



ANNUAL REPORT & ACCOUNTS 2020



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THE GROUP

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THE BUSINESS

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THE ACCOUNTS

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THE GROUP

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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 (IFRIC 12).

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 IFRIC 12.

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

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

ACTIVITY DATA

	Unid.	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

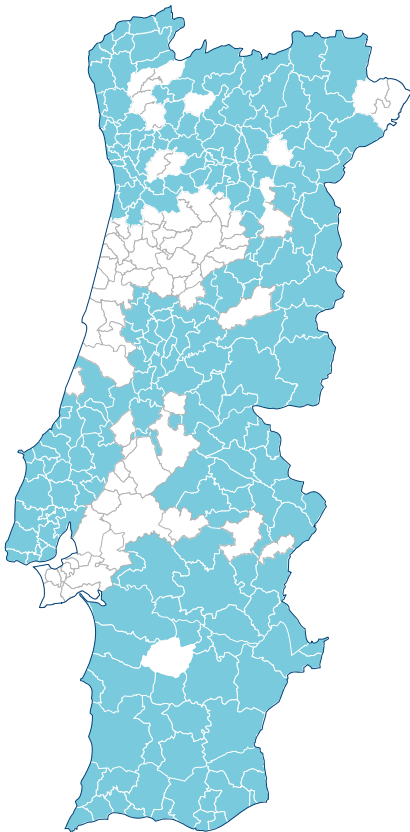
(1) Includes water distributed by EPAL, AdRA – Águas da Região de Aveiro, Águas do Norte and Águas do Alto Minho.

(2) The volume of wastewater invoiced in 2017 was corrected by 6.8 million m³ on that reported in 2017 (annulment of the internal Águas do Norte sales).

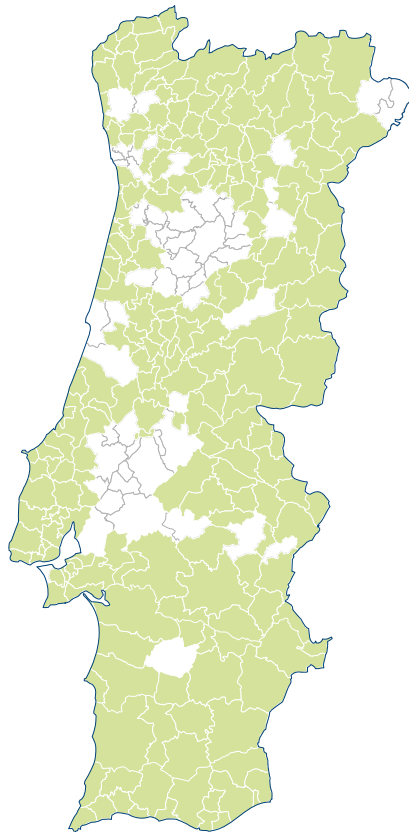
(3) Includes the effect of tariff income invoicing.

(4) Active employees + employees with suspended contracts.

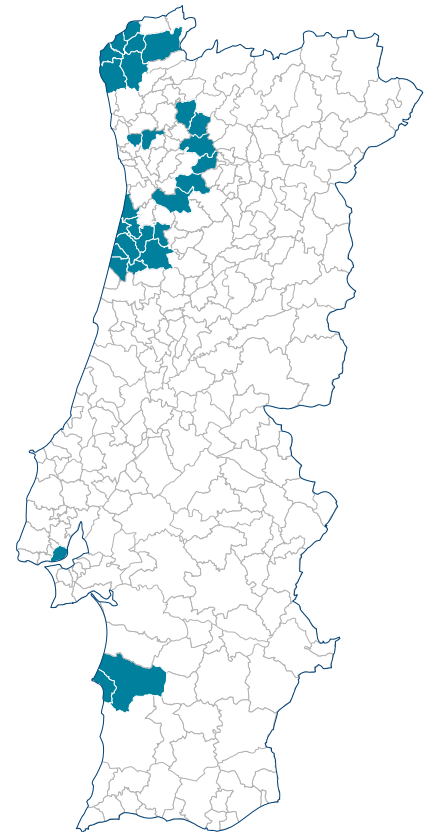
BULK WATER SUPPLY



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.

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.

2003

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

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.

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.

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.

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.

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.

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.

2008

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

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.

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.

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.

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.

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.

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 360°" by the AdP Group in Lisbon.

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.

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.

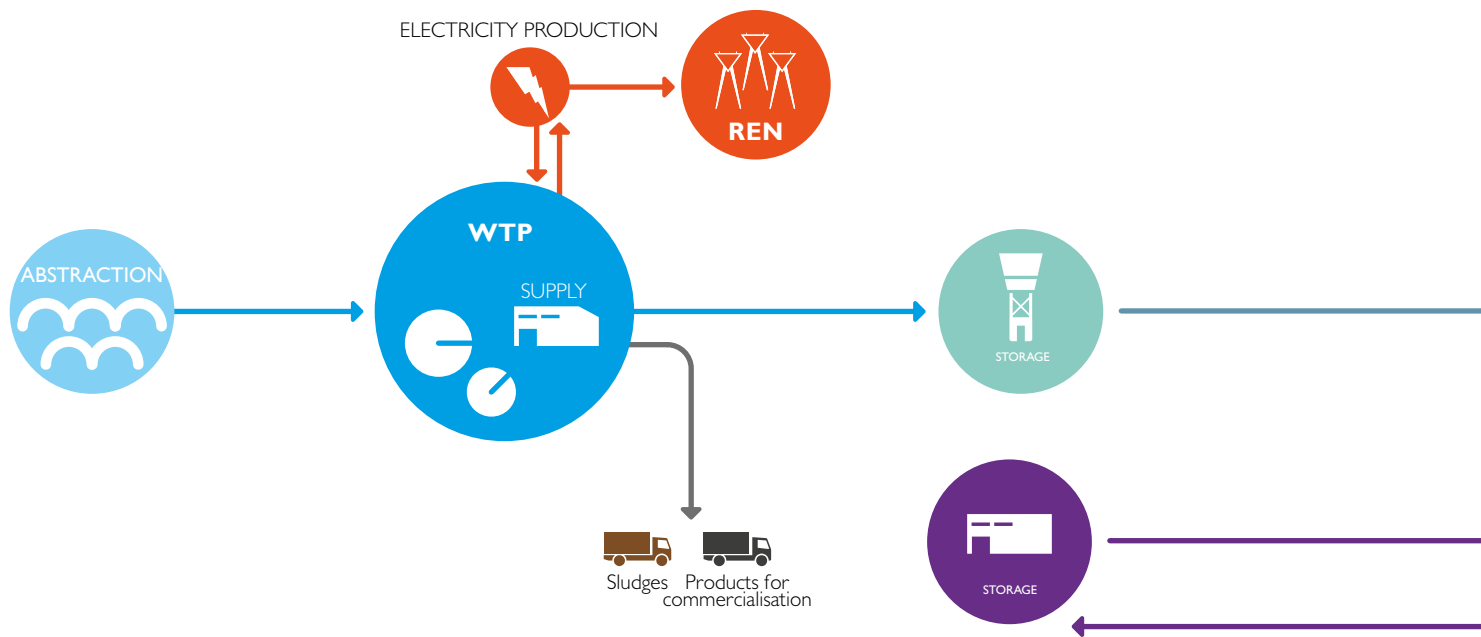
Establishing the partnership between the Portuguese state and seven municipalities for the founding of the Alto Minho Water System and attributing its operation and management to a new AdP Group company, AdAM - Águas do Alto Minho, S.A.

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.

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.



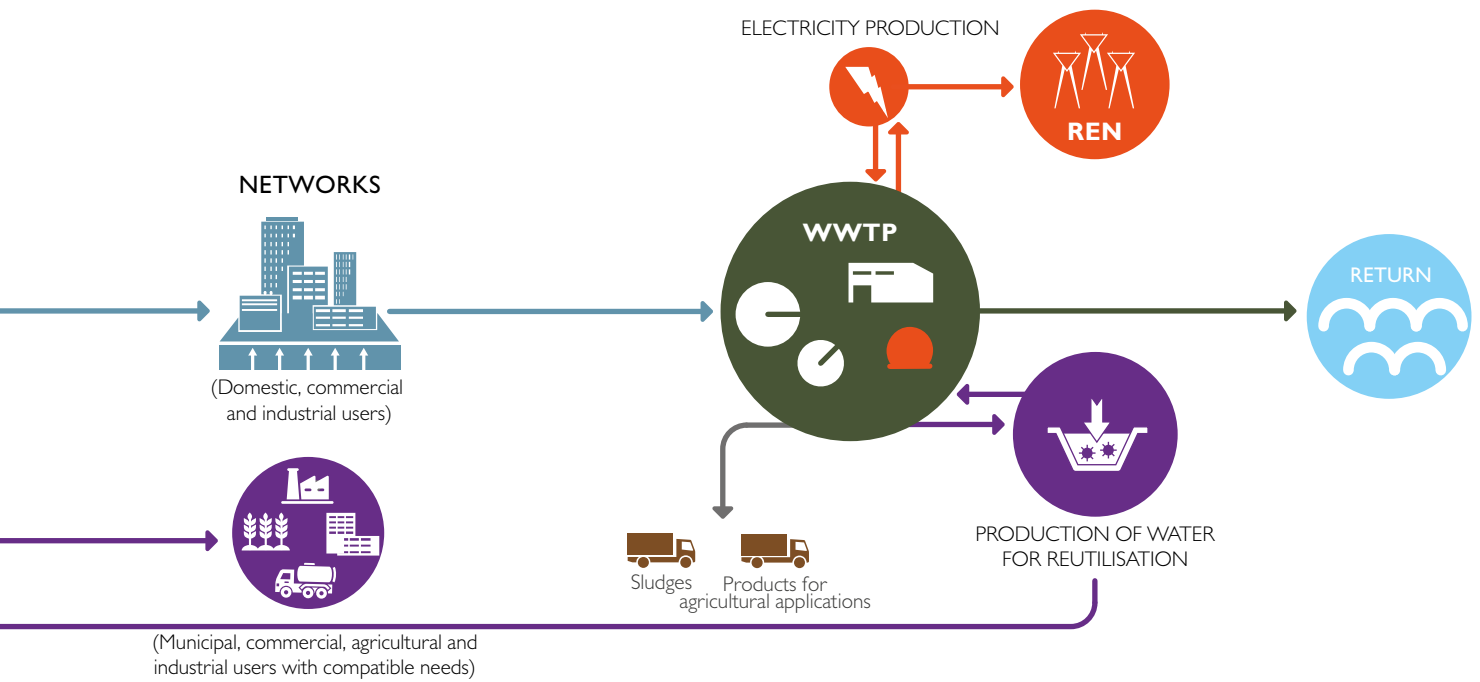
Storage
Storage of water for reutilisation.

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

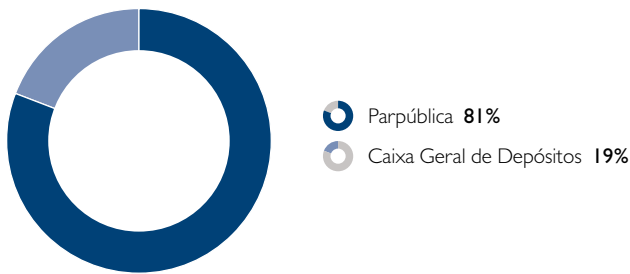
UPSTREAM

AdP GROUP ORGANISATION

OWNERSHIP STRUCTURE

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

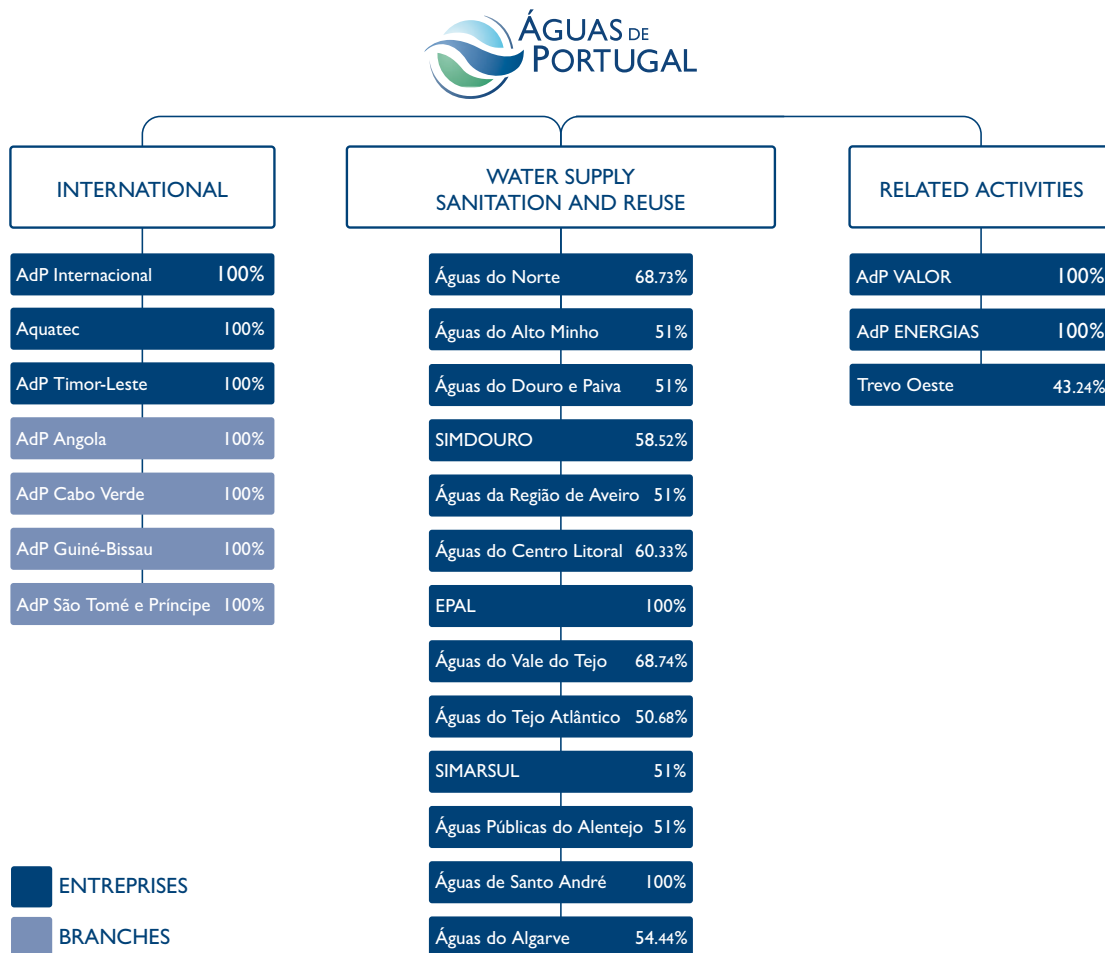
SHAREHOLDING



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

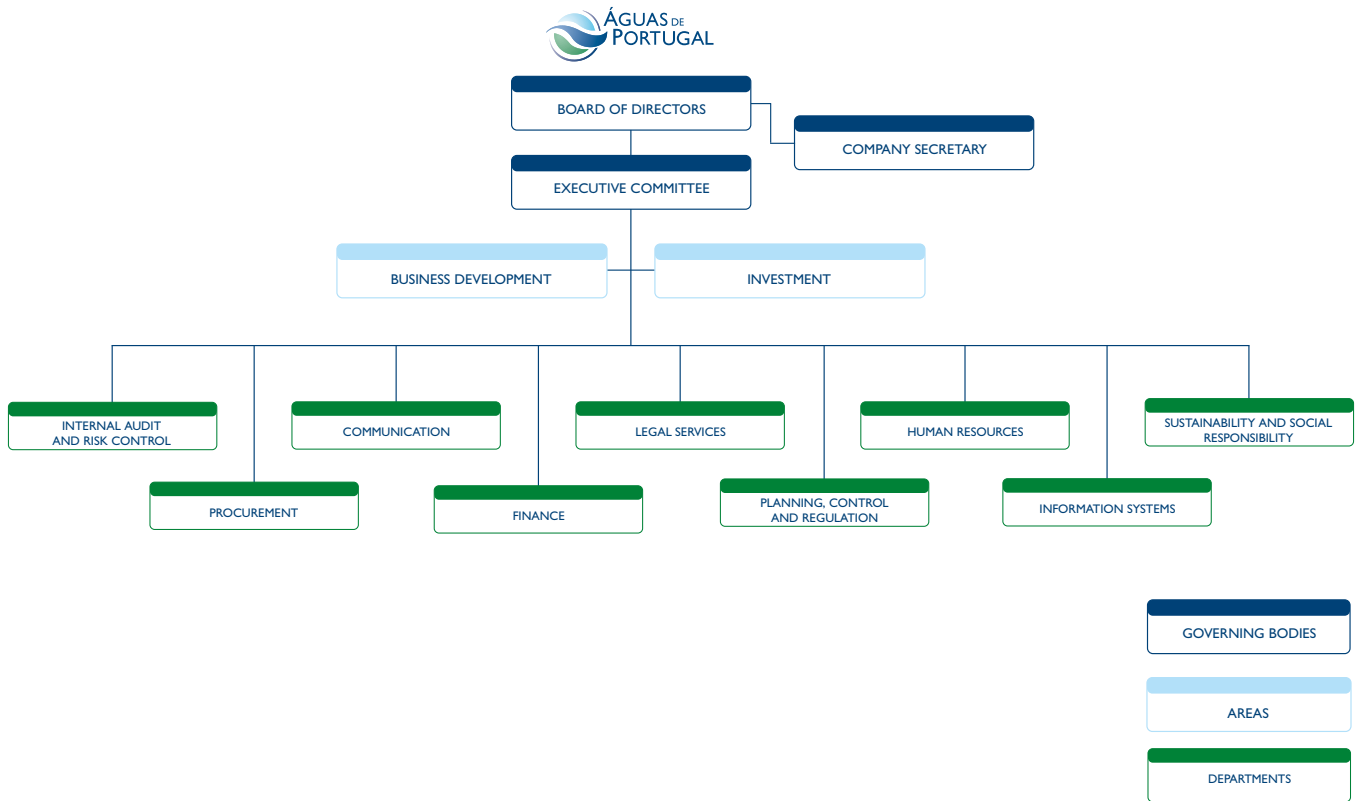
CORPORATE ORGANISATIONAL STRUCTURE

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 Espírito 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 COVIDTECT 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 CO₂ 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

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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.

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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 Idáí. 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”.

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EDITED BY

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