12.2019
Current service cost	22 500	31 000
Interest cost	(25 000)	(58 837)
Total (note 38)	**(2 500)**	**(27 837)**

27.5 FUND ASSET COMPOSITION

	31.12.2020	31.12.2019
Equity instruments	11 060 754	12 412 454
Debt instruments	20 995 170	19 567 076
Others	1 290 076	1 997 470
Total	**33 346 000**	**33 977 000**

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 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.

27.6 5-YEAR TREND IN LIABILITIES

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Liabilities at the end of period	**28 111 000**	29 047 000	28 923 025	32 140 025	35 042 000
Asset value at the end of period	**33 346 000**	33 977 000	33 050 000	36 815 500	36 789 000
Surplus in coverage	**(5 235 000)**	(5 045 000)	(4 401 975)	(5 476 000)	(3 431 000)
Provisions for liabilities	**-**	**115 000**	**275 000**	**800 525**	**1 684 000**

27.7 DEFINED CONTRIBUTION PLAN – FUND CONTRIBUTIONS

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 2020 financial year, the company made the following contributions under the defined contribution plan:

	NOTE	31.12.2020
Company contributions	38	414 273
Staff contributions		24 455
Total		**438 728**

28. LOANS

NON-CURRENT	NOTE	31.12.2020	31.12.2019
Bank loans – EIB	28.1	**1 161 467 763**	1 204 996 948
Shareholder loans	28.1	**544 318 364**	551 136 545
Total of non-current loans		**1 705 786 127**	**1 756 133 493**

CURRENT	NOTE	31.12.2020	31.12.2019
Bank overdrafts	21	**232 478**	82 217
Bank loans – EIB	28.1	**73 529 185**	71 364 752
Shareholder loans	28.1	**6 818 000**	6 818 000
Total of current loans		**80 579 663**	**78 264 969**
Total Loans		**1 786 365 790**	**1 834 398 462**

Shareholder 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.

In 2020, the AdP Group drew down EUR 30 million from Tranche A of 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).

In 2020, the AdP Group reimbursed Loans in the amount of EUR 78 182 933. Besides the usage and reimbursement of the Loans mentioned above, this year saw no variations that were not related to financial flows, in particular related to exchange rate updates, fair value variations and changes in the consolidation perimeter.

28.1 LOANS BY MATURITY

	31.12.2020	31.12.2019
Non-current		
Bank loans – EIB	**1 161 467 763**	1 204 996 948
Shareholder loans	**544 318 364**	551 136 545
Current		
Bank loans – EIB	**73 529 185**	71 364 752
Shareholder loans	**6 818 000**	6 818 000
	1 786 133 312	**1 834 316 245**

BY MATURITY	31.12.2020	31.12.2019
Up to 1 year	**80 347 185**	78 182 752
From 1 to 2 years	**236 938 163**	80 347 367
From 2 to 3 years	**295 061 666**	236 938 162
From 3 to 4 years	**99 294 815**	295 061 666
From 4 to 5 years	**105 615 742**	99 294 815
Over 5 years	**968 875 742**	1 044 491 483
	1 786 133 312	**1 834 316 245**

28.2 LOANS BY RATE TYPE

VARIABLE INTEREST RATE	31.12.2020	31.12.2019
Up to 1 year	**11 929 111**	14 800 841
From 1 to 2 years	**161 929 294**	11 929 477
From 2 to 3 years	**211 929 293**	161 929 293
Over 3 years	**204 987 555**	396 916 664
	590 775 253	**585 576 275**

FIXED INTEREST RATE	31.12.2020	31.12.2019
Up to 1 year	**68 418 074**	63 381 911
From 1 to 2 years	**75 008 869**	68 417 890
From 2 to 3 years	**83 132 373**	75 008 869
Over 3 years	**968 798 743**	1 041 931 300
	1 195 358 059	**1 248 739 970**
	1 786 133 312	**1 834 316 245**

Loans obtained by the AdP Group correspond to Loans EIB (EUR 1 234 997 000) and Shareholder loans issued in 2007, 2008 and 2016 (EUR 551 136 000). Considering that **(i)** there are no comparable markets that allow 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 used this type of financing since then 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.

29. TRADE PAYABLES AND OTHER NON-CURRENT LIABILITIES

	31.12.2020	31.12.2019
Investment suppliers	**85 303 824**	83 480 916
Other accounts payable	**5 945 690**	6 651 743
	91 249 514	**90 132 659**

The amounts registered in "Investment suppliers" essentially relate to the debts payable to municipalities following the integration of their assets into the systems.

29.1 DETAIL BY GROUP COMPANY

	31.12.2020	31.12.2019
Águas do Algarve, S.A.	**2 929 885**	3 167 753
Águas do Centro Litoral, S.A.	**851 821**	1 196 748
Águas do Norte, S.A.	**4 993 409**	4 318 754
AdRA - Águas da Região de Aveiro, S.A.	**54 803 690**	52 449 991
Águas de Santo André, S.A.	**3 951 736**	4 287 589
AdAM - Águas do Alto Minho, S.A.	**3 126 703**	-
Águas do Tejo Atlântico, S.A.	**616 182**	658 821
Águas do Vale do Tejo S.A.	**10 933 800**	13 322 895
SIMARSUL, S.A.	**3 096 598**	4 078 366
	85 303 824	**83 480 917**
Other payables	**5 945 690**	6 651 742
	91 249 514	**90 132 659**

30. ACCRUED CONTRACTUAL INVESTMENT EXPENSES

The companies, as stated in note 2.5.5 and based on the partnership concession and management agreement provisions, as well as in accordance with Regulatory requirements, and where applicable, annually recognise the share of estimated expenses to meet contractual costs with unrealised investments or expansion and modernisation investments approved or imposed by the Concession Grantor. Thus, the accrued contractual investment costs recognised are those expressed in the following table:

	31.12.2020	31.12.2019
Águas do Algarve, S.A.	**64 815 749**	64 369 318
Águas do Centro Litoral, S.A.	**47 475 007**	42 249 603
Águas do Douro e Paiva, S.A.	**22 342 389**	24 506 802
Águas do Norte, S.A.	**101 409 683**	86 683 750
Águas de Santo André, S.A.	**9 109 295**	10 341 332
AgdA - Águas Públicas Alentejo, S.A.	**5 796 774**	8 042 539
AdAM - Águas do Alto Minho, S.A.	**4 108 402**	-
Águas do Tejo Atlântico, S.A.	**118 679 491**	122 001 505
Águas do Vale do Tejo S.A.	**57 648 785**	49 497 315
SIMARSUL, S.A.	**14 408 294**	13 316 076
SIMDOURO, S.A.	**12 687 796**	10 926 852
AdRA - Águas da Região de Aveiro, S.A.	**67 636 710**	61 738 476
	526 118 375	**493 673 568**

30.1 MOVEMENTS IN THE PERIOD

	NOTE	31.12.2020	31.12.2019
Opening balance of contractual investment amortisations		**493 673 568**	**469 348 261**
Amortisations in the financial year	39	**58 184 903**	55 586 094
Transfers to companies	7.1	**(25 225 931)**	(30 598 937)
Other transfers and reductions		**(514 165)**	(661 850)
Closing balance of contractual investment amortisations		**526 118 375**	**493 673 568**

31. INVESTMENT GRANTS

	NOTE	31.12.2020	31.12.2019
Investment grants - Cohesion Fund	31.1	**1 304 023 234**	1 337 141 276
Investment grants – others		**25 863 716**	24 781 893
Integration of assets		**154 159 455**	161 210 085
		1 484 046 405	**1 523 133 254**

31.1 MOVEMENTS IN THE PERIOD

	NOTE	31.12.2020	31.12.2019
Opening balance of investment grants		**1 337 141 276**	**1 367 626 364**
Recognition of funding right	20.1.2 e 31.2	**24 794 313**	22 538 848
Recognition of gain	31.3	**(54 780 338)**	(52 978 050)
Derecognition of amount of requests receivable - Águas do Vale do Tejo, S.A.	20.1.2	**(2 501 975)**	-
Derecognition of amount of requests receivable - AdRA - Águas da Região de Aveiro, S.A.	20.1.2	**(550 384)**	-
Other corrections		**(79 658)**	(45 886)
Closing balance of investment grants		**1 304 023 234**	**1 337 141 276**

31.2 RECOGNITION OF FUNDING RIGHT

RECOGNITION OF FUNDING RIGHT	NOTE	31.12.2020	31.12.2019
Águas do Centro Litoral, S.A.		**4 054 086**	-
Águas do Norte, S.A.		**1 880 155**	7 853 664
AgdA - Águas Públicas Alentejo, S.A.		**12 930 340**	13 478 327
EPAL, S.A.		**903 912**	-
AdAM - Águas do Alto Minho, S.A.		**5 025 820**	-
AdRA - Águas da Região de Aveiro, S.A.		**-**	1 105 356
Águas do Tejo Atlântico, S.A.		**-**	101 501
		24 794 313	**22 538 848**

31.3 VALUES RECOGNISED IN THE RESULTS FOR THE PERIOD

	NOTE	31.12.2020	31.12.2019
Investment grants – Cohesion Fund	31.1	**54 780 338**	52 978 050
Investment grants – others		**2 620 483**	2 598 813
Asset integration		**6 382 369**	6 338 768
		63 783 190	**61 915 631**

32. SUPPLIERS

	NOTE	31.12.2020	31.12.2019
Suppliers c/c general		**25 033 003**	31 134 950
Suppliers – investment	32.1	**22 990 109**	27 474 873
Suppliers – invoices received and under processing		**2 125 229**	1 509 713
Other suppliers - balance		**4 596 439**	3 197 580
		54 744 780	**63 317 116**

31.4 INVESTMENT SUPPLIERS

The amounts recorded for investment suppliers, primarily related to debts to municipalities for the integration of assets in the multi-municipal systems (non-current debts are presented in note 29). The table below contains the subsidiaries reporting the most significant values:

	31.12.2020	31.12.2019
Águas do Tejo Atlântico, S.A.	**5 126 829**	2 865 875
Águas do Norte, S.A.	**3 716 485**	9 956 039
AgdA - Águas Públicas Alentejo, S.A.	**3 006 997**	3 761 146
Águas do Vale do Tejo S.A.	**2 807 643**	2 924 466
Águas do Centro Litoral, S.A.	**2 274 873**	1 844 651
EPAL, S.A.	**1 467 642**	1 821 902
Águas do Algarve, S.A.	**1 292 911**	1 921 402
Other Group companies	**3 296 729**	2 348 763
	22 990 109	**27 474 873**

33. OTHER CURRENT LIABILITIES

	NOTE	31.12.2020	31.12.2019
Client advances		**451 218**	899 297
Additional human resource costs		**12 081 859**	11 253 047
Creditors for interest accruals		**6 064 306**	5 392 467
Creditors for additional costs (electricity, others)		**22 498 047**	18 003 216
Collateral from suppliers		**7 743 867**	6 911 524
Municipal sanitation and RSU charges	(i)	**23 800 738**	23 588 389
Other creditors		**11 173 018**	12 993 221
Deferrals		**8 170 591**	6 955 671
		91 983 644	**85 996 832**

(i) This item includes municipal taxes payable by EPAL to Lisbon Municipal Council for the amount of EUR 21 977 000 and RSU (solid waste household charge) by AdRA to other Municipalities for the amount of EUR 1 824 000.

34. TAX ON EARNINGS

	31.12.2020	31.12.2019
Tax on earnings – liability	**9 972 210**	11 691 025
	9 972 210	**11 691 025**

On 31 December 2020, the balance corresponding to the IRC – corporate taxation payable with reference to 2020. There are no outstanding debts to any fiscal entity.

35. REVENUE FROM CONTRACTS WITH CUSTOMERS

	NOTE	31.12.2020	31.12.2019
Sales			
Water – Production, Treatment and Transport		**260 277 019**	248 217 357
EPAL		**138 049 936**	145 139 348
		398 326 955	**393 356 705**
Service Provision			
Wastewater Sanitation – Treatment		**310 938 723**	291 425 223
EPAL		**1 223 343**	1 700 708
International		**4 613 616**	4 831 175
Corporate		**200 603**	218 286
		316 976 285	**298 175 392**
Revenue from contracts with customers		**715 303 240**	**691 532 097**
Income from construction of concession assets (IFRIC 12)		**107 823 223**	139 576 905
		107 823 223	**139 576 905**
Tariff deviations			
Water supply and wastewater sanitation	14.1	**(55 351 557)**	(38 119 189)
		(55 351 557)	**(38 119 189)**
		767 774 906	**792 989 813**

For the financial year ending on 31 December 2020, the items "Sales" and "Service provision" include the following amounts:

i) CTA: EUR 7 815 766 to Águas do Norte and EUR 19 785 775 to Águas do Vale do Tejo (with EUR 22 051 232 the total for these two companies in 2019) (see note 2.20.4);
ii) Environmental Fund: EUR 10 332 224 EUR to Águas do Norte, EUR 10 338 471 to Águas do Vale do Tejo (with EUR 15 632 520 EUR the total for the two companies in 2019) (see note 2.20.5).

	31.12.2020	31.12.2020	31.12.2020	31.12.2019	31.12.2019	31.12.2019
	SALES	PROVISION OF SERVICES	TOTAL	SALES	PROVISION OF SERVICES	TOTAL
Águas do Algarve, S.A.	32 542 552	26 478 797	59 021 349	34 916 487	25 559 673	60 476 160
Águas do Centro Litoral, S.A.	14 962 549	25 147 255	40 109 804	13 739 741	25 295 201	39 034 942
Águas do Douro e Paiva, S.A.	33 879 993	-	33 879 993	34 562 463	-	34 562 463
Águas do Norte, S.A.	53 032 693	63 592 679	116 625 372	55 372 160	64 229 612	119 601 772
AdP - Águas de Portugal, SGPS, S.A.	-	6 904	6 904	-	-	-
AdP Internacional, S.A.	-	3 679 554	3 679 554	-	4 161 800	4 161 800
AdP Valor, S.A.	-	180 363	180 363	-	188 239	188 239
AdP Timor Leste, LDA.	-	895 364	895 364	-	622 669	622 669
AdRA - Águas da Região de Aveiro, S.A.	29 487 066	25 492 571	54 979 637	28 996 387	25 017 375	54 013 762
Águas de Santo André, S.A.	7 791 007	6 453 705	14 244 712	8 486 254	6 034 991	14 521 245
AgdA - Águas Públicas Alentejo, S.A.	11 417 127	4 506 248	15 923 375	11 103 314	3 716 204	14 819 518
AdAM - Águas do Alto Minho, S.A.	14 549 847	8 736 581	23 286 428	-	-	-
Aquatec, Lda.	-	38 698	38 698	-	46 706	46 706
Águas do Tejo Atlântico, S.A.	28 579	83 431 442	83 460 021	29 831	83 185 652	83 215 483
Águas do Vale do Tejo, S.A.	62 585 605	36 391 221	98 976 826	61 010 719	29 958 401	90 969 120
EPAL, S.A.	138 049 937	1 223 343	139 273 280	145 139 349	1 700 708	146 840 057
AdP Energias, S.A.	-	13 335	13 335	-	30 047	30 047
SIMARSUL, S.A.	-	17 349 471	17 349 471	-	15 135 324	15 135 324
SIMDOURO, S.A.	-	13 358 754	13 358 754	-	13 292 790	13 292 790
	398 326 955	316 976 285	715 303 240	393 356 705	298 175 392	691 532 097

36. COST OF SALES/ VARIATION IN INVENTORIES

RECONHECIMENTO DE DIREITO A FUNDO	NOTE	31.12.2020	31.12.2019
Raw materials		9 808 016	8 784 161
Subsidiary materials		14 843 393	14 145 960
Corrections to previous financial years		(178 862)	(459 761)
		24 472 547	22 470 360
Costs of construction of concession assets (IFRIC 12)		107 823 223	139 576 905
		132 295 770	162 047 265

37. SUPPLIES AND EXTERNAL SERVICES

	NOTE	31.12.2020	31.12.2019
Subcontracts	(i)	**33 849 149**	30 335 058
Conservation and repairs		**38 292 656**	33 125 723
Rental and hiring		**4 081 590**	3 749 643
Electricity		**71 434 326**	72 864 230
Insurance		**3 279 626**	2 984 839
Treatment of wastes and effluents	(ii)	**16 732 790**	15 027 211
Analytical tests		**2 148 398**	2 074 569
Studies/ Consultancy/ Auditing		**3 488 225**	4 377 240
IT support		**3 121 206**	2 787 388
Security and surveillance		**3 084 309**	2 234 266
Communications		**4 124 282**	3 703 786
Fuels / Water		**4 190 251**	5 192 287
Travel and accommodation		**962 600**	1 515 371
Publicity and advertising		**1 405 234**	1 968 841
Drought related costs		**697 300**	510 931
SES – Other items	(iii)	**19 933 565**	18 387 908
	(iv)	**210 825 507**	**200 839 291**
SES capitalised		**(1 522 844)**	(2 249 829)
		209 302 663	**198 589 462**

(i) The increase reported in this item derives essentially from the increase in costs at AdA with the entrance into operation of the Companheira and Faro-Olhão wastewater treatment plants.
(ii) Increase in costs of approximately EUR 935 000 for sludge treatment processes.
(iii) Increase in expenses of EUR 860 000 due to cleaning and disinfection of infrastructures (COVID effect), reduction in water transportation costs of EUR 654 000, and an increase in temporary labour costs of EUR 409 000.
(iv) In 2020, this item is net of income with operating subsidies totalling EUR 277 000.

38.PERSONNEL COSTS

	NOTE	31.12.2020	31.12.2019
Remunerations		**84 476 487**	79 960 708
Charges with remunerations		**18 827 380**	17 796 312
Insurance		**5 514 595**	5 283 622
Compensations for contractual termination		**629 756**	898 099
Other personnel costs	(i)	**2 989 609**	2 808 425
Corrections to previous financial years		**12 432**	88 492
	(ii) (iii)	**112 450 259**	**106 835 658**
Personnel costs capitalised		**(7 252 204)**	(5 527 611)
		105 198 055	**101 308 047**

(i) Includes: EUR 2 500 of earnings from the defined benefit plan (note 27.4) and EUR 414 273 of costs due to the defined contribution plan (note 27.7).

(ii) The increase in personnel costs stems from the surge in overtime and individual protection equipment costs within the scope of the COVID-19 pandemic (approximately EUR 2 million).
(iii) In 2020, this item is net of operating subsidy income totalling EUR 376 000..

38.1 REMUNERATION OF ADP GOVERNING BODIES

	31.12.2020	31.12.2019
Board of Directors	**309 317**	331 280
Supervisory Board	**31 967**	31 967
Chartered Accountant	**39 229**	41 090
	380 513	**404 337**

38.2 AVERAGE NUMBER OF EMPLOYEES

	31.12.2020	31.12.2019
Governing bodies – Board of Directors	**66**	64
Members of staff	**3 383**	3 199
	3 449	**3 263**

39. FINANCIAL YEAR AMORTISATIONS, DEPRECIATIONS AND REVERSALS

	NOTE	31.12.2020	31.12.2019
Amortisations – investment properties	10	**79 053**	79 053
Amortisations – tangible assets	8.1	**27 727 253**	26 935 056
Amortisations - intangible assets	7.1	**969 727**	1 986 300
Amortisations - DUI	7.1	**143 539 011**	136 654 098
Amortisations - Right-of-use assets	30.1	**58 184 903**	55 586 094
Amortisations - Assets under right of use	9	**5 112 791**	5 174 719
		235 612 738	**226 415 320**
Reversions, depreciations and amortisations		**(286 262)**	-
		235 326 476	**226 415 320**
Corrections to previous years		**(475 266)**	10 348
		234 851 210	**226 425 668**

40. FINANCIAL YEAR PROVISIONS AND REVERSIONS

	NOTE	31.12.2020	31.12.2019
Financial year provision – ongoing legal processes	26.1	**1 631 745**	168 195
Financial year provision – others	26.1	**150 863**	268 755
		1 782 608	**436 950**
Reversions of provisions - ongoing legal processes	26.1	**(2 750)**	(48 035)
Reversions of provisions – environmental issues		**-**	(30 053)
Reversions of provisions – others	26.1	**(787 079)**	(308 003)
		(789 829)	**(386 091)**
		992 779	**50 859**

See in conjunction with note 26.

41. IMPAIRMENT LOSSES AND REVERSIONS IN THE FINANCIAL YEAR

	NOTE	31.12.2020	31.12.2019
Impairment losses - clients	18.4	**4 834 558**	3 861 835
Impairment losses – other debtors	20.2	**185 845**	957 278
Impairment losses – financial investments in associated companies	12	**-**	20 588
Impairment losses - fixed tangible assets		**-**	1 384 548
		5 020 403	**6 224 249**
Reversions of impairment losses - clients	18.4	**(793 296)**	(971 274)
Reversions of impairment losses – other debtors	20.2	**(4 743)**	(2 838 142)
Reversions of impairment losses – financial investments in associated companies	12	**(1 142)**	(76 188)
Reversions of impairment losses - fixed tangible assets	8.1	**(209 445)**	(209 445)
		(1 008 627)	**(4 095 050)**
		4 011 776	**2 129 199**

42. OTHER OPERATIONAL EXPENSES AND LOSSES

	NOTE	31.12.2020	31.12.2019
Direct and indirect taxes	42.1	**8 323 184**	8 365 567
Inventory losses		**16 060**	9 922
Losses on tangible and intangible assets (disposals, write-offs, accidents)		**244 285**	86 318
Donations		**451 785**	416 229
Humanitarian aid to Mozambique		**130**	246 082
Exchange rate differences		**330 069**	264 340
Other costs and losses	(i)	**2 395 816**	3 317 521
Corrections to previous years		**47 783**	126 073
		11 809 112	**12 832 052**
Capitalised costs		**-**	-
		11 809 112	12 832 052

(i) This includes client charges (EUR 743 000) and compensation for leakages (EUR 235 000).

42.1 DIRECT AND INDIRECT TAXES

	NOTE	31.12.2020	31.12.2019
Stamp duty		**318 121**	354 175
ERSAR charge		**4 487 329**	4 523 472
Hydric resource charge		**173 311**	100 747
Others taxes and charges	(i)	**3 344 423**	3 387 173
		8 323 184	**8 365 567**

(i) Includes subsoil rates (EUR 2 566 000) and municipal property tax (EUR 421 000).

43. OTHER OPERATING INCOME AND GAINS

	NOTE	31.12.2020	31.12.2019
Supplementary income	43.1	**5 929 755**	6 407 385
Gains on tangible assets and intangible assets (disposals and compensations)		**574 834**	343 676
Other earnings and gains	(i)	**3 066 605**	2 372 994
Corrections to the previous years		**17 568**	288 196
		9 588 762	**9 412 251**

(i) This corresponds essentially to the amortisation of the subsidy associated to the integration of assets based on the depletion rate.

43.1 SUPPLEMENTARY INCOME

	NOTE	31.12.2020	31.12.2019
Sales of energy		**1 074 478**	1 237 720
Rents	9.3	**354 000**	197 500
Social services		**5 082**	5 074
Others	(i)	**4 496 195**	4 967 091
		5 929 755	**6 407 385**

(i) The others item essentially reports the EUR 1 208 926 in commercial services provided to Lisbon Municipal Council (EUR 1 312 252 in 2019), and technical assistance relating to the Aquamatrix IT system.

44. FINANCIAL COSTS

	NOTE	31.12.2020	31.12.2019
Interest incurred	44.1	**34 160 885**	40 816 262
Unfavourable exchange rate differences		**20 038**	72 947
Other financial costs	44.2	**4 211 292**	3 694 478
Corrections to the previous years		**(32)**	(50 113)
		38 392 183	**44 533 574**
Financial costs capitalised		(1 475 346)	(2 075 090)
		36 916 837	**42 458 484**

The decrease in financial costs (capitalised and non-capitalised) directly interrelates with the fall both in the level of indebtedness (an annual reduction of approximately EUR 80 million EUR per year - EUR 50 million net in 2020), and in interest rates.

44.1 INTEREST INCURRED

	NOTE	31.12.2020	31.12.2019
Interest incurred - EIB		**28 630 891**	34 365 614
Interest incurred – leasing operations		**492 417**	564 027
Interest incurred – shareholders		**1 117 314**	1 512 189
Recognition of fair value reserve	(i)	**350 431**	526 598
Penalty interest incurred		**203 838**	441 815
Interest incurred - bank loan financing		**62 684**	40 414
Interest incurred – asset integration		**3 303 310**	3 365 605
		34 160 885	**40 816 262**

(i) On 23 January 2020, the cancellation option in the hedging derivative was exercised by the counterparty, and the respective fair value reserve recognised in the income statement.

44.2 OTHERS FINANCIAL COSTS

	NOTE	31.12.2020	31.12.2019
Financing obtained – Commissions/ guarantees	(i)	**2 796 394**	2 970 953
Others		**1 414 898**	723 525
		4 211 292	**3 694 478**

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

45. FINANCIAL INCOME

	NOTE	31.12.2020	31.12.2019
Interest received	45.1	**13 342 160**	11 904 642
Others financial income and gains		**197 020**	155 221
		13 539 180	**12 059 863**

45.1 INTEREST RECEIVED

INTEREST RECEIVED	NOTE	31.12.2020	31.12.2019
Deposits		**848**	908
Other financial assets		**1 695 328**	2 027 132
Penalty interest	45.1.1	**11 074 068**	7 628 214
Other interest		**571 916**	2 248 388
		13 342 160	**11 904 642**

45.1.1. PENALTY INTEREST (BY GROUP COMPANY)

	31.12.2020	31.12.2019
Águas do Algarve, S.A.	**1 299 528**	1 548 545
Águas do Centro Litoral, S.A.	**-**	109 854
Águas do Douro e Paiva, S.A.	**31 479**	39 643
Águas do Norte, S.A.	**4 129 279**	2 788 853
Águas do Vale do Tejo, S.A.	**5 251 510**	2 177 177
Other invested companies	**362 272**	964 142
	11 074 068	**7 628 214**

The increase in penalty interest income derives from the recognition of a EUR 5.2 million interest write-off under the Debt Settlement Agreements in 2019 (see note 17).

46. TAX FOR THE YEAR

	NOTE	31.12.2020	31.12.2019
Income tax for the year		**(65 062 551)**	(62 088 756)
Surplus in tax estimates		**828 538**	576 881
Shortfall in tax estimates		**(286 399)**	(1 139 946)
		(64 520 412)	**(62 651 821)**
Deferred tax	13.1	**30 663 565**	23 872 688
		30 663 565	**23 872 688**
		(33 856 847)	**(38 779 133)**

The reconciliation between the nominal rate and the effective rate of taxation for the financial year ending on 31 December 2020 is as follows:

	BASE	RATE	TAX
Consolidated profit before tax	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 to previous years	64 156	0,01%	14 479
. Fines, penalties and compensatory interest	80 752	0,02%	18 781
. Tax Benefits	(584 244)	(0,12%)	(137 506)
. Other	(221 580)	(0,07%)	(80 755)
Temporary differences without recognised tax deferrals:			
. Application of tax losses carried forward	(368 411)	(0,06%)	(77 366)
. Provisions and/or impairment	(1 595 532)	(0,28%)	(337 344)
. Depreciation	2 395 808	0,49%	579 153
. Generation of tax losses carried forward without recognised deferred tax assets	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 in each company		(2,68%)	(3 195 569)
Autonomous taxation		0,33%	392 243
Excess taxation estimates in previous years		(0,42%)	(496 290)
		28,38%	**33 856 847**

47. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

47.1 RELATED PARTIES

As of 31 December 2020, the AdP Group related parties are 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.

47.2 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

DECEMBER 2020	HOLDING COMPANY	OTHER SHAREHOLDERS	EXECUTIVE COMMISSION	OTHER RELATED PARTIES
Asset				
CGD		5 584 062		
Municipalities				239 083 214
Liability				
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

DECEMBER 2019	HOLDING COMPANY	OTHER SHAREHOLDERS	EXECUTIVE COMMISSION	OTHER RELATED PARTIES
Asset				
CGD		2 467 488		
Municipalities				307 119 142
Liability				
Municipalities				71 018 655
Income				
Sales and provision of services to municipalities				295 495 981
Other income - municipalities				4 890 946
Costs				
Costs with non-executive directors				
Costs with executive directors			331 280	
Other costs – municipalities				3 237 474
Dividends	21 870 000	5 130 000		6 634 152
	21 870 000	5 130 000	331 280	688 396 350

48. 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 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**

	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 2019	7 754 669 865	5 537 537 859	187 066 768	159 655 193	460 584 033	1 409 826 035
	7 754 669 865	**5 537 537 859**	**187 066 768**	**159 655 193**	**460 584 033**	**1 409 826 035**

49. CONTINGENT ASSETS AND LIABILITIES

49.1 ONGOING LEGAL PROCESSES

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.

49.2 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	31.12.2020	31.12.2019
AdP Serviços	-	-	16 472	-	-	**16 472**	16 472
AdP Energias	-	-	-	-	-	**-**	-
AdP Internacional	1 301 793	-	1 826 294	-	-	**3 128 087**	2 481 191
EPAL	-	-	474 625	5 172 582	3 318	**5 650 525**	5 483 374
Águas do Norte	4 074 931	-	-	97 163	45 285	**4 217 379**	4 007 582
AdAM - Águas do Alto Minho	90 000	-	-	-	-	**90 000**	-
Águas do Centro Litoral	156 487	-	-	365 494	-	**521 981**	610 046
Águas do Vale do Tejo	1 165 910	-	18 875	65 386	-	**1 250 171**	1 280 746
Águas do Algarve	66 510	566 466	10 475	867 767	-	**1 511 218**	1 511 218
Águas de Santo André	40 000	238 770	-	-	-	**278 770**	278 770
AgdA - Águas Públicas Alentejo	183 717	-	-	-	2 384 097	**2 567 814**	2 414 988
AdRA - Águas Região de Aveiro	603 778	-	-	-	-	**603 778**	645 528
SIMDOURO	6 000	-	23 309	104 342	-	**133 651**	154 411
Águas do Douro e Paiva	588 300	-	-	606 484	-	**1 194 784**	1 329 184
Águas do Tejo Atlântico	1 198 700	-	28 781	4 479 614	-	**5 707 095**	5 764 545
SIMARSUL	12 363	-	-	21 956	-	34 319	34 319
Total	**9 488 489**	**805 236**	**2 398 831**	**11 780 788**	**2 432 700**	**26 906 044**	**26 012 374**

49.3 CONTINGENT ASSETS

In 2020, following analysis made according to Value Added Tax deduction, AdP switched to the real allocation methodology (the pro-rata up until 31 December 2019). This change implies the establishing of a contingent asset amounting to approximately EUR 2 million for the years 2016 to 2019.

50. AUDITOR AND STATUTORY AUDIT FEES

The fees of the AdP Group Auditor and Statutory Auditor for the financial year ending on 31 December 2019 were the following:

	STATUTORY AUDIT	OTHER AUDIT RELATED SERVICES	OTHERS SERVICES	TOTAL
PricewaterhouseCoopers & Associados - Sociedade de Revisores de Contas, Lda.	149 452	24 500	6 000	179 952
Grant Thornton & Associados SROC, Lda.	35 723	-	-	35 723
	185 175	**24 500**	**6 000**	**215 675**

51. ANOTHER SUBJECTS – COVID-19

The year of 2020 was 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 extend to maintaining operational services in the general economic interest, thus within the scope of AdP Group activities. On 22 March 2020, the Ministry for the Environment and Climate Action stipulated just how essential services should be ensured during this period (Order 3547-2020).

For all supply and sanitation activities, among other services, this determined that the entities and companies managing the systems should define the teams necessary to ensuring the continuity and uninterruptability of the provision of public water supply services (for further detail, see the AdP Group measures and contingency plan in the "Key Events" section of the Management Report).

In terms of the impacts on the 2020 financial statements, we would highlight the following:

• Assets

No impairment was recorded for AdP Group assets as the effects of COVID-19 do not prevent the assets from continuing to generate economic and future benefits on a permanent basis.

• 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 to prevent the spread of COVID-19.

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 included registered by the cost recovery deviation for the year and even with the potential likelihood of an interruption to the trend of generating tariff surpluses now ongoing since 2018.

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

- As for Operating Costs

There was an increase in operating costs due both to the procurement strategy for goods and the surge in personnel costs necessary to ensuring the response capacities of teams, which rose in number and extended in time, bringing about an increase in

overtime payments. The costs with preventive maintenance also increased due to the strategy of reducing the probability of failures that trigger higher expenditure on preventive maintenance.

AdP Group companies are, to the greatest possible extent, maximising their stocks either through capacity or in accordance with the nature of the respective reagents; a more demanding policy in terms of treasury but that safeguards continuity of service while minimising unnecessary exposure to critical suppliers. This circumstance naturally requires the delivery of smaller quantities to replenish stocks and therefore consequently incurs higher unit costs in keeping with the greater representativeness of the fixed costs for the logistics underlying transport and delivery.

On the other hand, there was a significant fall in the costs of travel and accommodation.

• Debt variation ratio

Although there has been a reduction in investment associated payments, due to the lower level of availability of teams from equipment suppliers and contractors, which at this stage generates only a positive impact for cash flow, there has been a reduction in receipts from municipal customers. Furthermore, the average payment periods to suppliers remained stable. Despite these contrary effects, Group liquidity closed the year having improved on its position registered on 31 December 2019.

Should the COVID-19 associated recession result in impacts on market assessments of the national financial situation, reflected in changes in the yields of 10-year Treasury Bonds, this may also cause consequences for the ADP Group as the net results of the Multi-municipal Systems and the State-Municipal Partnerships are determined by this macroeconomic indicator. The 10-year Treasury Bond recorded an average price of 0.41% in 2020. Any significant increase in the 10 year bond rate may contribute to reversing the trajectory of tariff surpluses dating back to 2018.

The AdP Group does not anticipate any of its companies shall encounter operational continuity problems over the next twelve months. As mentioned in note 3.3., the AdP Group has Medium- and Long-Term credit lines contracted with EIB for the amount of EUR 420 million (348 million not used) and Short-Term credit lines contracted with Portuguese commercial banks for the amount of EUR 140 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 by any downturn in business turnover.

In 2020, the AdP Group did not request any postponements, restructurings or any other type of changes to the commitments assumed, whether contracted or otherwise, with its creditors and suppliers and nor does it expect to do so.

Lisbon, 9 April 2021

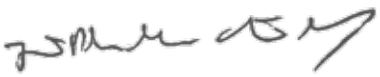
The Board of Directors

José Carlos Athaíde dos Remédios Furtado
(Executive Chair)

José Manuel Leitão Sardinha
(Executive Vice-Chair)

Carla da Conceição Afonso Correia
(Executive Director)

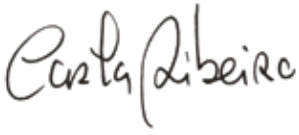
Catarina Isabel Clímaco Monteiro d'Oliveira
(Executive Director)



João Pedro Moura Castro Neves
(Executive Director)

Jaime Serrão Andrez
(Non-Executive Director)

The Chartered Accountant



Carla Isabel Costa Pinto Ribeiro

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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 2020 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 meetings, which were attended by the Director responsible for finance, the Statutory Auditor, the Financial Director and the Director of Regulation, Planning and Management Control when asked. 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 133/201 3 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 2020 Annual Report and Accounts presents information on compliance with sustainability objectives, although the analysis for the Group in this regard benefits from the presentation of the Sustainability Report for 2020, 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, by reference to the Sustainability Report 2020, information on the performance and evolution of the company with regard to environmental issues, in particular the fight against climate change, social issues and issues 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 Statutory 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 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 has met its agreement.

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, prepared in 2019, is implemented, which aims to standardise processes and ensure compliance with legal requirements and internal guidelines.

12. During 2020, AdP Group advanced with investments in the amount of € 128.9 M, of which € 121.3 M refers to the construction or restructuring of water supply infrastructure (€ 62 M) and wastewater sanitation (€ 59.3 M) while this nevertheless represents a decrease of 10.6% compared to 2019.

13. Regarding the operating efficiency ratio, Operating Expenses - Turnover (OPEX), this shows an improvement of 0.4% from 46.6% on 31-12-2019 to 46.2% on 31-12-2020. It should be noted that the value of this ratio disregards the impact 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 stands at 47.4%.

14. The Turnover compared to the same period of 2019, increased by approximately 3.4% (€ 23.8 M), due to a generalised increase in the turnover of almost all subsidiaries, however, there is a decrease in some group companies, specifically EPAL S.A. and Águas do Algarve, SA, representing approximately 28% of the group turnover. This decrease is related to the reduction in economic activity due to the pandemic associated with the SARS-COV-2 virus (COVID19).

15. The AdP Group registered a year-on-year increase in Personnel Costs due to the increase in expenses incurred with overtime and individual protection equipment within the scope of the COVID19 pandemic and the measures resulting from the contingency plans implemented in the Group companies, in particular expenses with uniforms, the acquisition of protection and safety equipment and cleaning services. There was also an increase in the number of employees, to 3,411.

16. The Statutory Board also highlights the continuation in the client debt, reaching a gross value of € 395 M in 2020, of which € 286.4 M refers to the debts of local authorities, municipal and intermunicipal services and municipal and intermunicipal companies.
    In this context, the AdP Group needs to continue with its efforts to regularise and settle the debt of municipalities and municipal water supply and wastewater sanitation companies demonstrably in effect in keeping with the recording of increases in the volumes of overdue invoices over the last two years, advancing by approximately 11.4% (€ 22.9 M).

17. This furthermore notes that the consolidation of the group's operations was favoured by the positive trend in the cost recovery deviation, attaining a surplus of € 55.4 M in 2020. Notwithstanding the record of this aggregate, it should be noted that the tariff deviation amounted to € 624.4 M at the end of the year and should therefore continue to deserve the best attentions of the management body given its material importance.

18. The results of the group's financial management in the current year should also be highlighted, based on the contracting of loans at the level of the parent company, AdP, SGPS, S.A., which in turn grants loans to its subsidiaries. This centralised management has been sustainably reducing the ratio of net debt to adjusted EBITDA in consolidated terms, reducing it from 4.6 in 2019 to 4 in 2020.
    There was also a reduction in gross debt of € 49.7 M and in financial costs of more than 13% (€ 5.5 M).

19. It was noted that expenditure on Supplies and External Services increased by 10.7 million in 2020, with the increase in spending on subcontracts of EUR 3.5 million (+11.5%), explained by increased spending at AdA with the entry into operation of the wastewater treatment plants of Companheira and Faro-Olhão, the increase in waste and effluent treatment of EUR 1.7 million (+11.4%) particularly with the treatment of sludge (+ € 0.9 M) and the increase in spending on cleaning and disinfection of infrastructures (€ 0.9 M), and in spending on temporary work (€ 0.4 M), due to COVID-19.

It is important to highlight that AdP Group has been adopting energy efficiency measures under the Energy Efficiency and Production Plan (PEPE), aiming to reduce consumption and costs and to increase the own production of energy for self-consumption, which allowed for minimising the impact of the increase in electricity prices while reducing electricity costs by 1.9% (€ 1.4 M).

20. The Supervisory Board considers that the completion of the works in progress towards the implementation of the Group-wide Internal Control System, based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model, should be maintained as a priority action and deserving of increased efforts in order to ensure greater maturity in the internal control system existing through the effective recognition of the already existing controls capable of responding to the risks identified, and benefiting from the synergies resulting both from the existence of information systems and from recourse to a transversal vision of all internal controls.

21. In accordance with the work carried out, the Supervisory Board considers the Report and Accounts, the separate Financial Statements (which comprise the Statement of Financial Position as at 31 December 2020, the Income Statements by type and the Comprehensive Income Statements, the Statement of Variations in Equity, the Cash-flow Statement for the financial year then ended and the Notes to the Financial Statements), are adequate to understanding the equity position of AdP - Águas de Portugal, SGPS, SA on December 31, 2020, and how the results were obtained and the activities undertaken.

22. 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 the above, the Supervisory Board agrees with the Management Report and Consolidated Accounts for the year 2020 of AdP - Águas de Portugal, SGPS, SA, giving its favourable opinion that they be approved by the General Meeting.

Lisbon, 14 April 2021

THE SUPERVISORY BOARD

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Carla Maria Lamego Ribeiro

(Chair)

(illegible signature)

Mário José Alveirinho Carrega

(Director)

(illegible signature)

Rui Mendes Cabeça

(Director)

RELATÓRIO E PARECER DO CONSELHO FISCAL

RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE OS DOCUMENTOS DE PRESTAÇÃO DE CONTAS CONSOLIDADAS

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 de prestação de contas consolidadas da sociedade AdP – Águas de Portugal, SGPS, SA, apresentadas pelo Conselho de Administração, relativamente ao exercício de 2020.

2. O Conselho Fiscal acompanhou a gestão da AdP – Águas de Portugal, SGPS, SA, e a evolução dos seus negócios, designadamente mediante contatos 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, da Diretora Financeira e da Diretora de Regulação, Planeamento e Controlo de Gestão. 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 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 de Gestão e Contas de 2020 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 2020, revelando-se o cumprimento material daqueles.

6. Foi dado cumprimento ao artigo 508.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 2020, informação referente ao desempenho e evolução da sociedade quanto a questões 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 2020, o Grupo AdP desenvolveu investimentos no valor de 128,9M€, dos quais, 121,3M€ referentes a construção ou remodelação de infraestruturas de abastecimento de água (62M€) e de saneamento de água residuais (59,3M€), no entanto verifica-se uma diminuição de 10,6% face ao ano de 2019.

13. Relativamente ao rácio de eficiência operacional, Gastos Operacionais/Volume de Negócios (GO/VN), este regista uma melhoria, de 0,4 p.p. passando de 46,6% em 31-12-2019 para 46,2% em 31-12-2020. 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, 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%.

14. O Volume de Negócios (VN) face ao período homólogo de 2019, aumentou em cerca de 3,4% (23,8M€), 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 e Águas do Algarve, S.A., representando estas, cerca de 28% do VN do grupo. Este decréscimo encontra-se relacionado com a redução da atividade económica devido à pandemia associada ao vírus SARS-COV-2 (COVID19).

15. O Grupo AdP, no ano de 2020, registou um incremento dos Gastos com o Pessoal face a 2019, resultante 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 limpezas. Verificou-se também um aumento do número de colaboradores, passando este a ser de 3.411.

16. O Conselho Fiscal destaca ainda a manutenção da situação da dívida de clientes, alcançando esta em 2020 um valor de 395M€, em termos brutos, dos quais, 286,4M€ referente a dívida de autarquias locais, serviços municipalizados e intermunicipalizados e empresas municipais e intermunicipais.
    Neste âmbito, importa que o Grupo AdP dê continuidade ao esforço de regularização e liquidação da dívida dos municípios e das empresas municipais de abastecimento e saneamento que se tem comprovado existir, face ao registo de um aumento do volume de faturas vencidas entre os últimos dois exercícios, em cerca de 11,4% (22,9M€).

17. Deve ser relevado que a consolidação das operações do grupo favoreceu a evolução positiva do desvio de recuperação de gastos, atingindo em 2020 um superavit de 55,4M€. Não obstante o registo deste agregado, assinala-se que o desvio tarifário se cifrou, no final do exercício, em 624,4M€ devendo, por isso, continuar a merecer a melhor atenção por parte do órgão de administração atenta a respetiva materialidade.

18. Destaca-se ainda no corrente exercício os resultados decorrentes da gestão financeira do grupo, 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 4,6 no ano de 2019 para 4, em 2020.
    Constata-se igualmente a diminuição do endividamento bruto em 49,7M€ bem como dos gastos financeiros em mais de 13% (5,5M€).

19. Verificou-se que os gastos com Fornecimentos e Serviços Externos (FSE) aumentaram 10,7 milhões de EUR em 2020, assumindo maior expressão o acréscimo do gasto com

os subcontratos, de 3,5 milhões de EUR (+11,5%), explicado por aumento de gastos na AdA com a entrada em funcionamento das ETAR's Companheira e Faro-Olhão, o aumento dos tratamento de resíduos e efluentes de 1,7 milhões de EUR (+11,4%) nomeadamente com o tratamento de lamas (+0,9M€) e o acréscimo dos gastos com limpeza e desinfestação das infraestruturas (0,9M€), e dos gastos com trabalho temporário (0,4M€), devido ao efeito COVID.

Importa destacar que o grupo AdP tem vindo a adotar 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 permitiu minimizar o impacto do aumento dos preços da eletricidade, verificando-se uma diminuição dos gastos com eletricidade em 1,9% (1,4M€).

20. O Conselho Fiscal entende que deve ser mantida como uma das ações prioritárias e merecedoras 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, beneficiando da sinergia que decorre da existência de sistemas de informação comuns e do recurso a uma visão transversal de todo o controlo interno.

21. 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 2020, 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 a 31 de dezembro de 2020, e da forma como se formaram os resultados e se desenrolou a atividade.

22. 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 exposto, o Conselho Fiscal dá a sua concordância ao Relatório de Gestão e Contas Consolidadas do exercício de 2020 da AdP – Águas de Portugal, SGPS, SA, dando o seu parecer favorável a que sejam aprovados pela Assembleia Geral.

Lisboa, 14 de abril de 2021

O CONSELHO FISCAL

Carla Maria Lamego Ribeiro
(Presidente)

Mário José Alveirinho Carrega
(Vogal)

Rui Manuel Mendes Cabeças
(Vogal)

LEGAL CERTIFICATION OF THE ACCOUNTS

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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 December 31, 2020 (reporting a total of EUR 6,138,623,229 and total equity of EUR 1,707,155,756, including net income of EUR 78,552,489), 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 December 31, 2020 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.

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 this Group, the following relevant audit issues were identified:

Most significant risks of material distortion	Summary of the identified audit approach
• *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 2.5.2, 2.5.4, 2.5.5, 4.2, 7.1, 30, 31, 39 and 48 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.	Our approach to this risk included a number of procedures related to the internal and substantive controls, namely: – Substantive work carried out on the components considered most significant; – Contacts made with the Statutory Auditors of subsidiaries, obtaining and analysis of relevant documentation; – 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	Summary of the identified audit approach
• *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 2.5.6 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 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 2.5, 4.6,14 and 35 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.	Our approach to this risk consisted of a response that included a combined set of internal control and substantive procedures, including: – Substantive work carried out on the components considered most significant; – 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
Recoverability of the balances receivable from Municipalities As at December 31, 2020, the amount recorded in the Customers item referring to Municipalities amounted to EUR 265,466,202 e as detailed in Note 18.3 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	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; – Substantive work carried out on the components considered most significant; – Obtaining and analysing the financial statements and their respective Legal Certifications of Accounts;

Most significant risks of material distortion	Summary of the identified audit approach
the arrears incurred by the Municipalities as a consequence of these delays in payment amounting to EUR 13,950,357. 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 amount, 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 2.13, 3.4.1, 4.3, 15, 18 and 41 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.	– Testing the reasonableness both of the municipality balances as clients recorded by the subsidiaries and of the joint balance considered in the consolidated financial statements; – Analysing the disclosures made in order to ensure they comply with the provisions of the applicable accounting standards.

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 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 (6) 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 508 (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 16 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 December 27, 2018 for the term between 2018 and 2020.
- 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.

Signed by: **PEDRO MIGUEL RAPOSO LISBOA NUNES**
Identification no.: BI10328871
Date: 2021.04.14 17:15:31+01'00'

Grant Thornton & Associados – SROC, Lda.
Represented by Pedro Lisboa Nunes

CERTIFICAÇÃO LEGAL DAS CONTAS

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Certificação Legal das Contas

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 2020 (que evidencia um total de 6.138.623.229 euros e um total de capital próprio de 1.707.155.756 euros, incluindo um resultado líquido de 78.552.489 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 2020 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 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.

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

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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	Síntese da abordagem de auditoria
• *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 regulatórias, 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 da concessão/parceria e dos investimentos a realizar, sendo desta forma uma área de julgamento elevado. Sobre esta matéria, as Notas 2.5.2, 2.5.4, 2.5.5, 4.2, 7.1, 30, 31, 39 e 48 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.	A nossa abordagem a este risco consistiu na realização de um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente: – Trabalho substantivo efetuado nas componentes consideradas mais significativas; – Contactos efetuados com o ROC 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.

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Riscos de distorção material mais significativos identificados	Síntese da abordagem de auditoria
• *Reconhecimento e mensuração dos desvios de recuperação de gastos* Os Desvios de Recuperação de Gastos (DRG) correspondem à correção (positiva no caso de défice, negativa no caso de superavit) 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 2.5.6 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 2.5, 4.6,14 e 35 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.	A nossa abordagem a este risco consistiu numa resposta que incluiu um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente: – Trabalho substantivo efetuado nas componentes consideradas mais significativas; – 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 existiram, 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.
• *Recuperabilidade dos saldos a receber dos Municípios* O montante registado na rubrica de Clientes referente a Municípios a 31 de dezembro de 2020 é de 265.466.202 euros e tal como detalhado na nota 18.3 das notas às demonstrações financeiras consolidadas, é composto por saldos que apresentam uma elevada antiguidade, o que indicia 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	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; – Trabalho substantivo efetuado nas componentes consideradas mais significativas; – Obtenção e análise das demonstrações financeiras das subsidiárias e das respetivas Certificações Legais das Contas;

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 13.950.357 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/parcerias, afetando o cumprimento das responsabilidades contratuais. Sobre esta matéria, as Notas 2.13, 3.4.1, 4.3, 15, 18 e 41 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.	– Teste à razoabilidade dos saldos dos Municípios enquanto clientes registados pelas subsidiárias e do saldo conjunto considerado nas demonstrações financeiras consolidadas; – Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.

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 de 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 isentas 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.

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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 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 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;
- 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 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 concluirmos 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;
- avaliámos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras consolidadas representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- obtivemos 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;
- comunicámos 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 comunicámos 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 proíbir a sua divulgação pública;

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– 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 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 do 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, a informação nele constante é concordante com as demonstrações financeiras consolidadas auditadas e, tendo em conta o conhecimento e apreciação sobre o Grupo, não identificámos 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.

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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 Parpública – Participações Públicas (SGPS, S.A.), realizada em 27 de dezembro de 2018, para o mandato compreendido entre 2018 e 2020.
- 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 identificámos 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 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.

Assinado por : **PEDRO MIGUEL RAPOSO LISBOA NUNES**
Num. de Identificação: BI10328871
Data: 2021.04.14 17:15:31+01'00'

CHAVE MÓVEL

Grant Thornton & Associados – SROC, Lda.
Representada por Pedro Lisboa Nunes

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 2020 (showing a total of EUR 6,138,623,229 and total equity of EUR 1,707,155,756, including a net profit of EUR 78,552,489), 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 2020, 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 areas relevant to the audit are those that, in our professional judgment, were most important in auditing the consolidated financial statements of the current year. These areas should be considered in the context of the audit of the consolidated financial statements as a whole, and also in the formation of the opinion, and we do not express a separate opinion concerning those areas. We consider that the matters described below are the audit relevant matters for detailing in this report.

Relevant auditing matters	Summary of the audit approach
Recognition and measurement of the contractual investment associated with the concessions/partnerships of the managing entities of the multi-municipal systems *Disclosures related to recognition and measurement of the contractual investment associated with the concessions/partnerships presented in notes 2.5.2, 2.5. 4, 2. 5.5, 2.16. 4.2, 7, 30, 31, 39 and 48* The right to use infrastructures, which as at December 31, 2020 amounts to EUR 3,744,533,000 (December 31, 2019:EUR 3,800,239,000), as well as the corresponding subsidies, amounting to EUR 1,484,046,000 (31 December 2019: EUR 1,523,133,000), is amortised on a systematic basis according to the rate set for obtaining economic benefits, which are duly approved by the Regulatory Entity (ERSAR) or by the respective Partnership Commission, in the case of concessions and partnerships, respectively. Amortisations associated with the contractual investment are calculated on the basis of the flows (water and effluents) invoiced and the flows estimated for invoicing 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 or partnership contract. In addition, in compliance with the provisions of the concession contracts, the partnership management contracts and the other regulatory rules, an estimated amount is recorded in the annual cost to cover liabilities for future contractual investments. This increase, whose cumulative value, as referred to in Note 30, amounts to EUR 526,118,000 as at December 31, 2020 (December 31, 2019: EUR 493,674,000), is calculated according to that stipulated in the respective EVEF, the document detailing the investments to be made.	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; • inquire the Board of Directors about the reasons for several addenda to not yet signed concession contracts, We have also reviewed the disclosures related to these investments, based on the applicable accounting standards.

Relevant auditing matters	
The relevance of this matter in our audit results from the materiality of the amounts associated with the rights to use infrastructure and the contractual investments of the concessions/partnerships in the consolidated financial statements, which impact the amortisation of the rights to use infrastructure - IFRIC 12, the recycling of the respective subsidies and the accrual of contractual investment costs	
Recognition and Measurement of Cost Recovery Deviations *Disclosures related to recognition and measurement of the Cost Recovery Deviations presented in notes 2.5.6, 4.7, 14 and 35* 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 55,352,000 as at 31 December 2020 (31 December 2019: surplus of EUR 38,119,000).	The audit procedures performed included: • analysis of the reasonableness of the metrics calculated by the Group and evaluation of their compliance; • recalculation of the Guaranteed Remuneration and the corresponding CRD in accordance with the criteria established in the Concession/Partnership Agreement; • obtaining and analysing the correspondence and exchange of information that has existed to date between the concessionaires and ERSAR, particularly with regard to the expenditures allowed under the efficiency scenario and the appreciation of the DRCs for the activities undertaken by ERSAR; • obtaining and analysing the correspondence and exchange of information that has existed to date between the management entities of the partnerships and each Partnership Commission, particularly regarding the appreciations made of the DRCs by the Partnership Commission; We have also reviewed the disclosures relating to these variances based on the applicable accounting standards.

Relevant auditing matters	
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.	
Recoverability of the balances receivable from Municipalities *Disclosures related to the recoverability of balances receivable from municipalities and municipal entities presented in notes 2.10.1, 4.3, 15 and 18.* As at December 31, 2020, under current and non-current assets balances receivable from municipalities and municipal entities, the Group recorded the amount of EUR 265,466,000 (December 31, 2019: EUR 251,439,000). As demonstrated in notes 15 and 18, these balances contain long standing amounts, which indicates the existence of financial difficulties on the part of the Municipalities and/or the existence of divergences as to the invoicing issued. In addition, accrued income relating to default interest is recorded, which is determined in accordance with the applicable legislation.	Our approach included the implementation of the following procedures: • Performing analytical review procedures for all sales and services rendered sub-accounts, including analysis of significant changes compared with the previous year and in view of expectations and those already contracted/budgeted; • Request for confirmation of the balances of Municipalities and municipal entities and analysis of the respective reconciliation, when applicable; • Analysis of legal responses to direct requests for information about ongoing legal cases; • Tests of the age of balances, focusing on the estimated legal time limits for collection rights, comparing them with the answers obtained from legal advisers;

Relevant auditing matters	
Generally, the Group does not recognise impairment losses on public entities as it believes that at this date the risk of insolvency is remote. In assessing the need to record impairment losses, the Board of Directors adopts possible measures to ensure the recoverability of balances, including the activation of the mechanism associated with the credit privilege (which applies to current debts), the reaching of debt settlement agreements and the filing of injunctions/judicial actions. Particular situations of default and lapsing of the right to collect are also considered. Considering the relevance of the balance in the total assets of the Group, the non-recovery of the amount owed may compromise the economic and financial balance of the concessions/partnerships, and consequently the fulfilment of contractual responsibilities. For such reason, we consider this a relevant matter for auditing.	• Reading of all debt settlement agreements signed with the Municipalities and analysis of their compliance; • Analysis of the calculation of the interest in arrears in keeping with either the debt settlement agreements or the law and based on the age of the balances; We also analysed the disclosures presented in the consolidated financial statements, including the correct presentation of the balances as current or non-current assets.
Retail activities - estimates associated with water sales *Disclosures related to water sales and provision of sanitation services presented in notes 2.14.1, 2.14.2, 18 and 35.* 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 reallocated essentially through Aquamatrix using an algorithm produced according to the criteria defined by the Group, which is 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.	Our approach included the implementation of the following procedures: • the identification and testing of the design and operational efficiency of the key controls related to the recognition of the revenue associated with the downstream water sales activity, namely the Aquamatrix system and, in particular, those related to the estimated sales at the end of each period. • the algorithm with the estimated volume calculations was obtained and verified, on a sample basis for each type of customer and tariff, to ensure the criteria defined by the Group were being met and that the adjustments made were reasonable. • the water balance was also obtained to assess the reasonableness of the historical differences between the entry of water into the network and that invoiced and estimated. • carrying out of analytical review procedures for all sub-accounts under the Sales and Services Rendered headings, including the

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.	analysis of significant variations in relation to the previous year and in relation to expectations and contracted/budgeted activities. • the recalculation of the estimates of water consumed and not invoiced as at December 31 2020 based on the billing history recorded in previous years. 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.

13 April 2021

PricewaterhouseCoopers & Associados

- Sociedade de Revisores Oficiais de Contas, Lda.

represented by:

(one illegible signature)

João Rui Fernandes Ramos, Statutory Auditor

RELATÓRIO DO AUDITOR EXTERNO

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 2020 (que evidencia um total de 6.138.623.229 euros e um total de capital próprio de 1.707.155.756 euros, incluindo um resultado líquido de 78.552.489 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 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 2020 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.

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PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

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 *Divulgações relacionadas com a mensuração dos direitos de utilização de infraestruturas e do investimento contratual associado às concessões/parcerias apresentadas nas notas 2.5.2, 2.5.4, 2.5.5, 2.16, 4.2, 7, 30, 31, 39 e 48* O direito de utilização de infraestruturas, que em 31 de dezembro de 2020 ascende a 3.744.533 milhares de euros (31 de dezembro de 2019: 3.800.239 milhares de euros), assim como os subsídios correspondentes, no montante de 1.484.046 milhares de euros (31 de dezembro de 2019: 1.523.133 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) anexos a cada contrato de concessão/parceria. Adicionalmente, em cumprimento do estipulado nos contratos de concessão, nos contratos de gestão das parcerias e demais regras regulatórias, 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 30, ascende a 526.118 milhares de euros em 31 de dezembro de 2020 (31 de dezembro de 2019: 493.674 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, quer 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 Comissão 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; e • inquirir o Conselho de Administração sobre os motivos para diversos aditamentos a contratos de concessão não se encontrarem ainda assinados. Procedemos, igualmente, à revisão das divulgações relacionadas com estes investimentos, tendo por base o disposto no normativo contabilístico aplicável.

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.	
Reconhecimento e mensuração dos Desvios de Recuperação de Gastos *Divulgações relacionadas com o reconhecimento e mensuração dos Desvios de Recuperação de Gastos apresentadas nas notas 2.5.6, 4.7, 14 e 35* Os Desvios de Recuperação de Gastos (DRG) correspondem à correção (positiva no caso de défice, 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 "Défice / Superavit Tarifário de recuperação de custos" apresenta a 31 de dezembro de 2020 um superavit de 55.352 milhares de euros (31 de dezembro de 2019: superavit de 38.119 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.	tendo por base o disposto no normativo contabilístico aplicável.
Recuperabilidade dos saldos a receber de Municípios e entidades municipais *Divulgações relacionadas com a recuperabilidade dos saldos a receber dos Municípios e entidades municipais apresentadas nas notas 2.10.1, 4.3, 15 e 18* Em 31 de dezembro de 2020 o Grupo apresenta registado no Ativo, corrente e não corrente, saldos a receber de Municípios e entidades municipais que ascendem a 265.466 milhares de euros (31 de dezembro de 2019: 251.439 milhares de euros). Tal como evidenciado nas notas 15 e 18, os referidos saldos apresentam uma elevada antiguidade, o que indicia 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 expetativas 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 creditório (o qual incide sobre as dívidas correntes), a realização de acordos de regularização de dívida e a interposição de injunções/ações 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 *Divulgações relacionadas com as vendas de água e prestação de serviços de saneamento apresentadas nas notas 2.14.1, 2.14.2, 18 e 35.* 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 expetativas e à atividade contratada/orçamentada; • reexecução do cálculo da estimativa de água consumida e não faturada em 31 de dezembro de 2020 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:

a) 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;

b) elaboração do relatório consolidado de gestão nos termos legais e regulamentares aplicáveis;

c) criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras consolidadas isentas de distorções materiais devido a fraude ou a erro;

d) 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 concluirmos 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 consolidado de gestão com as demonstrações financeiras consolidadas.

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 a Grupo, não identificámos incorreções materiais

13 de abril de 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:

João Rui Fernandes Ramos, R.O.C.

SEPARATE FINANCIAL STATEMENTS

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STATEMENT OF THE FINANCIAL POSITION

	NOTES	2020	2019
Asset			
Non-current asset			
Intangible assets	6	**53 170**	-
Tangible fixed assets	7	**15 334**	16 774
Right-of-use assets	8	**633 887**	327 625
Other financial assets		**24 744**	14 563
Investments in subsidiaries and holdings	9	**712 654 702**	711 595 934
Loans to Group companies	10	**640 350 982**	691 469 164
Deferred tax assets	30	**-**	74 866
Total of non-current assets		**1 353 732 819**	**1 403 498 926**
Current asset			
Clients	11	**5 893 041**	4 172 013
Loans to Group companies	10	**68 208 182**	73 693 182
Other current assets	12	**953 488**	471 266
Cash and cash equivalents	13	**11 522 666**	16 477 809
Total of current assets		**86 577 377**	**94 814 270**
Total assets		**1 440 310 196**	**1 498 313 196**
Equity			
Share capital	14	**434 500 000**	434 500 000
Adjustments to capital holdings in subsidiaries and holdings		**25 571 780**	25 571 780
Fair value reserve	16	**-**	(350 431)
Legal reserve		**39 179 944**	35 922 364
Retained earnings		**297 462 431**	263 068 404
Net annual result	14	**60 565 736**	65 151 607
Total equity		**857 279 891**	**823 863 724**
Liability			
Non-current liabilities			
Provisions	15	**5 000 000**	5 000 000
Loans	16	**544 318 182**	551 136 363
Lease liabilities	8	**231 264**	197 721
Deferred tax liabilities	30	**-**	73 716
Derivative financial instruments	16	**-**	2 788 817
Total of non-current liabilities		**549 549 446**	**559 196 617**
Current liabilities			
Loans	16	**6 818 182**	6 818 182
Lease liabilities	8	**294 983**	135 016
Group company loans	17	**22 000 000**	104 000 000
Suppliers	18	**125 450**	350 513
Other current liabilities	19	**2 563 361**	2 667 594
Income tax for the year	30	**1 295 737**	742 273
State and other public entities	20	**383 146**	539 277
Total current liabilities		**33 480 859**	**115 252 855**
Total liabilities		**583 030 305**	**674 449 472**
Total liabilities and equity		**1 440 310 196**	**1 498 313 196**

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

STATEMENT OF ANNUAL RESULTS

	NOTES	2020	2019
Income from client contracts	21	**13 852 682**	11 317 017
Supplies and external services	22	**(2 817 660)**	(3 612 184)
Personnel costs	23	**(5 897 672)**	(4 750 935)
Financial year amortisations, depreciations and reversals	24	**(177 308)**	(150 480)
Provisions and reversions for the year		**-**	308 003
Losses due to impairments and reversions for the year		**-**	(31 361)
Other operational expenses and losses	25	**(65 263)**	(99 039)
Other operating income and gains	26	**672 439**	99 609
Operating income		**5 567 218**	**3 080 630**
Financial costs	27	**(4 525 499)**	(5 336 198)
Financial income	28	**19 933 371**	20 359 051
Financial investment gains / losses	29	**44 997 620**	51 818 740
Financial results		**60 405 492**	**66 841 593**
Profit before tax		**65 972 710**	**69 922 223**
Tax for the year	30	**(5 405 824)**	(4 771 766)
Deferred tax	30	**(1 150)**	1 150
Net profit from continued operations		**60 565 736**	**65 151 607**
Net annual result		**60 565 736**	**65 151 607**
Net result per share (basic and diluted)	14	**0.70**	**0.75**

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2020	2019
Net annual result		**60 565 736**	**65 151 607**
Fair value of the instruments for cashflow coverage	16	**350 431**	526 599
Comprehensive income		**60 916 167**	**65 678 206**
Comprehensive income per share		**0.70**	**0.76**

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

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	ADJUSTMENTS IN EQUITY	OTHER RESERVES - CASH FLOW COV. INSTR.	LEGAL RESERVE	RETAINED EARNINGS	NET ANNUAL RESULT	TOTAL
Balance on 31 December 2018	**434 500 000**	**25 571 780**	**(877 030)**	**32 945 574**	**233 509 402**	**59 535 792**	**785 185 518**
Appropriation of results for 2018	-	-	-	2 976 790	56 559 002	(59 535 792)	**-**
Dividend paid	-	-	-	-	(27 000 000)	-	**(27 000 000)**
MTM of coverage adjustments	-	-	526 599	-	-	-	**526 599**
Net annual result for 2019	-	-	-	-	-	65 151 607	**65 151 607**
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)**
MTM of coverage adjustments	-	-	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**

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STATEMENT OF CASH FLOW

	NOTES	2020	2019
Operating activities			
Trade receivables		**35 094 786**	32 845 931
Trade payables		**(3 929 322)**	(3 711 555)
Payments to staff		**(5 866 342)**	(5 012 492)
Operational generated earnings		**25 299 122**	**24 121 884**
Payment of income tax		**(4 696 326)**	(3 920 914)
Other payments related to operational activity		**(2 553 841)**	(2 401 951)
Other operating flows		**(7 250 167)**	**(6 322 865)**
Total operating activities (1)		**18 048 955**	**17 799 019**
Investment activities			
Receivables from:			
Treasury funding	10	**127 889 316**	71 295 000
Advances	10	**55 739 017**	30 949 183
Dividends	29	**44 992 620**	52 148 740
Sub-total		**228 620 952**	**154 392 923**
Payments for:			
Investments in subsidiaries	9	**(1 203 768)**	(3 578 773)
Treasury funding	10	**(115 586 133)**	(60 255 000)
Advances	10	**(11 289 017)**	(36 150 000)
Sub-total		**(128 078 918)**	**(99 983 773)**
Total of investment activities (2)		**100 542 034**	**54 409 150**
Financing activities			
Receivables from:			
Loans obtained	16	**92 500 000**	167 000 000
Sub-total		**92 500 000**	**167 000 000**
Payments for:			
Loans obtained	16 e 17	**(181 318 182)**	(195 418 182)
Capital lease liabilities		**(267 191)**	(140 687)
Interest and similar costs		**(6 960 759)**	(5 337 557)
Dividends		**(27 500 000)**	(27 000 000)
Sub-total		**(216 046 132)**	**(227 896 426)**
Total of financing activities (3)		**(123 546 132)**	**(60 896 426)**
Changes in cash and cash equivalents (1 + 2 + 3)		**(4 955 143)**	**11 311 743**
Cash and cash equivalents at the beginning of the period	13	**16 477 809**	5 166 066
Cash and cash equivalents at the end of the period	13	**11 522 666**	16 477 809
Changes in cash and cash equivalents		**(4 955 143)**	**11 311 743**

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NOTES TO THE FINANCIAL STATEMENTS

1.ECONOMIC ACTIVITIES OF ADP SGPS

1.1. INTRODUCTION

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 sanitation services.

1.2. ACTIVITY

AdP, SGPS, S.A. was incorporated 27 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 was expanded, beginning a process of diversification at the levels of both water distribution systems and effluent collection directly to the populations served. In the 2000 financial year, AdP SGPS, SA took over the entire capital of the Empresa Geral de Fomento, SA (EGF) with the mission of developing multi-municipal systems for the collection and treatment of municipal solid waste. This shareholding was sold off in 2015 (95%) and in 2017 (5%).

The performance of the AdP Group is based on the targets of the Strategic Plan for Water Supply and Sanitation of Waste Water (PEAASAR) 2020 published by order No. 4385/2015 of April 30. The prevailing business model is based on three management models: **(i)** delegated or concessionary management for state-owned systems (EPAL and Águas de Santo André respectively); **(ii)** concessions 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 the management of systems established in partnerships between the State and municipalities (Águas do Noroeste (integrada nas Águas do Norte), AdRA - Águas da Região de Aveiro, AgdA - Águas Públicas do Alentejo and AdAM - Águas do Alto Minho). The concession contracts and the Partnership agreements define the rules for the operation and management of their systems, on an exclusive basis for a term of twenty to fifty years, and establish the criteria for fixing and approving the tariffs to be practiced by the companies in each year in order to ensure an appropriate financial balance for the concessions through observing the following criteria:

a) to ensure, within the contractual period, the amortisation of the effective amount of the initial investment by the management entity, less grants and non-repayable grants;
b) to ensure the proper functioning, maintenance and safety of all assets belonging to the system under management in conjunction with the intended replacement of these assets;
c) to meet the level of costs required for efficient system management and the existence of non-tariff revenues;
d) to ensure the payment of the operating expenses of the regulatory entity ERSAR (Water and Waste Services Regulatory Regulator) and ensure adequate remuneration of the management entity's equity, based on the date of settlement.

On 1 August 2020, the restructuring of AdP and its subsidiary AdP Valor (previously named AdP Serviços) took place in which the activities interrelated with information systems, legal, procurement and general support hitherto developed by the subsidiary were transferred to AdP, having implied an increase both in customer contract revenues and in costs incurred with external supplies and services and personnel.

1.3 SHAREHOLDERS

The following are shareholders in AdP SGPS:

	% 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**	

1.4 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on April 9, 2021. 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. ACCOUNTING POLICIES

These individual 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 2020.

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.

2.1 BASES OF PRESENTATION

2.1.1 INTRODUCTION

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, except for derivative financial instruments which are recorded at their fair value (market value). 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.

2.1.2 NEW NORMS AND POLICY CHANGES

2.1.2.1 Voluntary changes in accountancy policies

No voluntary changes to accounting policies were made during the annual period that on ended December 31, 2020, with respect to those considered in the preparation of the financial information relating to the year that ended on December 31, 2019 presented in the comparisons.

2.1.2.2 New norms, interpretations and alterations coming into effect from 1 January 2020

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.

IFRS 3 (amendment) - 'Business definition'

This amendment is a revision to the definition of business for the purpose of accounting for business combinations. The new definition requires an acquisition to include a substantial input and process that jointly generate outputs. Outputs are now defined as goods and services that are provided to customers, that generate financial and other investment income, excluding returns in the form of cost savings and other economic benefits to shareholders. Concentration tests are now allowed to determine whether a transaction concerns the acquisition of an asset or a business.

IFRS 9, IAS 39 and IFRS 7 (amendment) - 'Reform of benchmark interest rates'

These amendments are part of the first phase of the IASB's 'IBOR reform' project and allow exemptions related to the reform of the benchmark for reference interest rates. The exemptions refer to hedge accounting, in terms of: **i)** risk components; **ii)** 'highly probable' requirement; **iii)** prospective assessment; **iv)** retrospective effectiveness test (for IAS 39 adopters); and **v)** recycling of the cash flow hedge reserve, and aim that the reform of the benchmark interest rates does not determine the cessation of hedge accounting. However, any hedge ineffectiveness determined must continue to be recognised in the income statement.

IAS 1 and IAS 8 (amendment) - 'Definition of material'

This amendment introduces a change to the concept of "material" and clarifies that the mention of unclear information refers to situations whose effect is similar to the omission or distortion of such information, and the entity must assess materiality considering the financial statements as a whole. Clarifications are also made to the meaning of "key users of the financial statements", being defined as 'current and future investors, lenders and creditors' who rely on the financial statements to obtain a significant part of the information they need.

Conceptual framework - 'Changes in the reference to other IFRSs

As a result of the publication of the new Framework, the IASB made changes to the texts of various standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order

to clarify the application of the new definitions of asset / liability and expense / income, in addition to some of the characteristics of financial information. These amendments are for retrospective application, except when impracticable.

The application of these new standards had no material impact on the Group's financial statements.

2.1.2.3 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 2021 and which the Company has not early adopted are the following:

• Already endorsed by the EU

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

• 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 of "settlement" of a liability	1 January 2023
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
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
Improvements 2018 – 2020	Specific and one-off changes to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 e 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 one in traded financial instruments	1 January 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

IFRS 14 Deferral accounts related to regulated activities

This norm 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 results balance sheet. This should detail the nature and the risks associated with the regulated tariff of the entity and the effects that 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 to await the final norm.

The application of these changes to the norms, new norms and their interpretations is not expected to return any relevant impacts for AdP Group financial reporting after 1 January 2021.

2.2 INTANGIBLE FIXED ASSETS

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.

2.3 TANGIBLE FIXED ASSETS

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.

The estimated useful life span for 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.

Whenever there is evidence of a loss in value of tangible fixed assets, imparity tests are carried out in order to estimate the recoverable value of the asset and, whenever necessary, to register a loss due to imparity. 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.

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.

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.

2.4 FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

2.4.1 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 for the respective year.

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.

2.4.2 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.

2.4.3 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 imparities. 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 imparities 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 SGPS are:

BUSINESS UNIT / COMPANY	HEADQUARTERS	% OF SUBSCRIBED CAPITAL (*)	% OF PAID-UP CAPITAL (*)	% OF EFFECTIVE CAPITAL (**)		SHARE CAPITAL	EQUITY	NET ANNUAL RESULT
WATER SUPPLY AND WASTEWATER SANITATION								
Águas do Algarve, S.A.	Faro	54.44%	54.44%	54.44%	EUR	29 825 000	30 190 825	739 364
Águas do Centro Litoral, S.A.	Coimbra	60.33%	60.71%	62.77%	EUR	39 974 968	100 744 804	1 621 441
Águas do Douro e Paiva, S.A.	Oporto	51.00%	51.00%	51.00%	EUR	20 902 500	30 542 554	776 726
Águas do Norte, S.A.	Vila Real	68.73%	70.74%	72.50%	EUR	108 095 468	269 248 435	4 448 537
Águas de Santo André, S.A.	Vila Nova de Santo André	100.00%	100.00%	100.00%	EUR	1 000 000	24 510 191	3 893 555
AgdA - Águas Públicas Alentejo, S.A.	Beja	51.00%	51.00%	51.00%	EUR	9 053 000	10 152 448	560 636
Águas do Tejo Atlântico, S.A.	Lisbon	50.68%	51.83%	51.61%	EUR	113 527 680	115 574 654	3 735 125
Águas do Vale do Tejo S.A.	Guarda	68.74%	68.74%	68.27%	EUR	83 759 578	208 006 395	3 273 714
SIMARSUL - Saneamento da Península de Setúbal, S.A.	Quinta do Conde	51.00%	51.00%	51.43%	EUR	25 000 000	66 902 631	1 035 050
SIMDOURO - Saneamento do Grande Porto, S.A.	Vila Nova de Gaia	58.52%	58.52%	58.61%	EUR	20 046 075	31 984 939	739 788
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	51.00%	51.00%	51.00%	EUR	17 500 000	18 733 218	619 483
EPAL, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	150 000 000	640 098 264	46 972 206
AdAM - Águas do Alto Minho, S.A.	Viana do Castelo	51.00%	51.00%	51.00%	EUR	1 800 000	1 878 595	60 608
INTERNATIONAL								
AdP - Águas de Portugal Internacional - Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	175 000	210 943	29 567
AdP Timor-Leste, Unipessoal, Lda.	East Timor	0.00%	0.00%	100.00%	USD	5 000	(504 472)	85 319
Aquatec, Lda.	Maputo - Mozambique	0.00%	0.00%	100.00%	MZN	2 476 580	(66 204 648)	(18 017 127)
Águas do Brasil, S.A.	Rio de Janeiro - Brazil	100.00%	100.00%	100.00%	BRL	2 050 100	(1 331 794)	-
CORPORATIVE								
AdP Valor - Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	50 000	15 542 716	1 353 721
AdP Energias - Energias Renováveis e Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	1 250 000	1 040 490	(93 402)
ASSOCIATED COMPANIES								
Trevo Oeste, S.A.	Alcobaça	43.20%	43.20%	43.20%	EUR	1 336 085	n.d.	n.d.

(*) % of capital held directly.

(**) % of capital held directly and indirectly.

2.5 LEASES

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.

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 term
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:

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 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.

A) 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 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 according to the prevailing interest rate:

i) 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);
ii) 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, the AdP Group measures their lease liabilities by:

i) 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);
ii) Reductions to reflect the lease payments made;
iii) Remeasurements to reflect changes in the lease (e.g., term, rents):
  a) This implies adjusting the accounting value of the right-of-use to the lease assets;
  b) 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

AdP deploys the following practical arrangements under IFRS 16:

i) In contracts with lease and service components, the service component is treated as a lease under IFRS 16;
ii) Leases with contractual terms of under 12 months are excluded from the scope of IFRS 16;
iii) 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".

2.6 FINANCIAL INSTRUMENTS

2.6.1 FINANCIAL ASSETS

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:

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 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
Concerning the evaluation of the business model, it 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 SGPS 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.

2.6.2 FINANCIAL LIABILITIES

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 (bank and bonds) 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.

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.

Suppliers

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.

2.6.3 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. Financial liabilities cannot be reclassified between portfolios.

2.6.4 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 active 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.

2.7 CASH AND CASH EQUIVALENTS

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 Loans obtained, which are also considered in preparing the cash-flow statement.

2.8 CAPITAL

Ordinary shares are classified in Equity. Costs incurred directly to the issuance of new shares or options are presented in Equity as a deduction, net of taxes, to the amount issued.

2.9 DIVIDENDS PAYABLE

Dividends are recognised in the liabilities item following their declaration.

2.10 GOVERNMENT GRANTS

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.

Operating grants are deferred and recognised in the income statement for the same period as the expenses they offset, recognised as a deduction against costs in the item recognising such costs.

2.11 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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 assets and liabilities

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.

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.

2.12 TAX ON EARNINGS

The Company is subject to taxation as an individual entity in accordance with IRC – Taxation on Corporate Earnings 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 where 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 in 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 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.

2.13 REVENUE FROM CONTRACTS WITH CUSTOMERS

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 customer service.

2.14 EXPENSES AND LOSSES

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 (financial year specialisation).

2.15 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. FINANCIAL RISK MANAGEMENT POLICIES

3.1 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.

3.2 MARKET RISK

3.2.1 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 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.

	31.12.2020	AVERAGE RATE OF IMPACT +1%	AVERAGE RATE OF IMPACT -1%
Variable rate interest (costs)	**(1 080 130)**	(4 167 006)	**-**
Variable rate interest (earnings)	**12 966 118**	2 239 562	-
Net impact	**11 885 988**	**(1 927 445)**	**-**

3.2.2 EXCHANGE RATE RISK

A exposição ao risco de câmbio na AdP é residual. Este risco consubstancia-se em futuras transações comerciais, ativos e passivos Exposure to currency risk in AdP 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. 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 minimize the commercial risks, assets and liabilities recognised, whenever so justified.

3.3 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.

2020	< 1 YEAR	1 TO 5 YEARS	> 5 YEARS
ASSET			
Loans to group companies	80 178 113	635 231 108	17 485 264
Cash and cash equivalents	11 522 666	-	-
	91 700 779	**635 231 108**	**17 485 264**
LIABILITY			
Shareholder loans	7 376 665	379 244 461	167 433 523
Group company loans	22 003 423	-	-
	29 380 088	**379 244 461**	**167 433 523**
Net liquidity	**62 320 691**	**255 986 647**	**(149 948 259)**

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 July 31 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 January 14. As at 31 December 2020, 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

LIQUIDITY RISK (EUR MILLIONS)	AMOUNT OF CEILING AVAILABLE	AMOUNT USED	AMOUNT UNUSED
Bank overdrafts (Attributable only to AdP)	72.5	-	72.5
Group company loans	180.0	22.0	158.0
Short term group company loans	(102.9)	(56.4)	(46.5)
Net available credit lines attributable to AdP	**149.7**	**(34.4)**	**184.0**
Bank overdrafts (AdP Group)	**140.0**	**0.2**	**139.8**

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.

	2020	2019
Non-current loans (bond loans)	**544 318 182**	551 136 363
Current loans (bond and group loans)	**28 818 182**	110 818 182
Availabilities	**(11 522 666)**	(16 477 809)
Net debt	**561 613 698**	**645 476 736**
Total equity	**857 279 891**	823 863 724
Capital	**1 418 893 589**	**1 469 340 460**
Net debt / total capital	**0.40**	**0.44**

The financing model of AdP is fundamentally based on two broad categories that allow for the balancing of the capital structure, bond financing and equity.

3.4 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.

3.4.1 OPERATING COUNTERPARTY

The credit risk related to operations is essentially related to the credits of services provided to the subsidiaries and to advances/ treasury funding granted to the subsidiaries.

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 in 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 the calculation of the Cost Recovery Deviation, which in turn has a recovery period defined by Decree Law.

3.4.2 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 December 31, 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	2020
Current accounts (Note 13)	7 521 666
Term deposits (Note 13)	4 000 000
	11 521 666

RATING	2020
A2	2 839
A3	5 355
Ba1	4 252
Baa1	27 934
Baa3	11 481 286
	11 521 666

Note: Moody's ratings obtained from financial institution websites in February 2020.

4. 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 as follows:

4.1 IMPAIRMENT OF SHAREHOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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 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 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 equity value of these subsidiaries and associates, for the subsidiaries and associates that consecutively generate negative net income.

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.

4.2 PROVISIONS

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 (Notes 15 and 32).

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.

4.3 IMPAIRMENTS IN RECEIVABLES

Losses dues 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.

5. FINANCIAL INSTRUMENTS BY IFRS 9 CATEGORY

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (31.12.2020)	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE IN COMPREHENSIVE INCOME	FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL FINANCIAL INSTRUMENTS
Other financial assets				
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
Shareholder loans	-	-	551 136 364	551 136 364
Group company loans	-	-	22 000 000	22 000 000
Suppliers			125 450	125 450
Total liabilities	-	-	573 261 814	573 261 814

6. INTANGIBLE ASSETS

As at 31 December 2020, this item corresponds to Intangible assets in progress related to expenses incurred in 2020 with the implementation of software, and there were no further movements in this item.

7. TANGIBLE FIXED ASSETS

	2020	2019
Administrative equipment	15 334	16 774
Other tangible assets	-	-
	15 334	16 774

7.1 MOVEMENTS IN THE PERIOD

GROSS ASSETS	2019	ADDITIONS	2020
Administrative equipment	132 233	3 601	135 834
Other tangible assets	1 058	-	1 058
	133 291	3 601	136 892

AMORTISATIONS	2019	ADDITIONS (NOTE 24)	2020
Administrative equipment	(115 459)	(5 041)	(120 500)
Other tangible assets	(1 058)	-	(1 058)
	(116 517)	(5 041)	(121 558)
	16 774	(1 440)	15 334

8. LEASES

8.1 RIGHT-OF-USE ASSETS

	31.12.2019						31.12.2020		
RIGHT-OF-USE ASSETS	GROSS VALUE	ACCUMULATED AMORTISATIONS	NET VALUE	INCREASES	AMORTISATION FOR THE YEAR (NOTE 24)	SETTLEMENTS AMORTISATIONS	GROSS VALUE	ACCUMULATED AMORTISATIONS	NET VALUE
Software licences	-	-	-	374 788	(10 411)	-	**374 788**	**(10 411)**	**364 377**
Transport equipment	473 424	(145 799)	327 625	115 470	(161 856)	(11 730)	**588 894**	**(319 385)**	**269 509**
	473 424	**(145 799)**	**327 625**	**490 258**	**(172 267)**	**(11 730)**	963 682	(329 796)	**633 886**

8.2 LEASE LIABILITIES

	2020	2019
Non-current	**231 264**	197 721
Current	**294 983**	135 016
	526 247	**332 737**

CAPITAL OUTSTANDING BY TYPE OF RIGHT-OF-USE ASSET	2020	2019
Software licences	**248 940**	-
Transport equipment	**277 307**	332 737
	526 247	**332 737**

FUTURE MINIMUM PAYMENTS	2020	2019
Up to 1 year	**303 671**	143 812
From 1 to 5 years	**234 158**	202 822
Over 5 years	**-**	-
	537 829	**346 634**

INTEREST	2020	2019
Up to 1 year	**8 688**	8 796
From 1 to 5 years	**2 894**	5 101
Over 5 years	**-**	-
	11 582	**13 897**

CURRENT VALUE OF MINIMUM PAYMENTS	2020	2019
Up to 1 year	**294 983**	135 016
From 1 to 5 years	**231 264**	197 721
Over 5 years	**-**	-
	526 247	**332 737**

8.3 LEASING PAYMENTS

TOTAL OF LEASING PAYMENTS	2020	2019
Accounted for according to the single model stipulated in IFRS 16	**278 272**	154 079
Accounted for as expenditure in the results	**19 275**	667
	297 547	**154 746**

9. INVESTMENTS IN SUBSIDIARIES AND HOLDINGS

		2020	2019
Financial investments in subsidiaries		**732 808 677**	731 604 909
Financial investment in associates		**-**	-
Other financial assets		**-**	-
		732 808 677	**731 604 909**
Losses due to accumulated impairments	(Note 15) (a)	**(20 153 975)**	(20 008 975)
		712 654 702	**711 595 934**

(a) On 31 December 2020 and 2019, the losses due to accumulated impairments break down as follows: EUR 15 461 695 to AdP Internacional (EUR 15 431 695 in 2019) and EUR 4 692 280 to AdP Energias (EUR 4 577 280 in 2019).

9.1 MOVEMENTS IN THE PERIOD

	2020	2019
Opening balance	**731 604 909**	**728 026 136**
Increase in capital	**985 065**	3 027 973
Establishing new subsidiaries	**-**	550 800
Coverage of losses by cash inflow	**218 703**	-
Closing balance	**732 808 677**	**731 604 909**

In the financial year ending on 31 December 2020, AdP accompanied the raising of capital undertaken by the following holding group companies: **i)** AgdA - Águas Públicas do Alentejo (EUR 617 865), and **ii)** Águas do Alto Minho (EUR 367 200). In addition, it covered the losses of AdP Internacional (EUR 218 703).

9.2 INDIVIDUAL VALUE OF SHAREHOLDINGS

	2020	2019
EPAL	**365 813 820**	365 813 820
Águas do Vale do Tejo	**79 347 548**	79 347 548
Águas do Tejo Atlântico	**34 623 897**	34 623 897
SIMARSUL	**18 866 926**	18 866 926
Águas do Norte	**111 404 246**	111 404 246
Águas do Douro e Paiva	**10 877 643**	10 877 643
SIMDOURO	**10 854 212**	10 854 212
Águas do Centro Litoral	**36 454 976**	36 454 976
Águas do Algarve	**25 834 640**	25 834 640
AdP Internacional	**15 651 636**	15 432 933
AdRA - Águas da Região de Aveiro	**8 925 000**	8 925 000
AdP Energias	**5 733 226**	5 733 226
Águas de Santo André	**2 298 412**	2 298 412
AgdA - Águas Públicas do Alentejo	**4 617 030**	3 999 165
AdP Valor	**587 465**	587 465
AdAM - Águas do Alto Minho	**918 000**	550 800
Subsidiaries	**732 808 677**	**731 604 909**
Trevo Oeste	**572 991**	572 991
Impairment	**(572 991)**	(572 991)
Associated companies	**-**	**-**
Total	**732 808 677**	**731 604 909**

10. LOANS TO GROUP COMPANIES

On 31 December 2020 and 2019, the "Loans to Group companies" items were as follows:

	2020			2019		
	ADVANCES	TREASURY FUNDING	TOTAL	ADVANCES	TREASURY FUNDING	TOTAL
Águas do Norte	**298 136 363**	**6 526 364**	**304 662 727**	306 272 727	26 336 364	332 609 091
Águas do Vale do Tejo	**90 909 091**	**30 909 091**	**121 818 182**	100 818 182	21 909 091	122 727 273
Águas do Centro Litoral	**72 909 091**	**6 909 091**	**79 818 182**	71 818 182	7 784 091	79 602 273
AgdA - Águas Públicas do Alentejo	**28 181 546**	**5 454 545**	**33 636 091**	48 636 091	6 454 545	55 090 636
AdRA - Águas da Região de Aveiro	**57 409 091**	**5 409 091**	**62 818 182**	57 768 182	4 209 091	61 977 273
Águas do Douro e Paiva	**23 000 000**	**-**	**23 000 000**	29 500 000	-	29 500 000
Águas do Algarve	**20 000 000**	**8 500 000**	**28 500 000**	25 000 000	5 000 000	30 000 000
SIMDOURO	**48 000 000**		**48 000 000**	50 000 000	2 000 000	52 000 000
AdAM - Águas do Alto Minho	**-**	**2 000 000**	**2 000 000**	-	-	-
AdP Internacional	**1 700 000**	**2 500 000**	**4 200 000**	1 700 000		1 700 000
Águas do Brasil	**105 800**	**-**	**105 800**	105 800	-	105 800
Trevo Oeste	**70 315**	**-**	**70 315**	70 315	-	70 315
	640 421 297	**68 208 182**	**708 629 479**	**691 689 479**	**73 693 182**	**765 382 661**
Losses due to accumulated impairments (Note 15)	**(70 315)**	**-**	**(70 315)**	(220 315)	-	(220 315)
	640 350 982	**68 208 182**	**708 559 164**	**691 469 164**	**73 693 182**	**765 162 346**

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 and with advances of capital reimbursable on a 12-month basis.

10.1 MOVEMENTS IN THE PERIOD

	31.12.2019	SUPPLEMENTS	REIMBURSEMENTS	TRANSFERS	31.12.2020
ADVANCES					
Águas do Norte	306 272 727	-	(4 500 000)	(3 636 364)	**298 136 363**
Águas do Vale do Tejo	100 818 182	3 739 017	(12 739 017)	(909 091)	**90 909 091**
Águas do Centro Litoral	71 818 182	7 000 000	(5 000 000)	(909 091)	**72 909 091**
AgdA - Águas Públicas do Alentejo	48 636 091	-	(20 000 000)	(454 545)	**28 181 546**
AdRA - Águas da Região de Aveiro	57 768 182	550 000	-	(909 091)	**57 409 091**
Águas do Douro e Paiva	29 500 000	-	(6 500 000)	-	**23 000 000**
Águas do Algarve	25 000 000	-	(5 000 000)	-	**20 000 000**
SIMDOURO	50 000 000	-	(2 000 000)	-	**48 000 000**
AdP Internacional	1 700 000	-	-	-	**1 700 000**
Águas do Brasil	105 800	-	-	-	**105 800**
Trevo Oeste	70 315	-	-	-	**70 315**
	691 689 479	**11 289 017**	**(55 739 017)**	**(6 818 182)**	640 421 297
TREASURY FUNDING					
Águas do Norte	26 336 364	30 950 000	(54 396 364)	3 636 364	**6 526 364**
Águas do Vale do Tejo	21 909 091	48 000 000	(39 909 091)	909 091	**30 909 091**
Águas do Centro Litoral	7 784 091	8 000 000	(9 784 091)	909 091	**6 909 091**
AgdA - Águas Públicas do Alentejo	6 454 545	2 516 133	(3 970 678)	454 545	**5 454 545**
AdRA - Águas da Região de Aveiro	4 209 091	6 400 000	(6 109 091)	909 091	**5 409 091**
Águas do Douro e Paiva	-	2 500 000	(2 500 000)	-	**-**
Águas do Algarve	5 000 000	11 700 000	(8 200 000)	-	**8 500 000**
SIMDOURO	2 000 000	-	(2 000 000)	-	**-**
AdAM - Águas do Alto Minho	-	2 500 000	(500 000)	-	**2 000 000**
AdP Internacional	-	2 720 000	(220 000)	-	**2 500 000**
AdP Valor	-	300 000	(300 000)	-	**-**
	73 693 182	**115 586 133**	**(127 889 316)**	**6 818 182**	68 208 182
	765 382 661	**126 875 150**	**(183 628 332)**	**-**	708 629 479

11. CLIENTS

	2020	2019
Águas do Norte	**571 645**	746 105
Águas do Vale do Tejo	**-**	533
Águas do Tejo Atlântico	**428 255**	251 439
SIMARSUL	**(3 005)**	(11 318)
Águas do Douro e Paiva	**241 610**	155 781
AgdA - Águas Públicas do Alentejo	**37 038**	251 480
AdRA - Águas da Região de Aveiro	**191 241**	70 074
AdP Internacional	**324**	-
Águas do Algarve	**472 746**	80 417
Águas do Centro Litoral	**377 270**	292 062
Águas de Santo André	**36 127**	139 555
SIMDOURO	**133 632**	114 591
AdAM - Águas do Alto Minho	**42 643**	2 365
Other customer balances	**33 542**	31 691
Trevo Oeste	**10 210**	8 995
Accrued income	**3 351 125**	2 069 604
	5 924 402	**4 203 374**
Impairments (Note 15)	**(31 361)**	(31 361)
	5 893 041	4 172 013

The increase in the heading customers is related to the incorporation of a proportion of the activities undertaken by the subsidiary AdP Valor, as described in Note 1.2.

The accrued income relates to revenue not invoiced: **i)** management fees (EUR 648 184); **ii)** interest and commissions (EUR 1 311 897); **iii)** revenue related to the activities transferred from the subsidiary AdP Valor as described in Note 1.2 (EUR 1 275 276); and **iv)** sitting on the Boards of Directors and participating in the Shareholder General Assemblies of subsidiaries (EUR 115 768).

12. OTHER CURRENT ASSETS

		2020	2019
State and other public entities	(a)	**807 286**	807 286
Compensatory interest	(b)	**425 773**	-
Expenses for attributing to holdings	(c)	**250 475**	32 204
Bank charges		**181 838**	231 103
Insurance		**71 983**	115 502
Other balances for other debtors		**25 166**	94 204
		1 762 521	**1 280 299**
Impairments to other receivables (Note 15)	(a)	**(809 033)**	(809 033)
		953 488	**471 266**

(a) 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 period of reimbursement withdrawn by the Taxation Authority with 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.

(b) The item "Compensatory interest" corresponds to the amount of compensatory interest paid in 2019 and related to 2015 and 2016 during a tax process related to the Special Regime for General Corporate Taxation. AdP claimed this interest in an Arbitration Court and the sentence was favourable to AdP (part of this interest was received in January 2021, amounting to EUR 322 650) (Note 26).

(c) The increase in the item "Expenses for attributing to holdings" results from the settlement of the balance with the subsidiary AdP Valor following the transfer of part of the latter's activities to AdP as mentioned in Note 1.2.

13. CASH AND CASH EQUIVALENTS

	2020	2019
Current accounts	**7 521 666**	16 441 115
Term deposits	**4 000 000**	-
Cash	**1 000**	36 694
	11 522 666	**16 477 809**

The term deposits were constituted in IGCP (Treasury and Public Debt Management Agency - IGCP, E.P.E.) in December 2020 and matured on 4 January 2021.

14. EQUITY

SHAREHOLDERS ON 31.12.2020 AND 31.12.2019	% 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**	

The 2019 profit appropriation was approved as per the General Meeting held on 24 April 2020.

14.1 NET RESULT AND FULL EARNINGS PER SHARE

	2020	2019
Net financial year result	**60 565 736**	65 151 607
Number of shares	**86 900 000**	86 900 000
Net financial year result	**0.70**	**0.75**

	2020	2019
Comprehensive income	**60 916 167**	65 678 206
Number of shares	**86 900 000**	86 900 000
Result per share	**0.70**	**0.76**

15. PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

	2020	2019
Other responsibilities	**5 000 000**	5 000 000
	5 000 000	**5 000 000**

The provision for "Other liabilities" refers to a lawsuit filed against the Company.

15.1 MOVEMENTS IN THE PERIOD

The movements occurring in the impairments and provisions for the financial year ending on 31 December 2020 were the following:

		2019	ATTRIBUTIONS	REVERSAL	TRANSFER	2020
Impairments for investments in subsidiaries	(Note 9)	20 008 975	115 000	(120 000)	150 000	**20 153 975**
Impairments for the advances granted	(Note 10)	220 315	-	-	(150 000)	**70 315**
Impairments for clients	(Note 11)	31 361	-	-	-	**31 361**
Impairments for other current assets	(Note 12)	809 033	-	-	-	**809 033**
Provisions		5 000 000	-	-	-	**5 000 000**
		26 069 684	115 000	(120 000)	-	**26 064 684**

The attributions for impairments to investments in subsidiaries and the advances granted (a total of EUR 5 000) were recorded in the item "Earnings / (losses) from financial investments" (Note 29).

16.LOANS

	2020	2019
Shareholder loans	**544 318 182**	551 136 363
Loans non-current	**544 318 182**	**551 136 363**
Shareholder loans	**6 818 182**	6 818 182
Loans current	**6 818 182**	**6 818 182**
Loans - total	**551 136 364**	**557 954 545**

In 2020, AdP repaid loans amounting to EUR 6 818 182, with no other variations related to financial flows and non-financial flows, in particular currency transactions and fair value variations.

16.1 LOANS BY MATURITY

	2020	2019
Up to 1 year	**6 818 182**	6 818 182
From 1 to 2 years	**156 818 182**	6 818 182
From 2 to 3 years	**206 818 182**	156 818 182
From 3 to 4 years	**6 818 182**	206 818 182
From 4 to 5 years	**6 818 182**	6 818 182
Over 5 years	**167 045 454**	173 863 635
	551 136 364	**557 954 545**

16.2 LOANS BY RATE TYPE

VARIABLE INTEREST RATE	2020	2019
Up to 1 years	**6 818 182**	6 818 182
From 1 to 2 years	**156 818 182**	6 818 182
From 2 to 3 years	**206 818 182**	156 818 182
Over 3 years	**180 681 818**	367 499 999
	551 136 364	**537 954 545**

FIXED INTEREST RATE	2020	2019
Up to 1 years	-	-
From 1 to 2 years	-	-
From 2 to 3 years	-	-
Over 3 years	-	20 000 000
	-	**20 000 000**

As 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 on 31 December 2019 for the negative amount of EUR 2 788 817. On 23 January 2020, the counterparty exercised the cancellation option, having been paid the amount of EUR 2 826 000 by AdP SGPS. Consequently, the negative fair value reserve recorded in Equity for the amount of EUR 350 431 was recognised in the income statement (Note 27).

17. GROUP COMPANY LOANS

	2020	2019
EPAL	**22 000 000**	75 000 000
Águas do Tejo Atlântico	-	14 000 000
Águas de Santo André	-	8 000 000
SIMARSUL	-	7 000 000
	22 000 000	**104 000 000**

The loans obtained from group companies are contracted with terms of less than 12 months and are remunerated.

In 2020, AdP repaid loans amounting to EUR 92 500 000 and made recourse to lines of financing for the amount of EUR 174 500 000, and there were no other variations not related to specific financial flows for exchange rate adjustments and fair value variations.

18. SUPPLIERS

	2020	2019
Suppliers – national	**76 890**	95 128
Suppliers – other countries	-	1 783
Suppliers – holding company	-	7 725
Suppliers – Group companies	**48 560**	245 877
	125 450	**350 513**

19. OTHER CURRENT LIABILITIES

		2020	2019
Interest payable		511 784	597 198
Holidays and holiday pay	(a)	770 558	554 269
Division of life insurance results	(b)	136 536	292 149
Accruals to diverse costs:			
. Acquisition of non-invoiced services		353 263	672 727
. Training		241 585	101 858
. Others		31 801	134 554
Operating grants received on account of subsidiaries		241 800	189 591
Group companies – fiscal consolidation		121 045	121 045
Other creditors		154 989	4 203
		2 563 361	2 667 594

(a) The increase in this item is explained by the transfer of human resources allocated to the Purchasing and Logistics, Legal and Information Systems Departments from the subsidiary AdP Valor to AdP on 1 August 2020.

(b) This corresponds to profit sharing from life insurance with this amount received by the Company and to be paid out to Group companies in 2020.

20. STATE AND OTHER PUBLIC ENTITIES

	2020	2019
Valued Added Tax	151 239	375 978
Social Security	124 662	83 467
Withholding tax on earnings (dependent work and other income)	103 108	79 814
Other taxations	4 137	18
	383 146	539 277

21. EARNINGS FROM CLIENT CONTRACTS

	2020	2019
Management fees	12 045 014	11 317 017
Established service levels (NSEs)	1 807 668	-
	13 852 682	11 317 017

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. The increase in the management fee total mainly stems from the subsidiary Águas do Alto Minho, which launched its activities in January 2020 (EUR 485 661 for the management fee), and the general increase in subsidiary activities as there was no 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 in 1 August 2020 (information systems, procurement, logistics and legal).

22. SUPPLIES AND EXTERNAL SERVICES

		2020	2019
Specialised works - Technical assistance (AdP Valor)	(a)	**866 332**	1 486 395
Specialised works - Auditing		**46 219**	51 827
Specialised works - Studies and consultancy		**57 696**	152 433
Specialised works - Financial consultancy		**55 723**	131 989
Specialised works - Juridical consultancy		**64 251**	138 703
Specialised works - IT consultancy		**45 701**	5 006
Specialised works - Leasing of spaces		**992 837**	1 043 448
Specialised works - Others		**243 728**	174 259
Advertising and publicity		**238 530**	191 550
Rentals and leasing (b)		**19 275**	(14 801)
Travel and accommodation		**29 796**	38 039
Other external supplies and services		**157 572**	213 336
	(b)	**2 817 660**	**3 612 184**

(a) Expenditures on technical assistance essentially correspond to expenses with legal, IT and logistical services billed by AdP Valor until 31 July 2020, which until that date carried out the shared services of Águas de Portugal Group. In addition, this also includes costs incurred with the engineering services sourced from AdP Valor over the course of 2020.

(b) The general decrease in the costs incurred with external supplies and services derives from the 2020 change in the methodology for the deduction of Value Added Tax (real allocation), which implied a reduction in costs of approximately EUR 420 000.

23. PERSONNEL COSTS

	2020	2019
Renumeration of the Governing Bodies	**380 513**	404 337
Renumeration of staff	**3 747 691**	3 121 597
Compensation	**370 862**	69 804
Charges on remunerations	**957 074**	812 500
Insurance	**221 991**	180 327
Social welfare costs	**8 969**	9 548
Other costs with staff	**210 572**	152 822
	5 897 672	**4 750 935**

The increase in the cost of staff in 2020 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.

23.1 REMUNERATIONS OF GOVERNING BODIES

	2020	2019
Board of Directors	**309 317**	331 280
Supervisory Board	**31 967**	31 967
Chartered Accountant	**39 229**	41 090
	380 513	**404 337**

The current Board of Directors was appointed on 4 May 2020. Until 30 June 2019, there were five executive directors on the Board of Directors, with four executive directors sitting between 1 July and 30 November 2019, and with three executive directors seated on the Board between 30 November 2019 and 3 May 2020.

23.2 NUMBER OF PEOPLE WORKING FOR THE COMPANY

TYPE	AVERAGE NUMBER		YEAR END	
	2020	2019	2020	2019
Board of Directors	**5**	5	**6**	4
Supervisory Board	**3**	3	**3**	3
Permanent / temporary workers	**73**	59	**93**	60
	81	**67**	**102**	**67**

24. FINANCIAL YEAR AMORTISATIONS, DEPRECIATIONS AND REVERSALS

		2020	2019
Tangible fixed assets	(Note 7)	**5 041**	4 681
Right-of-use assets	(Note 8)	**172 267**	145 799
		177 308	**150 480**

25. OTHER COSTS AND OPERATIONAL LOSSES

	2020	2019
Taxation and other charges	**14 132**	2 936
Other operational costs	**(1 417)**	2
Taxes and penalties	**1 029**	7 588
Donations and membership fees	**51 389**	54 631
Humanitarian aid for Mozambique	**130**	33 882
	65 263	**99 039**

26. OTHER OPERATING INCOME AND GAINS

		2020	2019
Compensatory interest	(Note 12)	**425 773**	-
Performance of social duties by subsidiaries		**210 262**	49 791
Assignment of personnel to subsidiaries		**34 305**	-
Subsidiaries for exploration		**1 802**	48 956
Other operating income and gains		**297**	862
		672 439	**99 609**

27. FINANCIAL COSTS

		2020	2019
Interest paid – Shareholder loans	(a)	**1 080 130**	1 247 419
Interest paid – Interest rate swap (hedging coverage)	(Note 16)	**387 615**	791 368
Interest paid – Group company loans		**418 746**	782 842
Interest paid – Leasing liabilities		**11 081**	13 393
Interest paid – Other interest		**22**	200
Penalty interest charges		**8**	101
Bank commission	(b)	**2 308 551**	2 417 601
Financial commissions	(c)	**234 690**	-
Other costs and financial losses		**84 656**	83 274
		4 525 499	**5 336 198**

(a) The reduction in the costs with interest paid for shareholder loans stems from the reduction in the outstanding capital debt and the negative reference rates prevailing in the market (Euribor).

(b) The bank commissions correspond to the Portuguese guarantee provided by the Portuguese Government for the loans granted by the EIB to the subsidiaries of AdP (0.2% of the outstanding capital).

(c) Commissions relating to the use of the EIB V loan.

28. FINANCIAL INCOME

	2020	2019
Interest on treasury funding and advances to Group companies	**12 966 118**	13 104 802
Commissions	**6 967 253**	7 254 249
	19 933 371	**20 359 051**

The commissions item includes the amount attributable to the Portuguese state for the guarantees on the EIB granted loans.

29. FINANCIAL INVESTMENT GAINS / (LOSSES)

		2020	2019
EPAL		**41 986 763**	39 286 674
Águas do Tejo Atlântico		**2 106 512**	2 912 030
Águas do Douro e Paiva		**354 347**	437 960
Águas de Santo André		**45 000**	5 367 657
AdRA - Águas da Região de Aveiro		**329 355**	424 940
AgdA - Águas Públicas do Alentejo		**170 643**	-
Águas do Algarve		**-**	3 719 479
Dividends	**(a)**	**44 992 620**	**52 148 740**
Financial investment impairment losses	(Note 15)	**5 000**	(330 000)
		44 997 620	**51 818 740**

The amounts presented correspond to the dividends declared and paid to AdP SGPS.

30. INCOME TAX FOR THE YEAR

The taxation on earnings receivable / (payable) contained the following items on 31 December 2020 and 2019:

	2020	2019
Estimated financial year tax	**(5 458 593)**	(4 779 000)
Advance payment of tax on earnings	**3 298 056**	3 140 259
Taxation withheld at source by third parties	**248 794**	288 168
Additional payments of tax on earnings	**616 006**	608 300
Tax payable	**(1 295 737)**	**(742 273)**

On 31 December 2020 and 2019, the fiscal position featured the following:

	2020	2019
Estimate of taxation for the financial year	**(5 458 593)**	(4 779 000)
IRC – corrections to previous years	**52 769**	7 234
Deferred tax	**(1 150)**	1 150
Tax charge for the year	**(5 406 974)**	**(4 770 616)**
Pre-tax results	**65 972 710**	69 922 223
Effective taxation rate	**8.20%**	**6.82%**

On 31 December 2020 and 2019, the reconciliation between the nominal and effective rates of taxation was as follows:

	2020			2019		
	BASE	RATE	TAX	BASE	RATE	TAX
Pre-tax results	**65 972 710**			**69 922 223**		
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
	30 972 710	**31.50%**	**9 756 404**	34 922 223	31.50%	11 000 500
Expected taxation		**29.08%**	**19 186 404**		**29.22%**	**20 430 500**
Permanent differences:						
. Dividends	**(44 992 620)**	**-19.83%**	**(13 084 904)**	(52 148 740)	-21.79%	(15 237 285)
. Fines and charges	**1 037**	**0.00%**	**302**	7 689	0.00%	2 247
. Unaccepted impairment provisions	**(5 000)**	**0.00%**	**(1 454)**	53 358	0.02%	15 591
. Compensatory interest	**(425 773)**	**-0.19%**	**(123 825)**			
. Donations	**27 094**	**0.01%**	**7 880**			
. Shares	**(15 034)**	**-0.01%**	**(4 372)**			
. Others	**-**	**0.00%**		227 596	0.10%	66 501
Savings from the State Surcharge rate		**-0.79%**	**(520 597)**		-0.72%	(500 507)
Corrections to current taxation from previous years		**-0.08%**	**(52 769)**		-0.01%	(7 234)
Autonomous taxation		**0.00%**	**310**		0.00%	804
IRC estimated for the financial year		**8.20%**	**5 406 974**		**6.82%**	**4 770 616**

(*) 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 are as follows:

	31.12.2019			NET SUPPLEMENTARY 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%**	**-**

As stated in Note 2.12 and Note 4.4, AdP records deferred taxes whenever it considers there are temporary differences arising from the difference between the tax basis of assets and liabilities and their values in the financial statements, and this assessment is performed annually and reflected in the respective accounts.

31. BALANCE OF TRANSACTIONS WITH RELATED PARTIES

31.1 RELATED PARTIES

On 31 December 2020, the related AdP parties were the following:

. Shareholders (Parpública, 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 Board of Directors.

31.2 BALANCE WITH RELATED PARTY TRANSACTIONS

On 31 December 2020, the balance (net of impairments) of transactions with related parties was the following:

	ASSET						LIABILITY				
	ADVANCES	CLIENTS	GROUP COMPANIES	OTHER CURRENT ASSETS	CASH AND CASH EQUIVALENTS	TOTAL	GROUP COMPANY LOANS	SUPPLIERS	OTHER CURRENT LIABILITIES	TOTAL	NET
Total item balance	**640 421 297**	**5 893 041**	**68 208 182**	**953 488**	**11 522 666**	**726 998 674**	**(22 000 000)**	**(125 450)**	**(2 563 361)**	**(24 688 811)**	**702 309 863**
AdP Valor	-	(55 666)	-	143 465	-	87 799	-	-	(117 792)	(117 792)	(29 993)
Águas do Algarve	20 000 000	697 285	8 500 000	-	-	29 197 285	-	-	(24 372)	(24 372)	29 172 913
AgdA - Águas Públicas do Alentejo	28 181 546	153 704	5 454 545	-	-	33 789 795	-	-	(15 384)	(15 384)	33 774 411
SIMDOURO	48 000 000	159 136	-	-	-	48 159 136	-	-	-	-	48 159 136
Águas do Douro e Paiva	23 000 000	240 312	-	-	-	23 240 312	-	-	-	-	23 240 312
Águas do Tejo Atlântico	-	498 165	-	7 350	-	505 515	-	-	-	-	505 515
SIMARSUL	-	121 371	-	-	-	121 371	-	-	-	-	121 371
EPAL	-	240 744	-	73 602	-	314 346	(22 000 000)	-	39 175	(21 960 825)	(21 646 478)
Águas de Santo André	-	134 326	-	-	-	134 326	-	-	(68 997)	(68 997)	65 329
AdRA - Águas da Região de Aveiro	57 409 091	341 352	5 409 091	-	-	63 159 534	-	-	(72 074)	(72 074)	63 087 460
Águas do Norte	298 136 363	1 707 558	6 526 364	-	-	306 370 285	-	(11 920)	6 083	(5 837)	306 364 448
AdAM - Águas do Alto Minho	-	556 753	2 000 000	16 813	-	2 573 567	-	360	(16 813)	(16 453)	2 557 114
Águas do Centro Litoral	72 909 091	492 576	6 909 091	-	-	80 310 758	-	(37 000)	-	(37 000)	80 273 758
Águas do Vale do Tejo	90 909 091	539 780	30 909 091	-	-	122 357 962	-	-	-	-	122 357 962
Trevo Oeste	70 315	10 210	-	-	-	80 525	-	-	-	-	80 525
AdP Internacional	1 700 000	36 425	2 500 000	-	-	4 236 425	-	-	(167 793)	(167 793)	4 068 633
Águas do Brasil	105 800	-	-	-	-	105 800	-	-	-	-	105 800
AdP Energias	-	16 828	-	-	-	16 828	-	-	(1 500)	(1 500)	15 328
Parpública	-	-	-	-	-	-	-	-	(6 953)	(6 953)	(6 953)
Caixa Geral de Depósitos	-	-	-	-	4 252	4 252	-	-	-	-	4 252
Total intra-group balance	**640 421 297**	**5 890 860**	**68 208 182**	**241 230**	**4 252**	**714 765 822**	**(22 000 000)**	**(48 560)**	**(446 419)**	**(22 494 979)**	**692 270 843**
Total balance outside group	**-**	**2 181**	**-**	**712 258**	**11 518 414**	**12 232 852**	**-**	**(76 890)**	**(2 116 942)**	**(2 193 832)**	**10 039 020**

31.3 TRANSACTIONS WITH RELATED PARTIES

On 31 December 2020, the balance of transactions with related parties was the following:

	REVENUE FROM CONTRACTS WITH CUSTOMERS	SUPPLIES AND EXTERNAL SERVICES	PERSONNEL COSTS	OTHER OPERATING INCOME AND GAINS	FINANCIAL COSTS	FINANCIAL INCOME	GAINS / (LOSSES) FROM FINANCIAL INVESTMENTS	TOTAL
Total item balance	**13 852 682**	**(2 817 660)**	**(5 897 672)**	**672 439**	**(4 525 499)**	**19 933 371**	**44 997 620**	**66 215 281**
AdP Valor	104 312	(1 866 022)	-	-	-	640	-	**(1 761 070)**
Águas do Algarve	1 014 924	-	-	850	-	1 541 197	-	**2 556 971**
AgdA - Águas Públicas do Alentejo	281 216	-	-	22 929	-	872 963	170 643	**1 347 751**
SIMDOURO	256 041	-	-	350	-	876 699	-	**1 133 090**
Águas do Douro e Paiva	668 197	(342)	-	350	-	596 383	354 347	**1 618 935**
Águas do Tejo Atlântico	1 488 070	-	-	25 799	(135 110)	1 322 843	2 106 512	**4 808 114**
SIMARSUL	298 725	-	-	59 690	(5 717)	475 379	-	**828 077**
EPAL	2 540 744	-	-	26 955	(227 675)	-	41 986 763	**44 326 787**
Águas de Santo André	459 649	-	-	28 897	(50 244)	-	45 000	**483 302**
AdRA - Águas da Região de Aveiro	1 202 958	-	-	16 778	-	1 044 922	329 355	**2 594 013**
Águas do Norte	2 348 524	-	-	-	-	7 317 381	-	**9 665 905**
AdAM - Águas do Alto Minho	485 661	-	-	44 313	-	14 133	-	**544 107**
Águas do Centro Litoral	927 302	(37 000)	-	16 855	-	2 178 644	-	**3 085 801**
Águas do Vale do Tejo	1 732 168	-	-	800	-	3 648 143	-	**5 381 111**
Trevo Oeste	-	-	-	-	-	1 216	-	**1 216**
AdP Internacional	27 363	-	-	-	-	42 828	-	**70 191**
AdP Energias	16 828	64 183	-	-	-	-	-	**81 011**
Parpública	-	-	(13 961)	-	-	-	-	**(13 961)**
Total intra-group balance	**13 852 682**	**(1 839 181)**	**(13 961)**	**244 566**	**(418 746)**	**19 933 371**	**44 992 620**	**76 751 351**
Total balance outside group	**-**	**(978 479)**	**(5 883 711)**	**427 873**	**(4 106 753)**	**-**	**5 000**	**(10 536 070)**

32. CONTINGENT ASSETS AND LIABILITIES

32.1 GUARANTEES AND SURETIES

The financial commitments and responsibilities of the Company not included in the statement of financial position are presented as follows:

	FINANCIAL INSTITUTIONS 2020
Guarantees	1 145 858 628
Sureties	6 572 688
	1 152 431 316

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.

32.2 CONTINGENT ASSETS

In 2020, following analysis made of the Value Added Tax deduction methodology, AdP altered to the real allocation approach (the pro-rata means was in effect through to 31 December 2019). This change implies a contingent asset amounting to approximately EUR 2 million for the years 2016 to 2019.

33. 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.

34. OTHER ISSUES – COVID-19

The year of 2020 was 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 extend to maintaining operational services in the general economic interest, thus within the scope of AdP Group activities. On 22 March 2020, the Ministry for the Environment and Climate Action stipulated just how essential services should be ensured during this period (Order 3547-2020).

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

In AdP's separate accounts for the year ending on 31 December 2020, 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 2020 and carried over into 2021:

• Assets

No impairment was recorded for AdP Group assets as the effects of COVID-19 do not prevent the assets from continuing to generate economic and future benefits on a permanent basis.

• 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 to prevent the spread of COVID-19.

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 included 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
2020 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.

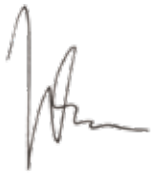
On the other hand, there were reductions in travel, accommodation and fuel costs.

• Debt variation ratio
Although there has been a reduction in investment associated payments, due to the lower level of availability of teams from equipment suppliers and contractors, which at this stage generates only a positive impact for cash flow, there has been a reduction in receipts from municipal customers.

The AdP Group does not anticipate any of its companies shall encounter operational continuity problems over the next twelve months. As mentioned in Note 3.3., the AdP Group has Medium- and Long-Term credit lines contracted with EIB for the amount of EUR 420 million (348 million not used) and Short-Term credit lines contracted with Portuguese commercial banks for the amount of EUR 140 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 by any downturn in business turnover.

Lisbon, 9 April 2021

The Board of Directors

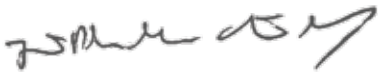


José Carlos Athaíde dos Remédios Furtado
(Executive Chair)

José Manuel Leitão Sardinha
(Executive Vice-Chair)

Carla da Conceição Afonso Correia
(Executive Director)

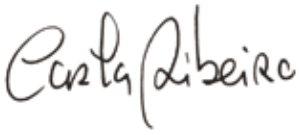
Catarina Isabel Clímaco Monteiro d'Oliveira
(Executive Director)



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 SUPERVISORY BOARD ON THE INDIVIDUAL 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 2020 financial year.

2. The Supervisory Board monitored the management 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 133/201 3 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 2020.

6. The Board of Directors in office as at 31 December 2020 was elected for the 2020-2022 term of office on 4 May 2020, under a State of Emergency, due to the current context of the Covid-19 Pandemic. It should be noted that the strategic guidelines, objectives and management indicators and respective quantifiable targets for the 2020-2022 mandate have not yet been set, as we are awaiting their approval in light of the Constitutional Government Program and the exceptional measures approved by the Government in the current context of the Covid-19 Pandemic. Nevertheless, the actions of the Board of Directors in 2020 were framed in compliance with the legal determinations in force, taking into account the guidelines handed down by the shareholder and by the Sectorial and Financial Supervisor.

7. The Activities Plan and Budget (PAO) of AdP, SGPS, for 2020, was approved by Order no. 78/200SET of 09/03/2020 and Order no. 51/SEAMB/2020 of 08/04/2020. During the current financial year, the Sectorial Supervisor issued guidelines to the Board of Directors with a view to promoting the reorganisation of the corporate centre, specifically with regard to the

organisational structure of AdP, SGPS and AdP Valor - Serviços Ambientais S.A. (formerly AdP - Águas de Portugal Serviços S.A.), by concentrating the provision of technical administration and management services to its subsidiaries in the holding company. To this end, the decision was taken to transfer to AdP SGPS the areas that had previously been the responsibility of AdP Valor, procurement, legal services and information technology systems, thus continuing a process that had already begun, although with a broader scope and with the aim of greater efficiency. On August 1st of this year, the transfer of the three AdP Valor departments responsible for the identified areas took place, with AdP SGPS including the respective activities in its sphere of action, a fact that in itself determined a change in the initial budgeting foreseen for 2020 as regards the expenditure limits for implementation without exceeding the authorised limit for either entity.

8. Considering the changes produced in terms of the amounts budgeted for by AdP SGPS for 2020, serving as a basis for the assessment of the compliance with legal obligations and the evaluation of the Company's efficiency, this notes here that these variables have been confirmed by the Statutory Auditor of the Company (ROC). This specifically confirms the accuracy of the amounts recorded in the financial statements as budgeted on an annual basis and duly and effectively reflecting this reorganisation process. This therefore affirms the accuracy of the amounts stated by the company regarding the assumption of expenditure ceilings authorised by the AdP SGPS budget and sourced from the AdP Valor budget, with the amounts removed from AdP Valor PAO coinciding with those that transferred and integrated into the AdP SGPS budget.

9. As one of the main impacts of this process incurs the staff costs item, the accounting movements inherent to the reorganisation process were also validated by the Statutory Auditor as far as their correction and executed amounts are concerned. This thus concluded that the AdP SGPS increase of about € 1.2 million coincides with the change made both in the PAO and in the AdP SGPS accounting.

10. The implementation of the AdP SGPS 2020 budget was evaluated taking into account the adjustment made to the initial PAO and resulting from the reorganisation of the corporate centre, as well as its monitoring and respective execution, in particular as regards the financial principles contained in the State Budget Law, this hereby notes that the alteration that occurred in accordance with the terms of Order no. 1521SEAMB/2020, of 1/1212020 and with effect from 1 August 2020, was consolidated in the 2021 budgeting reporting, specifically as regards the budgeted expense levels for that year.

II. ASSESSMENT OF ACCOUNTING DOCUMENTS

11. Complete analysis of the Group across the economic, social, environmental, innovation and equality fields is detailed in the 2020 Sustainability Report and demonstrating corresponding material fulfilment.

12. 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.

13. In the field of the remuneration of governing bodies, the remuneration guidelines in effect in 2020 were duly complied with.

14. Compliance with the legal guidelines and budget implementation was generally verified when framed and monitored against the PAO resulting from the reorganisation process of the corporate centre, henceforth referred to as the congruent PAO. The review of the initial budgeted amounts approved by the Sectorial and Financial Supervisor, as explained in point 7 of this report, was not submitted for approval, in particular the presentation for a proposal to review the PAO, as this was deemed to involve expenses for implementation already duly authorised in the PAO of AdP Valor. The alterations were limited to the accounting integration of all budgeted amounts allocated to the cost centres of the respective departments into AdP SGPS. As explained in the aforementioned point 8, this confirms that there is, in the sum of the two entities, no increase in the executed values in relation to the values initially approved and in relation to those that would otherwise result from the individual execution foreseen in the respectively formally approved PAOs.

15. Concerning the achievement of the goals established in the congruent PAO, the results obtained generally attained the goals defined in the accounts documents with the exception of Financial Investment, which registered an execution in the order of 24%. An EBITDA of approximately € 5.7 M stands out, corresponding to twice the budgeted value (€ 2.8 M), which is fundamentally explained by the favourable evolution observed in the Supplies and external services and in Personnel costs items compared to the congruent PAO.
    With regard to individual borrowing (including intra-group) and within the framework of a centralised treasury policy, it remained below the level recorded in 2019, with a slight increase compared to that foreseen in the congruent PAO.

16. Within the framework of compliance with the legal guidelines, this should note compliance with RCM no. 34/2008 concerning the Average Payment Time.

Average Payment Time	2020	2019	Variation 2019	
Time (days)	28	64	-36	-56.3%

Source: Annual Report and Accounts 2020

17. The limits concerning the communications ceilings were not fully complied with; a circumstance arising due to the performance of functions exercised in the international area and compliance being limited to this type of expense.

18. It should be noted that, even though in 2020 items a) and b) of article 158 of DLEO 2019 regarding expenses with personnel and the set of expenses with travel, daily allowance and accommodation, and those associated with the vehicle fleet, respectively, have not been observed, the amounts recorded in these aggregates were within the limits presented in the congruent PAO for 2020.

Congruent PAO for 2020

(in €)

PAO (€)	2020 Exec	2020 Bud.	2019 Exec.	2018 Exec.	2020-2019	
					Absol.	Ver. %
(0) EBITDA	5 742 725	2 844 554	2 954 468	2 453 616	2 788 257	94%
(1) Purchases	0	0	0	0	0	0%
(2) Supplies and ext. services	2 817 660	4 837 273	3 612 184	4 587 853	-794 524	-22%
(3) Personnel costs	5 897 672	6 759 550	4 750 935	4 004 516	1 146 737	24%
(3.i) Severance payments	370 862	611 495	0	0	370 862	0%
(3.ii) Salary increases	39 586	128 893	9 763	8 546	29 823	305%
(3.iii) Impact of application of instruments of collective labour regulation	35 154	0	0	0	35 154	0%
(4) Personnel costs for the purpose of calculating operating efficiency ((3)-(3.i)-(3.ii)-(3.iii)	5 452 070	9 019 1632	0 997 970	3 997 970	710 898	15%
(5) Impact of the COVID-19 pandemic on operational expenditure (Purchases. Sup. and ext. serv. and Personnel costs [a]	39 927	0	0	0	0	0%
(6) Operating expenses for the purpose of calculating operating efficiency = ((1)+(2)+(4)-(5))	8 229 803	10 856 435	8 565 823	8 565 823	-83 626	-1%
(7) Turnover (T/O) [b]	13 852 682	14 424 153	11 317 017	11 065 816	2 535 665	22%
(7.i) Loss of income due to COVID-19 pandemic (+)	0	0	0	0	0	0%
(8) Turnover for purposes of calculating operating efficiency ((7)-(7.i))	13 852 682	14 424 153	11 317 017	11 065 816	2 535 665	22%
(9) Weight of spending/T/O = (6)/(8)	59.7%	75.3%	73.8%	77.4%	-14.1%	-19%
(i) Expenses with travel and accommodation (Supplies and external services)	11 709	46 748	25 019	32 175	-13 310	-53%
(ii) Expenses with daily allowances (Personnel costs)	1 030	9 176	5 586	6 192	-4 556	-82%
(iii) Motor fleet-related expenses	256 937	276 931	222 176	210 951	34 761	16%
(10) Total = (i) + (ii) + (iii)	269 676	332 854	252 781	249 317	16 895	7%
(11) Charges with contracting of studies, opinions, projects and consultancy	106	543 355	584 327	681 177	-268 993	-46%
Total HR no. (GB+DP+Workers) [c]	106	118	89	81	17	19%
No. Governing Bodies (GB)	14	14	12	14	2	17%
No. Direction Positions (DP)	19	25	17	13	2	12%
No. Workers (without GB and DP)	73	79	42	54	31	74%
No. Workers/No DP	4	4	2	4	-	-
No. Vehicles	44	45	31	27	13	42%

Source: Annual Report and Accounts 2020

This should also register the compliance with the provisions of paragraph c) of the aforementioned legal precept regarding the set of costs for contracting studies, opinions, projects and consultancy, as detailed in the table above.

19. There is a decrease in the level of net income for the year of approximately € 4.6 million compared to 2019, which is explained by the reduction in financial results of about € 6.4 million, particularly financial income, due to the lower distribution of dividends by subsidiaries.

This negative variation results from the approval of the distribution of dividends of the subsidiaries and the evolution of the rate of the 10-year Treasury Bonds which is a determinant of the net results of the managing entities of the Multimunicipal Systems and State-Council partnerships. It should be noted that, since 2018, this index has returned a decreasing trend, having fallen from 1.84% in that year, to 0.75% in 2019 and 0.41% in 2020.

20. In the financial year under review, the approximate € 2.5M improvement in Operating Profit results from:

    i) The growth of the management fee charged to group companies essentially explained by the increase in operating turnover and the inclusion of the subsidiary AdAM, which began operations in January 2020, with no change in the rate in effect having occurred; and

    ii) In the revenue for the activities that were performed by AdP Valor, until August 2020, transferred to AdP SGPS. Regarding the management fee, the increase is mainly explained by the increase in operating turnover and the inclusion of the subsidiary AdAM, which began operations in January 2020, with no change in the rate in effect having occurred.

    In terms of operating expenses, this observes, due to the corporate reorganisation carried out in August 2020, with the integration into AdP SGPS, of three departments previously under the auspices of AdP Valor, the increase in Personnel costs (+ € 1.1 M), and the decrease in Supplies and external services (€ 0.8 M).

21. Total financial investments in subsidiaries and affiliates, totalling € 712.7 M as of December 31, represents approximately 49.5% of the total assets of AdP SGPS, therefore an asset with material expression, which requires monitoring as regards evaluating the emergence of eventual investment impairments or recognition of provisions for additional subsidiary liabilities.

22. In 2020, there was continuity for the centralised financing and cash management policy of the AdP Group, which has brought about the integrated management of the Group's financial needs.

    The centralisation of a significant proportion of funding in AdP SGPS has returned the cohesive and coherent management of the Group's financial needs, avoiding cash-flow shortages and insolvency problems, despite the serious financial problems the country has experienced. Complementing this medium and long-term framework, AdP SGPS centralised negotiations with the banking system to obtain short-term financing has reduced the ability of individual banks to penalise any subsidiary whether in terms of costs or credit.

23. In compliance with legal guidelines and in respect of the Order from the IGCP of 18/12/2020, regarding the request for exemption from complying with the UTE, the Group applied the cash surpluses, net of the Group's needs with the IGCP, as well as transferring the banking system operating activities to that entity (with there being no commercial banking financial applications).

24. Following the recommendation of the Supervisory Board addressed to the Company, in 2018, the definition process for the Internal Control Model continued, with AdP SGPS having approved the project and the implementation of a transversal Group Internal Control System in 2019.

    Notwithstanding the progress made in the current financial year, the Supervisory Board believes that the finalisation of the ongoing works aiming the implementation of the Group's transversal Internal Control System should remain a priority and the focus of expanding efforts, based on the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) in order to obtain greater maturity in the existing internal control system through the effective recognition of the controls capable of responding to the risks identified as well as the respective compliance testing in order to achieve and ascertain the reliability of the internal AdP, SGPS, SA control system.

25. The Corporate Governance Report submitted to this Supervisory Board includes current, complete and relevant information on matters regulated under Section II (Corporate Governance Practices) of Chapter II of Decree-Law no. 1332/2013, of 3 October.

26. The Supervisory Board took note of the Report issued by the External Auditors on the separate accounts, with no objections as to its contents.

27. The Supervisory Board examined the Legal Certification of Accounts, issued in accordance with the Statutory Auditor enacted regulations, incorporating the relevant auditing matters and other legal requirements, which are reproduced here, that received its due agreement while taking note of the respective additional report by the same Statutory Auditor on the audit carried out. The Supervisory Board also took note of the additional report by the Statutory Auditor on the audit performed.

28. In accordance with the work undertaken, the Supervisory Board hereby considers that the Report and Accounts, the separate Financial Statements (which comprise the Statement of financial position as at 31 December 2020, the Income Statements by type and the Comprehensive Income Statements, the Statement of Variations in Equity, the Cash-flow Statement for the financial year then ended and the Notes to the Financial Statements) are adequate to understanding the equity position of AdP - Águas de Portugal, SGPS, SA on

December 31, 2020, and how the results were obtained and the activities completed.

29. The Supervisory Board 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, and from all those who have collaborated with it throughout the current financial year.

OPINION

As a result of the above, the Supervisory Board is in favour of the approval by the General Meeting of AdP - Águas de Portugal, SGPS, SA of:

a) The Report and separate accounts and accounts for the year 2020;

b) The proposal for the application of results formulated by the Board of Directors in its Report.

Lisbon, 14 April 2021

THE SUPERVISORY BOARD

(illegible signature)

Carla Maria Lamego Ribeiro

(Chair)

(illegible signature)

Mário José Alveirinho Carrega

(Director)

(illegible signature)
Rui Mendes Cabeça
(Director)

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 2020.

2- O Conselho Fiscal acompanhou a gestão da AdP – Águas de Portugal, SGPS, SA, e a evolução dos seus negócios, designadamente mediante contatos 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 2020.

6- O Conselho de Administração em funções a 31 de dezembro de 2020 foi eleito para o mandato 2020-2022, a 4 de maio de 2020, em pleno Estado de Emergência, decorrente do atual contexto de Pandemia Covid-19. Assinale-se que não foram ainda fixadas as orientações estratégicas, objetivos e indicadores de gestão e respetivas metas quantificáveis para o mandato 2020-2022, aguardando-se a sua aprovação à luz

do Programa do XXII Governo Constitucional e das medidas excecionais aprovadas pelo Governo no atual contexto de Pandemia Covid-19. Não obstante, a atuação do Conselho de Administração em 2020 enquadrou-se na observância das determinações legais vigentes, tendo presente as orientações transmitidas pelo titular da função acionista e pela Tutela Setorial e Financeira.

7- O Plano de Atividades e Orçamento (PAO) da AdP, SGPS, para 2020, foi objeto de aprovação pelo Despacho n.º 78/2020-SET de 09/03/2020 e Despacho n.º 51/SEAMB/2020 de 08/04/2020. Durante o presente exercício, foram dirigidas pela Tutela Setorial ao Conselho de Administração, orientações no sentido de se promover a reorganização do centro corporativo, em concreto, no que respeita à estrutura organizativa da AdP, SGPS e da AdP Valor – Serviços Ambientais S.A. (anteriormente com a firma AdP - Águas de Portugal Serviços Ambientais S.A.), materializada na concentração, ao nível da holding, da prestação de serviços técnicos de administração e gestão às suas participadas. Para tal, determinou-se a 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, dando-se assim continuidade a um processo já iniciado embora com contornos mais alargados e sob o propósito de uma maior eficiência. A 1 de agosto do corrente exercício, efetivou-se a transferência de três direções da AdP Valor responsáveis pelas áreas identificadas, passando a AdP SGPS a incluir as respetivas atividades na sua esfera de atuação, facto que determinou, por si, uma alteração na orçamentação inicial prevista para 2020 quanto aos limites de despesa a executar, sem ultrapassar o limite autorizado para ambas as entidades.

8- Considerando a produção de alterações ocorrida ao nível dos valores orçamentados na AdP, SGPS para o exercício 2020, servindo estes de base à apreciação do cumprimento das obrigações legais e avaliação da eficiência da Sociedade nota-se que, se tratam de variáveis confirmadas pelo Revisor Oficial de Contas da Sociedade (ROC). Em concreto, confirma-se a exatidão dos montantes inscritos nos mapas da prestação de contas entendidos como orçamentados numa base anual e após processo de reorganização, refletindo os mesmos adequadamente esse processo. Confirma-se assim, a correção dos valores informados pela sociedade quanto à assunção de plafons de despesa autorizada no orçamento da AdP, SGPS e com origem no orçamento da AdP Valor, sendo coincidentes os montantes expurgados do PAO da AdP Valor com os que passaram e integraram o orçamento da AdP, SGPS.

9- Sendo um dos principais impactos deste processo na rubrica gastos com pessoal foram igualmente validados pelo ROC, os movimentos contabilísticos inerentes ao processo de reorganização neste âmbito e no que respeita à sua correção e valores executados. Concluiu-se, por este meio, que o acréscimo na AdP, SGPS, em cerca de

1,2 milhões de euros, é coincidente com a alteração efetuada no PAO e na contabilidade da AdP, SGPS.

10- A execução do orçamento 2020 da AdP SGPS, foi avaliada tendo presente o ajustamento efetuado sobre o PAO inicial e decorrente da reorganização do centro corporativo, assim como a sua monitorização e respetiva execução, designadamente no que diz respeito aos princípios financeiros constantes da Lei do Orçamento do Estado relevando-se que, a alteração ocorrida em conformidade com os termos constantes do Despacho n.º 152/SEAMB/2020, de 1/12/2020 e com efeitos a 1 de agosto de 2020, foi consolidada no exercício de orçamentação de 2021, em concreto no que respeita aos níveis de despesa orçamentada para esse ano.

II. AVALIAÇÃO DOS DOCUMENTOS DE PRESTAÇÃO DE CONTAS

11- A análise completa para o Grupo nos domínios económico, social, ambiental, inovação e igualdade consta do Relatório de Sustentabilidade 2020, revelando-se um cumprimento material daqueles.

12- 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.

13- No domínio das remunerações dos órgãos sociais foi dado cumprimento às orientações remuneratórias vigentes em 2020.

14- Verificou-se, de uma forma geral, o cumprimento das orientações legais e da execução orçamental quando enquadrada e monitorizada face ao PAO resultante do processo de reorganização do centro corporativo, doravante designado de PAO congruente. O exercício de revisão dos valores iniciais orçamentados e aprovados por parte das Tutelas Setorial e Financeira, conforme exposto do ponto 7 deste relatório, não foi submetido a aprovação em sede, designadamente, da apresentação de uma proposta de revisão do PAO, por se entender estar em causa, despesas cuja execução se encontrava devidamente autorizada no PAO da AdP Valor, cingindo-se as alterações produzidas à integração contabilística, na AdP, SGPS, de todos os valores orçamentados afetos aos centros de custo das direções respetivas. Confirma-se, conforme explanado no citado ponto 8, não se registar, no computo das duas entidades, qualquer acréscimo de valores executados face aos inicialmente aprovados e face aos que resultariam da execução individual prevista nos respetivos PAO formalmente aprovados.

15- No que se refere ao cumprimento das metas estabelecidas do PAO congruente, os resultados obtidos alcançaram, na sua generalidade, as metas definidas conforme consta dos documentos de prestação de contas com exceção do Investimento Financeiro que registou uma execução na ordem de 24%. Destaca-se o registo de um EBITDA na ordem de 5,7M€ que corresponde ao dobro do valor orçamentado (2,8M€), o qual é fundamentalmente explicado pela evolução favorável verificada nos FSE e nos Gastos com pessoal face ao PAO congruente.
No que respeita ao endividamento individual (incluindo intra-grupo) e no quadro de aplicação de uma política centralizada de tesouraria, ficou abaixo do nível registado em 2019, observando-se um ligeiro incremento face ao previsto no PAO congruente.

16- No quadro do cumprimento das orientações legais, deverá ser assinalado o cumprimento da RCM n.º 34/2008 referente ao Prazo Médio de pagamentos.

PMP	2020	2019	Variação 2019	
			Valor	%
Prazo (dias)	28	64	-36	-56.3%

Fonte: R&C 2020

17- Os limites relativos aos plafonds de comunicações, não foram integralmente cumpridos, decorrendo esta circunstância do desempenho de funções exercidas na área internacional, sendo o incumprimento circunscrito a esta natureza de despesa.

18- Salienta-se que, ainda que não tenham sido observadas em 2020 as alíneas a) e b) do artigo 158.º do DLEO 2019 referentes aos gastos com pessoal e ao conjunto dos encargos com deslocações, ajudas de custo e alojamento, e os associados à frota automóvel, respetivamente, os montantes registados nestes agregados contiveram-se dentro dos limites evidenciados no PAO 2020 congruente.

PAO 2020 congruente

(em €)

					Variação	
					Valor	%
(0) EBITDA	5 742 725	2 844 554	2 954 466	2 453 616	2 788 257	94%
(1) CMVMC	0	0	0	0	0	0%
(2) FSE	2 817 660	4 837 273	3 612 184	4 557 853	-794 524	-22%
(3) Gastos com o pessoal	5 897 672	6 759 550	4 750 935	4 004 516	1 146 737	24%
(3.i) Indemnizações pagas por rescisão	370 862	611 495	0	0	370 862	0%
(3.ii) Valorizações remuneratórias	39 586	128 893	9 763	6 548	29 823	305%
(3.iii) Impacto da aplicação dos IRCT	35 154	0	0	0	35 154	0%
(4) Gastos com o pessoal para efeitos do apuramento da eficiência operacional ((3)-(3.i)-(3.ii)-(3.iii))	5 452 070	6 019 162	4 741 172	3 997 970	710 898	15%
(5) Impacto da Pandemia por COVID-19 nos gastos operacionais (CMVCM, FSE's e Gastos com Pessoal) [a]	39 927	0	0	0	0	0%
(6) Gastos Operacionais para efeitos do apuramento da eficiência operacional = |(1)+(2)+(4)-(5)|	8 229 803	10 856 435	8 353 356	8 565 823	-83 626	-1%

(7) Volume de negócios (VN) [b]	13 852 682	14 424 153	11 317 017	11 065 818	2 535 665	22%
(7.i) Perda de receita decorrente da Pandemia por COVID-19 (+)	0	0	0	0	0	0%
(8) Volume de negócios para efeitos do apuramento da eficiência operacional ((7)-(7.i))	13 852 682	14 424 153	11 317 017	11 065 818	2 535 665	22%
(9) Peso dos Gastos/VN = (6)/(8)	59,7%	75,3%	73,8%	77,4%	-14,1p.p.	-19%
(i) Gastos com Deslocações e Alojamento (FSE)	11 709	46 748	25 019	32 175	-13 310	-53%
(ii) Gastos com Ajudas de custo (G c/ Pessoal)	1 030	9 176	5 586	6 192	-4 556	-82%
(iii) Gastos associados à frota automóvel	256 937	278 931	222 176	210 951	34 761	16%
(10) Total = (i) + (ii) + (iii)	269 676	332 854	252 781	249 317	16 895	7%
(11) Encargos com contratação de estudos, pareceres, projetos e consultoria	315 335	543 355	584 327	681 177	-268 993	-46%
Número Total de RH (OS+CD+Trabalhadores) [c]	108	118	89	81	17	19%
N.º Órgãos Sociais (OS)	14	14	12	14	2	17%
N.º Cargos de Direção (CD)	19	25	17	13	2	12%
N.º Trabalhadores (sem OS e sem CD)	73	79	42	54	31	74%
N.º Trabalhadores/N.º CD	4	4	2	4	-	-
N.º de viaturas	44	45	31	27	13	42%

Fonte: R&C 2020

Deverá ser assinalado o cumprimento do disposto na alínea c) do supramencionado preceito legal referente ao conjunto dos encargos com contratação de estudos, pareceres, projetos e consultoria, conforme decorre do quadro supra.

19- Observa-se um decréscimo do nível do resultado líquido verificado no exercício na ordem de 4,6M€ face a 2019 o qual é explicado fundamentalmente pela redução verificada nos Resultados Financeiros de cerca de 6,4M€, designadamente dos rendimentos financeiros, em virtude da menor distribuição de dividendos das participadas. Esta variação negativa resulta da aprovação de distribuição de dividendos das participadas e 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. Releva-se que, desde 2018, este indexante apresenta uma evolução decrescente, tendo passado de 1,84% naquele ano, para 0,75%, em 2019, e 0,41%, em 2020.

20- No exercício em apreço, releva a melhoria do Resultado Operacional em cerca de 2,5M€, a qual decorre:

i) Do crescimento do fee de gestão debitado às empresas do grupo essencialmente explicado pela evolução do volume de negócios das operações e pela inclusão da subsidiária AdAM, que iniciou atividade em janeiro 2020 não se tendo verificado a alteração à taxa praticada; e

ii) No rédito pelas atividades que eram exercidas pela AdP Valor, até agosto de 2020, transferidas para a AdP SGPS. Relativamente ao fee de gestão o aumento verificado é essencialmente explicado pela evolução do volume de negócios das

operações e pela inclusão da subsidiária AdAM, que iniciou atividade em janeiro 2020 não se tendo verificado a alteração à taxa praticada.

Em termos de gastos operacionais, verifica-se, em função de reorganização corporativa realizada em agosto de 2020, com a integração, na AdP SGPS, de 3 direções anteriormente pertencentes à estrutura orgânica da AdP Valor, o aumento de Gastos com Pessoal (+1,1M€), e o decréscimo dos Fornecimentos e Serviços Externos (FSE) (-0,8 M€).

21- O total de investimentos financeiros em subsidiárias e participadas, totalizando 712,7M€ 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.

22- 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.

23- 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 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 (inexistindo aplicações financeiras na banca comercial).

24- 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.

Não obstante os avanços registados no presente exercício, o Conselho Fiscal entende que deve ser mantida como ações prioritária e merecedoras 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.

25- 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.

26- O Conselho Fiscal tomou conhecimento do Relatório emitido pelos Auditores Externos sobre as contas separadas, nada havendo a objetar quanto ao seu conteúdo.

27- 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.

28- 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 2020, 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 2020, e da forma como se formaram os resultados e se desenrolou a atividade.

29- O Conselho Fiscal salienta e agradece toda a colaboração que obteve do Conselho de Administração, da administradora responsável pelo pelouro do financeiro, do Revisor Oficial de Contas, do Auditor Externo e dos Serviços da AdP – Águas de Portugal, SGPS, SA, e de todos quantos foram colaborando com o Órgão ao longo do presente exercício.

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 2020;

b) A proposta de aplicação de resultados formulada pelo Conselho de Administração no seu Relatório.

Lisboa, 14 de abril de 2021

O CONSELHO FISCAL

Carla Maria Lamego Ribeiro
(Presidente)

Mário José Alveirinho Carrega
(Vogal)

Rui Mendes Cabeças
(Vogal)

LEGAL CERTIFICATION OF THE ACCOUNTS

Grant Thornton

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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 December 31 2020 (showing a total of EUR 1,440,310,196 and total equity of EUR 857,279,891, including a net result of EUR 60,565,736), 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 December 31, 2020 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 December 31, 2020, the item of Investments in subsidiaries and associates states the amount of EUR 712,654,702, which are deducted from the recognised impairments amounting to EUR 20,153,975, 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 2.4, 4.1, 9, 15.1 and 29 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 control;

– 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;

– 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, to 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 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 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.

– 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.

Signed by: **PEDRO MIGUEL RAPOSO LISBOA NUNES**
Identification no.: BI10328871
Date: 2021.04.14 17:16:31+01'00'

Grant Thornton & Associados – SROC, Lda.
Represented by Pedro Lisboa Nunes

CERTIFICAÇÃO LEGAL DAS CONTAS

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Certificação Legal das Contas

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 2020 (que evidencia um total de 1.440.310.196 euros e um total de capital próprio de 857.279.891 euros, incluindo um resultado líquido de 60.565.736 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 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 2020 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.

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.

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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 2020, o montante de 712.654.702 euros, os quais estão deduzidos de imparidades reconhecidas no valor de 20.153.975 euros, representando cerca de 49% 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 2.4, 4.1, 9, 15.1 e 29 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

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- 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 conluio, 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 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;
- 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;

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- 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 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 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 Parpública – Participações Públicas (SGPS), S.A., realizada em 27 de dezembro de 2018, para o mandato compreendido entre 2018 e 2020.
- 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.

Assinado por : **PEDRO MIGUEL RAPOSO LISBOA NUNES**
Num. de Identificação: BI10328871
Data: 2021.04.14 17:16:31+01'00'

CHAVE MÓVEL

Grant Thornton & Associados – SROC, Lda.
Representada por Pedro Lisboa Nunes

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 December 31, 2020 (showing a total of EUR 1,440,310,196 and total equity of EUR 857,279,891 including a net result of EUR 60,565,736), 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 December 31, 2020 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.

Relevant auditing matters	Summary of the audit approach
Recoverability of investments in subsidiaries and associates *Disclosures related to financial investments in subsidiaries and associates presented in notes 2.4, 4.1, 9 and 29* As at 31 December 2020, the Entity presents in its separate financial statements the amount of EUR 712,655,000 (31 December 2019; EUR 711,596,000) 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 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:

a) preparation of the consolidated financial statements that fairly and appropriately present the Entity financial position, the financial performance and cash flows in accordance with the 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 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:

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 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.

13 April 2021
PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

(one illegible signature)
João Rui Fernandes Ramos, Statutory Auditor

RELATÓRIO DO AUDITOR EXTERNO

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 2020 (que evidencia um total de 1.440.310.196 euros e um total de capital próprio de 857.279.891 euros, incluindo um resultado líquido de 60.565.736 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 2020 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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Matérias relevantes de auditoria	Síntese da abordagem de auditoria
Recuperabilidade de investimentos em subsidiárias e associadas *Divulgações relacionadas com investimentos financeiros em empresas subsidiárias e associadas apresentadas nas notas 2.4, 4.1, 9 e 29* Em 31 de dezembro de 2020, a Entidade apresenta nas suas demonstrações financeiras separadas o montante de 712.655 milhares de euros (31 de dezembro de 2019: 711.596 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. Estas devem ser sujeitas 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.	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.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras

O órgão de gestão é responsável pela:

a) 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;

b) elaboração do relatório de gestão e do relatório de governo societário, nos termos legais e regulamentares aplicáveis;

c) 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;

d) 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, 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;

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 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 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

13 de abril de 2021

PricewaterhouseCoopers & Associados
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STATEMENT

The documents entitled "Report and Opinion of the Audit Board on the Consolidated Accounting Statements" published on pages 250-254, "Legal Certification of the Consolidated Accounts", published on pages 260-266, "Report of the External Auditor on the Consolidated Accounting Statements" published on pages 274-281, "Report and Opinion of the Audit Board on the Separate Accounting Statements" published on pages 333-339, and "Legal Certification of the Separate Accounts" published on pages 348-351 of this annual report were translated by Kevin Rose Unipessoal, Lda from the original documents included in Águas de Portugal "Relatório e Contas 2020".

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EDITED BY

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