



Annual Report

2021



Annual Report

20
21



The Accounts



Consolidated financial statements

Index

Consolidated statement of financial position	165
Consolidated income statement by type.....	166
Consolidated statement of comprehensive income	167
Consolidated statement of changes in own capital.....	168
Consolidated cash flow statement.....	169
Notes to the consolidated financial statements.....	170
1 General information.....	170
1.1 Company Identification.....	170
1.2 Economic activities	170
1.2.1 Regulated activities (licensed, in partnership and delegated).....	170
1.2.2 Non-regulated activities.....	172
1.3 Approval of financial statements	172
2 Relevant accounting policies, judgements and estimates	172
2.1 Basis for presentation.....	172
2.2 Consolidation.....	173
2.2.1 Consolidation perimeter	173
2.2.2 Financial statements reference date.....	173
2.2.3 Shareholdings in subsidiaries	173
2.2.4 Balances and transactions.....	175
2.2.5 Non-controlling interest.....	175
2.2.6 Loss of control or significant influence.....	175
2.3 Foreign Exchange.....	175
2.3.1 Functional and presentation currency	175
2.3.2 Transactions and balances in foreign currencies.....	175
2.3.3 Group companies.....	175
2.3.4 Exchange rates used	176
2.4 Rights to Use Infrastructures ("DUI") – Concessions and Partnerships.....	176
2.4.1 Infrastructure classification.....	176
2.4.2 Recognition and measurement	177
2.4.3 Amortisations	177
2.4.4 Accrued expenses for contractual investment	178
2.4.5 Cost recovery deviation (tariff deficit/surplus).....	178
2.4.6 Revenue – construction services.....	179
2.5 Estimates and judgments.....	179
2.6 Subsequent events.....	179
3 New standards and changes in policies.....	179
3.1 Voluntary changes in accounting policies.....	179
3.2 New standards, interpretations and changes in effect as of 1 January 2021	179
3.3 New standards and interpretations already issued but not yet mandatory	180
3.4 Standards under review	181
4 Information by business area.....	182
4.1 Accounting policies	182
4.2 Information by area	182
5 Risk management policies	183
5.1 Risk factors.....	183
5.2 Market risks	184
5.2.1 Interest rate risks.....	184
5.2.2 Exchange rate risks	184
5.2.3 Raw material price risks (energy and fuels).....	184
5.3 Liquidity and capital risks.....	184

5.4	Credit risk.....	186
5.5	Operating risks.....	188
5.5.1	Catastrophe risk.....	188
5.5.2	Regulatory risk.....	188
6	Intangible Assets.....	188
6.1	Accounting policies.....	188
6.2	Estimates and judgments.....	189
6.3	Detail and movement.....	190
7	Tangible fixed assets.....	191
7.1	Accounting policies.....	191
7.2	Estimates and judgments.....	193
7.3	Details and movements.....	193
8	Leases.....	195
8.1	Accounting policies.....	195
8.2	Right-of-use assets.....	198
8.3	Lease liabilities.....	198
8.4	Leasing payments.....	199
9	Investment properties.....	199
9.1	Accounting policies.....	199
9.2	Detail and movement.....	200
10	Financial investments in associated companies.....	200
10.1	Accounting policies.....	200
10.2	Details and movements.....	201
11	Other financial assets.....	201
11.1	Accounting policies.....	201
11.2	Details.....	202
12	Cost recovery deviation (tariff deficit/surplus).....	203
12.1	Accounting policies.....	203
12.2	Estimates and judgments.....	203
12.3	Details and movements.....	203
13	Clients.....	206
13.1	Accounting policies.....	206
13.2	Estimates and judgments.....	209
13.3	Details and movements.....	209
14	Other assets.....	212
14.1	Accounting policies.....	212
14.2	Details and movements.....	213
15	Inventories.....	215
15.1	Accounting policies.....	215
15.2	Detail and movement.....	215
16	Financial assets at fair value through other comprehensive income.....	215
16.1	Accounting policies.....	215
16.2	Estimates and judgments.....	216
16.3	Detail.....	216
17	Cash and cash equivalents.....	217
17.1	Accounting policies.....	217
17.2	Details.....	218
18	Own capital.....	218
18.1	Accounting policies.....	218
18.2	Share capital.....	218
18.3	Net result per share.....	218
18.4	Reserves and other adjustments.....	219
18.5	Exchange rate reserve variations.....	219
18.6	Non-controlling interest.....	219
19	Provisions, contingent assets and liabilities.....	220

19.1	Accounting policies.....	220
19.2	Estimates and judgments.....	220
19.3	Details and movements.....	220
20	Employee benefits.....	222
20.1	Accounting policies.....	222
20.2	Estimates and judgments.....	224
20.3	Details and movements.....	224
21	Accrued expenses for contractual investment.....	226
21.1	Accounting policies.....	226
21.2	Details and movements.....	227
22	Investment subsidies.....	227
22.1	Accounting policies.....	227
22.2	Details and movements.....	227
23	Loans.....	228
23.1	Accounting policies.....	228
23.2	Details and movements.....	229
24	Trade payables and other liabilities.....	231
24.1	Accounting policies.....	231
24.2	Details.....	231
25	Financial instruments by IFRS 9 category.....	232
26	Revenue from contracts with customers.....	233
26.1	Accounting policies.....	233
26.2	Detail.....	234
27	Costs of sales.....	235
28	Supplies and external services.....	236
28.1	Accounting policies.....	236
28.2	Details.....	236
29	Personnel costs.....	236
29.1	Accounting policies.....	236
29.2	Detail.....	237
30	Financial year amortisations, depreciations and reversals.....	238
31	Financial year provisions and reversals.....	238
32	Financial year impairment losses and reversals.....	238
33	Other operating expenses and losses.....	239
34	Other operating income and gains.....	239
35	Financial costs.....	240
36	Financial income.....	241
37	Income tax.....	241
37.1	Accounting policies.....	241
37.2	Detail and movement.....	242
38	Balances and transactions with related parties.....	247
38.1	Related parties.....	247
38.2	Balances and transactions with related parties.....	247
39	Contractual investment.....	248
40	Auditor and statutory audit fees.....	248
41	Other matters – COVID-19.....	248

Consolidated statement of financial position

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

The Board of Directors

José Carlos Athaíde dos Remédios Furtado (Executive Chair)
 José Manuel Leitão Sardinha (Executive Vice-Chair)
 Carla da Conceição Afonso Correia (Executive Director)
 Catarina Isabel Clímaco Monteiro d'Oliveira (Executive Director)
 João Pedro Moura Castro Neves (Executive Director)
 Jaime Serrão Andrez (Non-Executive Director)

The Chartered Accountant

Carla Isabel Costa Pinto Ribeiro

Consolidated income statement by type

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

The Board of Directors

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 statement of comprehensive income

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

The Board of Directors

José Carlos Athaíde dos Remédios Furtado (Executive Chair)
 José Manuel Leitão Sardenha (Executive Vice-Chair)
 Carla da Conceição Afonso Correia (Executive Director)
 Catarina Isabel Clímaco Monteiro d'Oliveira (Executive Director)
 João Pedro Moura Castro Neves (Executive Director)
 Jaime Serrão Andrez (Non-Executive Director)

The Chartered Accountant

Carla Isabel Costa Pinto Ribeiro

Consolidated statement of changes in own capital

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

The Board of Directors

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 cash flow statement

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

The Board of Directors

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

Notes to the consolidated financial statements

1. General information

1.1 Company Identification

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

The following are AdP shareholders:

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

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

1.2 Economic activities

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

The prevailing business is based on three management models:

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

1.2.1 Regulated activities (licensed, in partnership and delegated)

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

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

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

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

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

Water - production and purification - bulk licenses and partnerships

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

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

Water - distribution and collection - retail partnerships

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

EPAL

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

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

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

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

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

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

1.2.2 Non-regulated activities

International

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

Corporate services

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

1.3 Approval of financial statements

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

2. Relevant accounting policies, judgements and estimates

2.1 Basis for presentation

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

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

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

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

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

2.2 Consolidation

2.2.1. Consolidation perimeter

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

Company	Head office	% of subscribed capital	% of effective capital	% of paid-up capital	Share capital	Own capital	Net profit for the period	
Water and wastewater treatment								
Águas do Algarve, S.A.	Faro	54.44%	54.44%	54.44%	EUR	29 825 000	30 556 589	365 764
Águas do Centro Litoral, S.A.	Coimbra	60.33%	62.77%	60.71%	EUR	39 974 969	102 292 938	1 548 134
Águas do Douro e Paiva, S.A.	Porto	51.00%	51.00%	51.00%	EUR	20 902 500	30 558 371	753 707
Águas do Norte, S.A.	Vila Real	68.73%	72.50%	70.61%	EUR	108 095 468	273 448 103	4 199 668
Águas de Santo André, S.A.	Vila Nova de Santo André	100.00%	100.00%	100.00%	EUR	1 000 000	29 691 248	5 221 976
AgdA - Águas Públicas do Alentejo, S.A.	Beja	51.00%	51.00%	51.00%	EUR	9 053 000	10 775 163	622 714
Águas do Alto Minho, S.A.	Viana do Castelo	51.00%	51.00%	51.00%	EUR	3 600 000	3 874 308	195 713
Águas do Tejo Atlântico, S.A.	Lisbon	50.68%	51.61%	51.83%	EUR	113 527 680	115 776 448	3 750 162
Águas do Vale do Tejo S.A.	Guarda	68.74%	68.27%	68.74%	EUR	83 759 578	211 138 070	3 131 675
SIMARSUL, S.A.	Quinta do Conde	51.00%	51.43%	51.00%	EUR	25 000 000	67 845 701	943 070
SIMDOURO, S.A.	Vila Nova de Gaia	58.52%	58.61%	58.52%	EUR	20 046 075	32 692 570	707 632
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	51.00%	51.00%	51.00%	EUR	17 500 000	18 745 081	600 372
EPAL, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	150 000 000	654 147 671	49 659 244
International								
AdP Internacional, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	175 000	238 429	38 215
AdP Timor-Leste, Lda.	East Timor	100.00%	100.00%	100.00%	USD	5 000	(502 712)	1 759
Águas do Brasil, S.A.	Rio de Janeiro - Brazil	100.00%	100.00%	100.00%	BRL	2 050 100	(1 331 794)	-
Aquatec, Lda.	Maputo - Mozambique	100.00%	100.00%	100.00%	MZN	2 476 580	(67 796 195)	(1 588 447)
Corporate								
AdP Valor S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	50 000	16 437 820	895 104
AdP Energias, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	1 250 000	798 848	(241 642)

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

2.2.2. Financial statements reference date

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

2.2.3. Shareholdings in subsidiaries

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

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

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

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

Acquisitions subsequent to 2010:

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

Acquisitions prior to 2010:

Main differences:

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

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

2.2.4 Balances and transactions

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

2.2.5 Non-controlling interest

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

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

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

2.2.6 Loss of control or significant influence

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

2.3 Foreign Exchange

2.3.1 Functional and presentation currency

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

2.3.2 Transactions and balances in foreign currencies

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

2.3.3 Group companies

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

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

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

2.3.4 Exchange rates used

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

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

Source: Bank of Portugal

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

2.4.1 Infrastructure classification

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

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

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

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

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

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

2.4.2 Recognition and measurement

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

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

2.4.3 Amortisations

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

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

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

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

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

2.4.4 Accrued expenses for contractual investment

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

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

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

2.4.5 Cost recovery deviation (tariff deficit/surplus)

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

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

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

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

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

2.4.6 Revenue – construction services

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

2.5 Estimates and judgments

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

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

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

2.6 Subsequent events

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

3. New standards and changes in policies

3.1 Voluntary changes in accounting policies

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

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

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

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

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

3.3 New standards and interpretations already issued but not yet mandatory

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

Already endorsed by the EU

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

Not yet endorsed by the EU

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

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

3.4 Standards under review

IFRS 14 Deferral accounts related to regulated activities

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

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

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

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

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

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

4. Information by business area

4.1 Accounting policies

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

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

Water and wastewater sanitation

II – Regulated activities “delegated for indefinite terms”

EPAL – production and distribution of water

III – International activities

International – includes consulting operations by AdP Internacional outside of Portugal

IV – Corporate activities

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

4.2 Information by area

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

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

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

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

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

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

5. Risk management policies

5.1 Risk factors

AdP Group business operations are exposed to a number of financial risk factors: credit risk, liquidity risk and cash flow risk (associated with the interest rate). AdP Group has correspondingly developed and implemented a risk management program which, in addition to constantly monitoring the financial markets, seeks to minimise potential adverse effects on the financial performance of AdP and its subsidiaries. Risk management is the responsibility of the central treasury department according to the policies approved by the Board of Directors. The treasury department identifies, assesses and undertakes operations designed to minimise financial risks in close cooperation with the AdP Group operational units. The Board of Directors drafts the principles for risk management as a whole as well as policies covering specific areas such as currency conversion risks, interest rate risks, credit risks, recourse to derivatives, other non-structured instruments and the investment of surplus liquidity. The Board of Directors is responsible for establishing the general risk management principles and also the exposure limits. All transactions undertaken using derivatives require the prior approval of the Board of Directors and the ministry, which both sets the parameters for each transaction and approves the formal documents describing the specific objectives.

5.2 Market risks

5.2.1 Interest rate risks

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

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

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

5.2.2 Exchange rate risks

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

5.2.3 Raw material price risks (energy and fuels)

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

5.3 Liquidity and capital risks

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

note	< 1 year	1 to 5 years	> 5 years
<i>Liabilities</i>			
Financing EIB	103 486 932	459 180 663	749 732 694
Bond financing	157 292 140	228 830 825	160 382 671
Net amount	260 779 072	688 011 488	910 115 365

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

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

(‘000 EUR)

The year the period the interest rate currently in force ends	Amount outstanding at 31.12.2021 (note 23)	Capital value in the rate setting year
2022	36 720	1 754
2023	7 596	6 541
2024	-	-
2025	685 234	491 020
2026	72 936	40 366
2027	68 363	30 274
2028	7 000	-
2029	176 038	73 062
2030	77 580	-
2040	30 000	-
	1 161 467	643 017

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

In September 2017, AdP SGPS entered into a 25-year, EUR 220 million (tranche A) financing agreement with the European Investment Bank under a EUR 420 million credit facility approved in July 2017 by the Board of Directors of this financial institution. In addition, on 31 July 2019, the AdP Group formally took up the remaining EUR 200 million (tranche B) that may serve as funding for the termination of debt regularising agreements reached between the AdP Group and its municipal clients under the auspices of Decree Law no. 5/2019, of January 14. As at 31 December 2021, the Group has drawn down EUR 30 million of tranche A and EUR 41.8 million of tranche B.

In view of the above, as well as recurring operating assets, AdP does not foresee difficulties in fulfilling its financial commitments. Particularly for short term bank loans, AdP has immediate liquidity to cover the entire debt service forecast for the next 12 months.

Contracted short term credit lines

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

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

AdP Group policy is to have the parent company, AdP, contract loans with financial corporations (with the exception of investment loans) before, in turn, making loans to its subsidiaries. This policy aims to optimise the capital structure for greater tax efficiency while also reducing the average cost of capital.

	note	31.12.2021	31.12.2020
Non-current loans	23.2	1 468 847 965	1 705 786 127
Current loans	23.2	236 937 980	80 579 663
Capital reconstitution fund	11.2	(21 222 798)	(23 360 682)
Availabilities	17.2	(323 290 474)	(255 790 943)
Lease liabilities (*)		2 123 610	6 799 407
Net debt		1 363 396 283	1 514 013 572
Investment subsidies	22.2	1 445 287 330	1 484 046 405
Total own capital (without minority interests)		1 442 840 097	1 385 322 840
Capital and subsidies		2 888 127 427	2 869 369 245
Debt/Total capital		0.47	0.53

(*) Refers only to leasing with financial entities

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

5.4 Credit risk

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

Operating counterparty

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

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

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

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

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

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

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

The credit risk associated with these customers is considered medium (except in the state and public sector where the risk is considered low) as supply through the retail distribution network allows for delivery to be cut off in case of default in the timely payment of invoices by customers. Notwithstanding, for customers supplied through the retail distribution network there are two segments to consider: **(i)** supply through the retail network under Partnerships, in which the losses for customer credit risks are offset by the Cost Recovery Deviation; and **(ii)** other supplies through the retail network in which failure to pay invoices on time results

in an asset loss. For this second segment, expected impairment losses are recognised according to the expected loss. For the debt resulting from supply through the retail distribution network, the expected loss is determined as follows: i) for invoices that are more than six months past due, 100% impairment is applied (legal prescription for invoices more than six months past due); ii) for invoices issued but not yet due or less than six months past due, the percentage of the historical loss is applied and increased to include the "forward looking" effect.

vi. Large industrial clients and other entities:

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

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

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

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

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

31.12.2021	Institutions, companies supplied by the bulk distribution network				Households, institutions, the state and public sector and companies supplied by the retail distribution network				Large industrial clients and other entities			
	Gross exposure	Impairment	% loss	Net exposure	Gross exposure	Impairment	% loss	Net exposure	Gross exposure	Impairment	% loss	Net exposure
Not yet due	13 669 276	-	0%	13 669 276	20 308 495	(259 296)	-1%	20 049 199	6 540 942	-	0%	6 540 942
Due for less than 180 days	650 841	-	0%	650 841	8 916 717	(251 017)	-3%	8 665 700	1 452 908	-	0%	1 452 908
Due for more than 180 days	3 372 825	(477 839)	-14%	2 894 986	22 060 415	(18 617 024)	-84%	3 443 391	15 505 028	(14 962 362)	-97%	542 666
	17 692 942	(477 839)	-3%	17 215 103	51 285 627	(19 127 337)	-37%	32 158 290	23 498 878	(14 962 362)	-64%	8 536.516

Deposit Counterparty

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

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

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

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

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

5.5 Operating risks

5.5.1 Catastrophe risk

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

5.5.2 Regulatory risk

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

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

6. Intangible Assets

6.1 Accounting policies

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

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

Other intangible assets

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

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

Impairment

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

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

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

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

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

Determining the recoverable amount of assets

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

Reversal of impairment losses

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

6.2 Estimates and judgments

Useful life

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

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

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

Impairment

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

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

6.3 Detail and movement

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

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

The Group does not recognise internally generated intangible assets.

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

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

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

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

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

Increases per company:

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

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

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

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

7. Tangible fixed assets

7.1 Accounting policies

Recognition and measurement

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

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

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

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

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

Depreciations

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

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

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

Land is not subject to depreciation.

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

Impairment

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

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

Determining the recoverable amount of assets

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

Reversal of impairment losses

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

Derecognition

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

7.2 Estimates and judgments

Useful life

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

Impairment

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

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

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

7.3 Details and movements

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

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

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

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

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

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

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

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

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

Increases per company:

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

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

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

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

8. Leases

8.1 Accounting policies

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

The AdP Group has leases as both lessee and lessor:

a) Identification of a lease

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

- 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 usage of the identified asset.

Separate components of a contract

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

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

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

Lease term

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

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

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

b) Accounting for lessees

Recognition and initial measurement of the rental contract:

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

Initial measurement of right-of-use assets

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

Initial measurement of lease liability

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

Future lease payments are discounted using the following interest rate:

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

Subsequent lease measurement

Subsequent measurement of right-of-use assets

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

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

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

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

Subsequent measurement of lease liabilities

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

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

Practical arrangements used by the AdP Group as a lessee

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

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

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

C) Accounting for lessors

Leases are accounted for as finance leases or operating leases:

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

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

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

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

The AdP Group is a lessor only in operating leasings.

8.2 Right-of-use assets

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

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

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

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

8.3 Lease liabilities

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

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

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

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

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

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

8.4 Leasing payments

i) As lessee

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

ii) As lessor

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

9. Investment properties

9.1 Accounting policies

Recognition and measurement

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

Depreciations

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

Derecognition

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

Impairment and fair value

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

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

9.2 Detail and movement

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

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

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

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

Fair value

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

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

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

10. Financial investments in associated companies

10.1 Accounting policies

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

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

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

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

(a) Companies without any operational activities

10.2 Details and movements

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

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

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

11. Other financial assets

11.1 Accounting policies

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

11.2 Details

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

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

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

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

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

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

12. Cost recovery deviation (tariff deficit/surplus)

12.1 Accounting policies

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

12.2 Estimates and judgments

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

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

12.3 Details and movements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Clients

13.1 Accounting policies

Classification

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

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

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

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

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

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

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

Evaluation of the business model for financial asset management

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

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

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

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

Initial recognition

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

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

Subsequent measurement

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

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

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

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

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

Credit written off from assets

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

Impairment of financial assets

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

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

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

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

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

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

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

Re-classification between financial instrument portfolios

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

Derecognition policy

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

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

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

13.2 Estimates and judgments

Impairment of financial assets

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

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

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

13.3 Details and movements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Other assets

14.1 Accounting policies

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

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

14.2 Details and movements

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

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

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

a) Investment subsidies

Amounts receivable from the Cohesion Fund

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

Cohesion Fund reconciliation

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

i) Receivables

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

b) State and other public entities

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

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

c) Other asset impairment losses

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

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

15. Inventories

15.1 Accounting policies

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

15.2 Detail and movement

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

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

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

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

16. Financial assets at fair value through other comprehensive income

16.1 Accounting policies

Classification

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

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

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

Initial recognition

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

Subsequent measurement

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

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

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

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

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

16.2 Estimates and judgments

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

16.3 Detail

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

i) By Group company

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

ii) By client

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

(i) DSAs granted in 2021

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

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

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

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

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

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

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

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

17. Cash and cash equivalents

17.1 Accounting policies

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

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

17.2 Details

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

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

18. Own capital

18.1 Accounting policies

Classification

An instrument is classified as an own capital instrument:

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

Share capital

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

Dividends

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

18.2 Share capital

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

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

18.3 Net result per share

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

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

18.4 Reserves and other adjustments

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

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

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

18.5 Exchange rate reserve variations

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

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

18.6 Non-controlling interest

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

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

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

19. Provisions, contingent assets and liabilities

19.1 Accounting policies

Provisions

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

Provisions for future operating losses are not recognised.

Contingent liabilities

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

Contingent assets

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

19.2 Estimates and judgments

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

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

19.3 Details and movements

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

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

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

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

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

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

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

Ongoing legal actions

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

Guarantees

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

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

Contingent Assets

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

20. Employee benefits

20.1 Accounting policies

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

Defined contribution plan

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

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

Defined benefits plan

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

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

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

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

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

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

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

Pension fund investment policy

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

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

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

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

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

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

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

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

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

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

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

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

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

20.2 Estimates and judgments

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

20.3 Details and movements

Fund summary

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

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

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

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

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

Post-employment benefits - defined benefit plan

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

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

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

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

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

Sensitivity analysis

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

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

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

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

Cost for the period

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

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

Fund asset composition

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

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

Post-employment benefits - defined contribution plan

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

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

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

21. Accrued expenses for contractual investment

21.1 Accounting policies

See the accounting policy in note 2.4.4.

21.2 Details and movements

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

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

Movements in the period

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

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

22. Investment subsidies

22.1 Accounting policies

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

22.2 Details and movements

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

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

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

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

Recognition of the right to funding

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

Amounts recognised in the results

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

23. Loans

23.1 Accounting policies

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

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

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

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

Loans obtained

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

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

Re-classification between categories of financial instruments

Financial liabilities cannot be reclassified between categories.

23.2 Details and movements

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

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

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

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

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

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

Movements in loans obtained

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

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

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

Loans by maturity

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

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

Loans per rate type

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

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

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

Fair value

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

24. Trade payables and other liabilities

24.1 Accounting policies

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

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

24.2 Details

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

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

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

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

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

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

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

25. Financial instruments by IFRS 9 category

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

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

26. Revenue from contracts with customers

26.1 Accounting policies

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

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

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

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

Revenues are determined and recognised as follows:

Services provided

Regulated activities - Bulk services - wastewater treatment and partnerships

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

Unregulated activities

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

Sales of goods

Regulated activities - Bulk services - Water supply

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

Regulated activities - Retail services - Partnerships

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

Regulated activities - Retail services - delegated management

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

CTA - Additional Tariff Component

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

Environmental Fund

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

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

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

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

Construction services

See accounting policy described in note 2.4.6.

26.2 Detail

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

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

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

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

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

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

27. Costs of sales

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

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

28. Supplies and external services

28.1 Accounting policies

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

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

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

28.2 Details

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

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

29. Personnel costs

29.1 Accounting policies

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

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

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

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

29.2 Detail

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

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

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

Remuneration of AdP Governing Bodies

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

Average number of employees

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

30. Financial year amortisations, depreciations and reversals

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

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

31. Financial year provisions and reversals

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

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

32. Financial year impairment losses and reversals

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

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

33. Other operating expenses and losses

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

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

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

(ii) Direct and indirect taxes

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

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

34. Other operating income and gains

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

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

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

35. Financial costs

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

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

(i) Interest incurred

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

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

(ii) Other financial costs

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

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

36. Financial income

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

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

(i) Interest received

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

(ii) Penalty interest (by Group company)

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

37. Income tax

37.1 Accounting policies

Tax on earnings

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

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

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

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

Deferred tax

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

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

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

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

37.2 Detail and movement

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

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

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

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

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

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

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

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

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

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

	31.12.2019			Increases/Reversals in Results (Note 46)			Increases/ Reversals in Reserves			Reclassifications/ Settlements			Rate Adjustment (In Results) (Note 47)	31.12.2020		
	Basis	Rate	Tax	Basis	Rate	Tax	Basis	Rate	Tax	Basis	Rate	Tax		Basis	Rate	Tax
DEFERRED TAX ASSETS																
Losses carried forward	1 438 828	21.00%	302 154	(1 063 878)	21.00%	(223 414)	-	-	-	-	-	-	-	374 950	21.00%	78 739
Tariff deviation	55 360 530	26.52%	14 683 507	16 454 839	25.62%	4 215 797	-	-	(5 135 161)	0.00%	-	(13 483)	(13 483)	66 680 208	28.32%	18 885 820
IFRIC 12 Effect																
IFRIC 12 Effect (Transition) - fixed amortisation investment	21 849 320	26.22%	5 729 106	330 611	26.21%	86 653	-	-	-	-	-	14 112	14 112	22 179 931	26.28%	5 829 871
IFRIC 12 Effect (Transition) - fixed subsidy investment	17 666 911	25.82%	4 561 870	-	-	-	-	-	-	-	-	34 276	34 276	17 666 911	26.02%	4 596 146
IFRIC 12 Effect (Transition) - future amortisation investment	277 976 231	25.65%	71 288 151	(2 418 757)	25.17%	(608 843)	-	-	-	-	-	(167 868)	(167 868)	275 557 474	25.59%	70 511 440
IFRIC 12 Effect (Transition) - future subsidy investment	12 677 418	25.72%	3 260 452	(481 266)	25.86%	(124 459)	-	-	-	-	-	12 603	12 603	12 196 152	25.82%	3 148 596
IFRIC 12 Effect for the Period - IFRIC 12 amortisation VS tax amortisation	104 608 256	25.25%	26 411 971	7 426 029	25.14%	1 866 666	-	-	-	-	-	(623)	(623)	112 034 285	25.24%	28 278 014
IFRIC 12 Effect for the Period - future investment	372 861 207	25.82%	96 264 370	51 067 328	25.81%	13 180 508	-	-	-	-	-	233 588	233 588	423 928 535	25.87%	109 678 466
IFRIC 12 Effect for the Period - IFRIC 12 subsidy VS tax subsidy	10 586 602	24.78%	2 623 018	709 062	23.33%	165 434	-	-	-	-	-	11	11	11 295 664	24.69%	2 788 463
Differences in amortisation - accounting VS tax	5 416 754	22.50%	1 218 770	385 240	22.50%	86 679	-	-	-	-	-	-	-	5 801 994	22.50%	1 305 449
IFRIC 12 Effect others	38 449 201	25.99%	9 991 196	2 486 193	26.17%	650 637	-	-	-	-	-	-	-	40 935 394	26.00%	10 641 833
Provisions																
Impairment losses	6 900 223	28.46%	1 963 930	908 722	29.35%	266 699	-	-	-	-	-	(712)	(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)	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)	(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	62 608	1 003 545 626	25.86%	259 543 731
DEFERRED TAX LIABILITIES																
Tariff deviation	(668 189 824)	25.80%	(172 381 985)	38 896 718	26.21%	10 195 684	(256 241)	22.50%	(57 654)	5 135 161	0.00%	-	(653 728)	(624 414 186)	26.09%	(162 897 684)
IFRIC 12 Effect																
IFRIC 12 Effect (Transition) - fixed amortisation investment	(12 774 076)	26.00%	(3 321 260)	751 416	26.00%	195 368	-	-	-	-	-	-	-	(12 022 660)	26.00%	(3 125 892)
IFRIC 12 Effect (Transition) - fixed subsidy investment	(4 743 181)	25.71%	(1 219 283)	216 993	26.21%	56 874	-	-	-	-	-	1 614	1 614	(4 526 189)	25.65%	(1 160 796)
IFRIC 12 Effect (Transition) - future amortisation investment	(111 877 547)	25.55%	(28 589 922)	4 443 510	25.89%	1 150 585	-	-	-	-	-	(126 238)	(126 238)	(107 434 037)	25.66%	(27 565 574)
IFRIC 12 Effect (Transition) - future subsidy investment	(62 901 587)	25.65%	(16 131 992)	2 242 474	25.54%	572 638	-	-	-	-	-	71 103	71 103	(60 659 112)	25.53%	(15 488 251)
IFRIC 12 Effect for the Period - IFRIC 12 subsidy VS tax subsidy	(20 078 316)	22.28%	(4 473 481)	(3 100 478)	24.93%	(773 059)	-	-	-	-	-	1 975	1 975	(23 178 794)	22.63%	(5 244 565)
IFRIC 12 Effect for the Period - future subsidy	(17 562 150)	25.74%	(4 520 543)	(2 763 220)	26.10%	(721 303)	-	-	-	-	-	(12 737)	(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	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)	(612 175)	36 741 143	13.87%	5 094 569

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

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

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

38. Balances and transactions with related parties

38.1 Related parties

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

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

38.2 Balances and transactions with related parties

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

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

39. Contractual investment

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

	Contractual investment	Investment already made	Investment in progress	Contractual investment not carried out (N+1)	Contractual investment not carried out (N+2 .. N+5)	Contractual investment not carried out (>N+5)
December 2021	7 957 674 488	5 731 554 871	213 793 147	233 538 707	457 986 884	1 327 115 691
	7 957 674 488	5 731 554 871	213 793 147	233 538 707	457 986 884	1 327 115 691
	Contractual investment	Investment already made	Investment in progress	Contractual investment not carried out (N+1)	Contractual investment not carried out (N+2 .. N+5)	Contractual investment not carried out (>N+5)
December 2020	7 938 774 015	5 631 123 485	197 094 947	201 633 720	490 001 109	1 418 920 762
	7 938 774 015	5 631 123 485	197 094 947	201 633 720	490 001 109	1 418 920 762

40. Auditor and statutory audit fees

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

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

41. Other matters – COVID-19

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

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

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

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

• **Assets**

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

• **OC/BT ratio**

- **As for business turnover**

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

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

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

- **As regards operating costs**

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

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

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

• **Debt variation ratio**

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

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

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

Lisbon, 26 April 2022

The Board of Directors



José Carlos Athaíde dos Remédios Furtado
(Executive Chair)



José Manuel Leitão Sardinha
(Executive Vice-Chair)



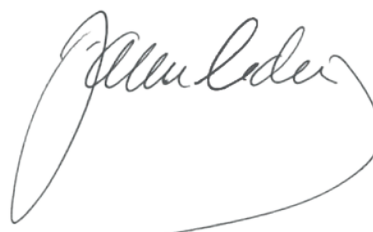
Carla da Conceição Afonso Correia
(Executive Director)



Catarina Isabel Clímaco Monteiro d'Oliveira
(Executive Director)

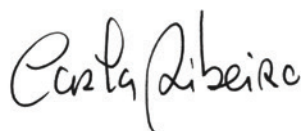


João Pedro Moura Castro Neves
(Executive Director)



Jaime Serrão Andrez
(Non-Executive Director)

The Chartered Accountant



Carla Isabel Costa Pinto Ribeiro

Report and opinion of the Audit Board

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

REPORT

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

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

equipment and cleaning services.

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

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

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

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

OPINION

In accordance with that stated above, the Supervisory Board hereby concurs with the 2020 Management Report and Consolidated Accounts of AdP - Águas de Portugal, SGPS, SA, granting a favourable opinion that they be approved by the General Meeting.

Lisbon, 27 April 2022

ON BEHALF OF THE SUPERVISORY BOARD

Carla Maria Lamego Ribeiro
Digitally signed by Carla Maria Lamego Ribeiro
Date: 2022.04.27
17:51:45 +01'00'

Carla Maria Lamego Ribeiro
(President)

Relatório e Parecer do Conselho Fiscal



RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE OS DOCUMENTOS DE PRESTAÇÃO DE CONTAS CONSOLIDADAS

A. 2

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 2021.
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, do Auditor externo, da Diretora Financeira e da Diretora de Regulação, Planeamento e Controlo de Gestão. O Conselho Fiscal obteve todos os esclarecimentos solicitados e 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 & Contas de 2021 apresenta informação relativa ao cumprimento de objetivos de sustentabilidade, não obstante a análise completa para o Grupo neste âmbito beneficiar da apresentação do Relatório de Sustentabilidade relativo a 2021, revelando-se o cumprimento material daqueles.
6. Foi dado cumprimento ao artigo 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 2021, informação referente ao desempenho e evolução da sociedade quanto a questões

1/5



ambientais, nomeadamente o combate às alterações climáticas, sociais e relativas aos trabalhadores, igualdade de género, não discriminação, respeito pelos direitos humanos e combate à corrupção.

7. No mesmo sentido observou-se o cumprimento, na parte respeitante à prestação de contas anual aqui sujeitas a análise, das obrigações de divulgação estabelecidas no artigo 44.º do Decreto-Lei n.º 133/2013, de 3 de outubro.
8. O Conselho Fiscal teve conhecimento do teor das certificações de contas relativas às empresas participadas não tendo chegado ao seu conhecimento situações de incumprimento materialmente relevantes que não tenham sido objeto de correção no exercício de consolidação de contas.
9. Tomou igualmente conhecimento do Relatório emitido pelos Auditores Externos sobre as contas consolidadas, nada havendo a objetar quanto ao seu conteúdo.
10. O Conselho Fiscal apreciou a Certificação Legal das Contas Consolidadas, emitida nos termos da legislação em vigor pelo Revisor Oficial de Contas, a qual integra as matérias relevantes de auditoria e os outros requisitos legais, que aqui se dão como reproduzidos e que mereceu o seu acordo.
11. No que respeita ao cumprimento da legislação vigente, designadamente à aplicação do Código dos Contratos Públicos, foi o Conselho Fiscal informado do cumprimento integral do mesmo por parte das empresas instrumentais e operacionais do Grupo AdP. Salienta-se que se encontra implementado o Manual de Procedimentos de Contratação Pública, elaborado no ano de 2019, que visa uniformizar processos e garantir a observância dos requisitos legais e das orientações internas.
12. Durante o ano de 2021, o Grupo AdP desenvolveu investimentos no valor de 155,8M€, dos quais 139,5M€ (71M€ em investimento novo e 68,5M€ em reabilitação/substituição) referentes a construção ou remodelação de infraestruturas de abastecimento de água (70,2M€) e de saneamento de água residuais (69,3M€). Constata-se que os investimentos efetuados no ano tiveram um aumento de 15%, face ao ano de 2020.
13. Relativamente ao rácio de eficiência operacional, Gastos Operacionais/Volume de Negócios (GOVN), este regista uma melhoria, de 0,2 p.p. passando de 46,2% em 31-12-2020 para 46% em 31-12-2021. Salienta-se que o valor deste rácio, encontra-se expurgado do impacto da pandemia associada ao vírus SARS-COV-2 (COVID19), por via da aplicação dos necessários ajustamentos, quer ao nível do Volume de Negócios, quer ao nível de gastos operacionais,

2/5



conforme orientações emanadas pela Direção Geral do Tesouro e Finanças (DGTF). Quando excluídos os ajustamentos efetuados em cumprimento das orientações acima identificadas, o rácio cifra-se nos 47,4%, idêntico ao do ano de 2020.

14. O resultado líquido do ano de 2021, foi de cerca de 83,3 M€, verificando-se um crescimento de 6,0% (4,7M€) relativamente ao exercício anterior, encontrando-se este influenciado por: i) redução dos gastos financeiros; ii) efeito da descida da taxa das Obrigações do Tesouro a 10 anos do Estado Português, indexante utilizado para a determinação dos Resultados Líquidos dos Sistemas Multimunicipais e Parcerias Estado-Autarquias, passando de 0,41%, em 2020 para 0,30%, em 2021.
15. O Volume de Negócios (VN) ascendeu aos 725,2M€ (399,8M€ vendas e 325,4M€ prestações de serviços) verificando-se um aumento em cerca de 1,4% (9,9M€), face ao período homólogo de 2020, explicado por um aumento generalizado do VN de quase todas as participadas, no entanto, verifica-se um decréscimo em algumas empresas operacionais do grupo, nomeadamente na EPAL S.A. (-0,3M€), e Águas do Douro e Paiva S.A. (-1,77M€) relacionada com a redução das atividades económicas devido à pandemia associada ao vírus SARS-COV-2 e das Águas do Tejo Atlântico, S.A. (-0,78M€). O somatório do VN destas empresas representa, em 2021, 35% do VN do grupo, enquanto que no ano de 2020 estas representavam cerca de 35,9% do VN do grupo.
16. O Grupo AdP, no ano de 2021, registou um incremento (3M€) dos Gastos com o Pessoal face a 2020, resultante essencialmente do aumento do número de colaboradores, passando este a ser de 3501, a regularização pontual de situações decorrentes e previstas no ACT, do aumento dos gastos com horas extraordinárias e com equipamentos de proteção individual, no âmbito da pandemia COVID19 e das medidas decorrentes dos planos de contingência implementados nas empresas do Grupo nomeadamente gastos com fardamento, aquisição de equipamentos de proteção e segurança ou de serviços de limpezas.
17. O Conselho Fiscal destaca a ligeira redução, face a 2020, do saldo bruto da dívida de clientes (-8,6%), alcançando esta em 2021 um valor de 361,2 milhões de euros, dos quais, 256 M€ são referentes a dívida de autarquias locais, serviços municipalizados e intermunicipalizados e empresas municipais e intermunicipais, verificando-se aqui uma redução de 13,5% (-40,1M€). Consta-se que o Grupo AdP deu continuidade ao esforço de recuperação e titularização da dívida dos municípios e das empresas municipais de abastecimento e saneamento, verificando-se que a dívida vencida no próprio ano reduziu em cerca de 25% (-7,5M€).

18. Deve ser relevado que a consolidação das operações do grupo favoreceu a evolução positiva do desvio de recuperação de gastos, atingindo em 2021 um superavit de 58,9ME. Não obstante o registo deste agregado, assinala-se que o desvio tarifário que se cifrou, no final do exercício, em 590,7ME, deverá continuar a merecer a melhor atenção por parte do órgão de administração atenta a respetiva materialidade.

19. Destaca-se ainda no corrente exercício a consolidação da gestão financeira do grupo por via da política implementada, assente na contratação de empréstimos ao nível da empresa-mãe, a AdP, SGPS, S.A., que por sua vez concede empréstimos às suas subsidiárias. Esta gestão financeira centralizada tem vindo sustentadamente a reduzir o rácio de endividamento líquido sobre o EBITDA ajustado, em termos consolidados, reduzindo este de 4 no ano de 2020 para 3,6, em 2021.

Constata-se igualmente a diminuição do endividamento bruto, face a 2020, em cerca de 85ME, bem como dos gastos financeiros em mais de 10,5% (3,9ME), contrapondo com um aumento dos rendimentos financeiros de cerca de 10,3% (1,4ME).

20. Verificou-se em 2021, comparativamente a 2020, um ligeiro aumento dos gastos com Fornecimentos e Serviços Externos (FSE) em cerca de 1,5 milhões de euros, embora se tenha verificado uma redução substancial dos gastos com eletricidade (-17% → 12,1 ME), resultado da adoção de medidas de eficiência energética no âmbito do Plano de Eficiência e Produção de Energia (PEPE), visando a redução dos consumos, dos gastos e o aumento da produção própria de energia para autoconsumo, o que permite minimizar o impacto do aumento dos preços da eletricidade.

O aumento dos FSE resulta essencialmente do acréscimo do gasto com a Conservação e reparação de 4,4 milhões de euros (+11,6%), explicado pela reabilitação e remodelação das infraestruturas do grupo, do Tratamento de resíduos, lamas e efluentes em 2,7 milhões de EUR (+16,3%) nomeadamente com o tratamento de lamas, dos Estudos, Consultorias e Auditorias em 1,2ME (1,2%) e o acréscimo dos gastos com limpeza e desinfestação das infraestruturas (0,9ME), e dos gastos com trabalho temporário (0,4ME), devido ao efeito COVID.

21. Constatou este Conselho Fiscal que no ano de 2021 foi concluída a primeira fase do projeto de implementação do Sistema de Controlo Interno (SCI) do Grupo, assente na metodologia internacionalmente aceite do Committee of Sponsoring Organizations of the Treadway Commission (COSO), e entende que deve ser mantida entre as ações prioritárias e merecedoras de um crescente esforço a continuidade dos trabalhos em curso tendentes à implementação das fases remanescentes do SCI transversal ao Grupo, de modo a que seja prosseguida uma maior maturidade do controlo interno existente, por via do efetivo reconhecimento dos controlos já existentes capazes de responder aos riscos identificados,

4/5



beneficiando da sinergia que decorre da existência de sistemas de informação comuns e do recurso a uma visão transversal de todo o controlo interno.

22. Em consequência do trabalho desenvolvido, o Conselho Fiscal considera que o Relatório do Conselho de Administração e as Demonstrações Financeiras consolidadas (as quais compreendem a Demonstração consolidada da posição financeira em 31 de dezembro de 2021, as Demonstrações consolidadas dos resultados por naturezas e do rendimento integral, a Demonstração consolidada das variações do capital próprio, a Demonstração consolidada dos fluxos de caixa do exercício findo naquela data e as Notas às Demonstrações Financeiras consolidadas) são adequados à compreensão da situação patrimonial do Grupo empresarial liderado pela AdP - Águas de Portugal, SGPS, SA em 31 de dezembro de 2021, e da forma como se formaram os resultados e se desenrolou a atividade.

23. O Conselho Fiscal salienta toda a colaboração que obteve do Conselho de Administração, do Revisor Oficial de Contas, do Auditor Externo e dos Serviços da AdP - Águas de Portugal, SGPS, SA.

PARECER

Em conformidade com o acima referido, o Conselho Fiscal dá a sua concordância ao Relatório de Gestão e Contas Consolidadas do exercício de 2021 da AdP - Águas de Portugal, SGPS, SA, dando o seu parecer favorável a que sejam aprovados pela Assembleia Geral.

Lisboa, 27 de abril de 2022,

Pelo Conselho Fiscal,
**CARLA
MARIA
LAMEGO
RIBEIRO**
Assinado de
forma digital por
CARLA MARIA
LAMEGO RIBEIRO
Dados: 2022.04.27
17:51:45 +01'00'
Carla Maria Lamego Ribeiro
(Presidente)

5/5



Legal Certification of the Accounts

Legal Certification of Accounts

Grant Thornton

Edifício Amadeo Souza Cardoso
Alameda António Sérgio, 22, 11.º
1495-132 Algés
T: + 351 214 123 520
E-mail: gt.lisboa@pt.gt.com

Avenida Arriaga, 90 – 1.º B
9000-064 Funchal
T: + 351 291 200 540
E-mail: gt.funchal@pt.gt.com

Avenida da Boavista, 1180, 4.º
4100-113 Porto
T: + 351 220 998 083
E-mail: gt.porto@pt.gt.com

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the attached consolidated financial statements of AdP - Águas de Portugal, SGPS, SA (the Group), which include the consolidated statement of the financial position as at 31 December 2021 (reporting a total of EUR 6,119,869,550 and total equity of EUR 1,770,472,933, including net income of EUR 83,284,856), the consolidated income statement by type, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended therein, and the accompanying notes to the consolidated financial statements, which includes a summary of the main accounting policies.

In our opinion, the attached consolidated financial statements present fairly and appropriately the consolidated financial position of AdP - Águas de Portugal, SGPS, SA in all material respects as at 31 December 2021 and its financial performance and consolidated cash flows for the year ended therein in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Accounting Standards (IAS) and the other technical and ethical standards and guidelines of the Order of Statutory Auditors. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of Financial Statements" below. We are independent of the Group as stipulated by the law and we further comply with the legal requirements of the Statutory Auditor code of ethics.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

Grant Thornton & Associados – SROC, Lda.
Member firm of Grant Thornton International Ltd
Share Capital: 31.400 Euros. Taxpayer / Registered under No. 502.266.784. Registered in the
Commercial Registry Office of Cascais
Registered with the Portuguese Association of Statutory Auditors under no. 87 and with the
C.M.V.M. (Portuguese Stock Market Authority) under no. 20161403

www.grantthornton.pt

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

- *Recognition and measurement of contractual investment*

The right to use infrastructures is amortised on a systematic basis in accordance with the scheduled receipt of economic benefits subject to approval by the Regulator.

These amortisations are calculated based on the flows (water and effluents) billed in any given year and the amounts to be billed through to the concession expiring, which are provided for in the Economic and Financial Feasibility Study attached to the concession agreement (EVEF) and the Tariff Design Budget (OPT) for the year.

In addition, in compliance with the provisions of the concession, the partnership management contracts and other regulatory rules, an estimated amount is recorded under expenses for the fiscal year to cover the liabilities related to contractual investments. These are also calculated based on the aforementioned EVEF, which also details the investment requirements.

These EVEFs and OPTs include a number of assumptions regarding both the level of future concession / partnership activity and the investment requirements thus reflecting an area involving substantial levels of judgment.

As regards this issue, notes 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.6, 6, 21.2, 22, 26, 27, 30 and 39 to the consolidated financial statements related to the disclosure of the accounting policies applied, as well as the estimates and critical accounting judgments made in the application of these accounting policies, provide further information.

Summary of the identified audit approach

Our approach to this risk included a number of procedures related to the internal and substantive controls, including:

- Contacts made with the Statutory Auditors of subsidiaries, obtaining and analysing the relevant documentation;
- Analysis of the consistency of the value of the contractual investment used to calculate the depreciation with the investment value stated in the EVEF approved by the Grantor;
- Comparison of the flows applied for the calculation of the amortisations with the information produced by the commercial department with tests carried out to guarantee the reliability of this information;
- Recalculating the aforementioned amortisations according to the established criteria;
- Obtaining and analysing the financial statements of subsidiaries and their Legal Certifications of Accounts;

Analysing the disclosures made in order to ensure they comply with the provisions of all applicable accounting standards.

Most significant risks of material distortion

- *Recognition and measurement of cost recovery deviations*

The Cost Recovery Deviations (CRD) correspond to the correction (positive in the case of default, negative in the case of surplus) to be recorded in regulated activity revenues to ensure this revenue complies with the provisions of the various concession / partnership agreements, specifically as regards fully recovering all expenditure (including tax on collective income) and the annual compensation guaranteed to shareholders.

As mentioned in Note 2.4.5 to the consolidated financial statements, the CRD estimate is determined on an annual basis according to the best information available at the date of preparation of the financial statements, specifically the Budget and Tariff Project (OPT) and the management entity forecasts in accordance with the respective concession / partnership agreements, before delivering the CRD calculation to the Regulator for its approval.

As regards this issue, notes 2.4.5, 2.5, 12 and 26 to the consolidated financial statements detail the disclosure of the accounting policies applied, as well as the estimates and critical accounting judgments made in the application of these accounting policies, and provide further information.

- *Recoverability of the balances receivable from Municipalities*

As at 31 December 2021, the amount recorded in the Customers item referring to Municipalities amounted to EUR 224,468,118 and, as detailed in Note 13.3 of the notes to the financial statements, is composed of expired balances reflecting either the prevalence of financial difficulties at the Municipalities and/or the existence of divergences over the invoicing billed.

As a result of this situation, the accounts register an increase in the default interest item as determined in accordance with the law or with the settlement agreements. The current asset customer balance includes

Summary of the identified audit approach

Our approach to this risk consisted of a response that included a combined set of internal control and substantive procedures, including:

- Contacts made with the Statutory Auditors of subsidiaries, obtaining and analysing relevant documentation;
- Obtaining and analysing the financial statements of subsidiaries with regulated activities and their respective Legal Certifications of Accounts;
- Recalculating the Guaranteed Remuneration and the corresponding CRD in accordance with the criteria established in the concession agreements;
- Analysis of the correspondence / communications exchanged between the AdP Group and the Regulator (ERSAR) through to the date of reporting, particularly regarding the expenses incurred in the efficiency scenario and the Regulator's CRD approval process;
- Analysis of the disclosures made in order to ensure that they comply with the provisions of the applicable accounting standards.

Our approach to this risk consisted of a response that included a combined set of internal control and substantive related procedures, specifically including:

- Contacts made with the Statutory Auditors of subsidiaries, obtaining and analysing relevant documentation, particularly with regard to the work carried out on the recoverability of municipality credits;
- Obtaining and analysing the financial statements and their respective Legal Certifications of Accounts;
- Testing the reasonableness both of the municipality balances as clients recorded by

Most significant risks of material distortion

the arrears incurred by the Municipalities as a consequence of these delays in payment amounting to EUR 14,062,879.

In the assessment made by the Board of Directors regarding the need to record impairment losses, the latter shall consider the measures feasible to ensuring the recoverability of these amounts, which include activating the mechanism attributing contradictory privilege, the reaching of debt settlement agreements and the decisions handed down in ongoing injunctions/ legal proceedings.

Given the relevance of this balance to the total assets, the non-recoverability of all the outstanding amounts may jeopardize the economic-financial balance of the concessions/partnerships and furthermore impacting on compliance with their contractual responsibilities.

On this matter, notes 13 and 32 of the consolidated financial statements, detailing the disclosure of the accounting policies in effect alongside the estimates and critical accounting judgments made in applying these accounting policies, provide further information.

- *Recognition of revenue from retail activities - estimates associated with sales of water and sanitation services.*

Retail revenue recognition, the sale of water and sanitation services, occurs at the time of delivery and includes water sales based on actual consumption and water sales based on the estimated consumption in accordance with the history of each customer.

The calculation of estimated consumption for the purposes of billing water sales and the provision of retail services essentially involves the Aquamatrix system that deploys an algorithm produced in accordance with the criteria defined by the Group based on the average daily consumption of each customer, weighted by

Summary of the identified audit approach

the subsidiaries and of the joint balance considered in the consolidated financial statements;

- Analysing the replies from lawyers to direct requests for information regarding ongoing legal proceedings;
- Analysing the disclosures made in order to ensure they comply with the provisions of the applicable accounting standards.

Our approach to this risk consisted of carrying out a combined set of procedures related to internal and substantive control, namely:

- Contacts made with the Statutory Auditors of the subsidiaries, obtaining and analysing relevant documentation;
- Obtaining and analysing the financial statements of the subsidiaries and the respective Legal Certificates of Accounts;
- Analysis of the disclosures made in order to ensure they comply with the provisions of the applicable accounting standards.

Most significant risks of material distortion

Summary of the identified audit approach

consumption, and post-priori rollback analysis of actual consumption is also carried out.

The estimated quantities are valued based on the defined tariff.

We consider estimating water sales a relevant auditing matter due to the high complexity of the methodology used by the Group to estimate the water consumption of its customers and the degree of judgement involved, especially as regards consumption volumes.

On this matter, notes 13 and 26 to the consolidated financial statements, regarding the disclosure of the accounting policies used, as well as the critical accounting estimates and judgements made in the application of these accounting policies, provide further information.

Responsibilities of the management body and the supervisory body for the consolidated financial statements

The management body is responsible for the:

- preparation of the consolidated financial statements that fairly and appropriately present the Group's financial position, the financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory framework;
- implementation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;
- adoption of the appropriate accounting policies and criteria under these circumstances; and
- assessment of the Group's capacity to remain operational and disclosing, whenever applicable, any issues that may give rise to significant changes in the continuity of activities.

In turn, the supervisory body is responsible for overseeing the preparation and disclosure of the Group's financial information.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable certainty is a high level of safety but this does not guarantee that an audit performed in accordance with the IAS shall always detect material misstatements when existing. Distortions may arise from fraud or error and are considered material when, whether in isolation or in conjunction, they can reasonably be expected to influence the economic decisions of users based on the respective financial statements.

As part of an IAS audit, we make professional judgments and maintain professional scepticism throughout the audit and also:

- identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to providing a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting material misrepresentation due to error as fraud may involve collusion, forgery, intentional omissions, false declarations or overlapping internal control;
- obtain an understanding of the internal control system relevant to the audit for the purpose of designing audit procedures appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Group's internal control system;
- evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- conclude on the appropriateness of the management's adoption of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that might give rise to significant doubts about the Group's ability to continue activities. When concluding that there is material uncertainty, we duly draw attention in our report to the related disclosures included in the consolidated financial statements or, when these disclosures are not appropriate, we correspondingly modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to discontinue its activities;
- evaluate the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether these consolidated financial statements represent the underlying transactions and events in order to convey an appropriate presentation;
- obtain sufficient and appropriate audit evidence regarding Group financial information and the respective activities in order to express an opinion on the consolidated financial statements. We are responsible for the structure, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion;
- communicate with those responsible for governance, including the supervisory body, the scope and timing of the audit, among other issues, as well as any significant audit findings, including any significant internal control weaknesses identified during the audit;
- as regards issues communicated to governance officials, including the supervisory body, we determined those most important to auditing the financial statements and the consolidated financial statements for this financial year and which were the relevant auditing matters. We describe these matters in our report except when legal or regulatory stipulations prohibit their public disclosure;
- declare to the supervisory body that we comply with the relevant ethical requirements relating to independence and communicating all relationships and other matters potentially perceived as reflecting on our independence and, when applicable, the respective safeguards.

Our responsibility also includes verifying the consistency of the information contained in the management report with that in the consolidated financial statements as well as verifying the presentation of the non-financial statement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the consolidated management report

Pursuant to Article 451 (3) of the Rules of Procedure, e) of the Commercial Companies Code, it is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained therein is correspondingly consistent with the audited consolidated financial statements and, taking into account our knowledge and evaluation of the Group, we do not identify any material misreporting.

On the consolidated non-financial statement

In compliance with Article 451 (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 27 December 2018 for the term between 2018 and 2020 and remained in function for 2021.
- The management body has confirmed that it is unaware of the occurrence of any fraud or suspected fraud with any material effect on financial reporting. In planning and performing our audit in accordance with the ISA, we have maintained professional scepticism and devised audit procedures able to respond to the scope for material distortion of the financial statements due to fraud. As a result of our work, we do not identify any material distortions in the financial statements resulting from fraud.
- We here confirm that the audit opinion issued is consistent with the additional report prepared and delivered to the Fiscal Council of the Group on the same date.
- We would furthermore declare that we did not provide any services prohibited under the terms of article 77, paragraph 8 of the Statutes of the Order of Statutory Auditors and have maintained our independence from the Group throughout the performance of this audit.

Digitally signed by: PEDRO MIGUEL RAPOSO LISBOA NUNES
Identification no.: BI10328871
Date: 2022.04.27
17:18:19+01'00'

Grant Thornton & Associados – SROC, Lda.

Represented by Pedro Lisboa Nunes

Chartered Accountant registered with the CMVM (Portuguese
Securities Market Commission) under no. 20160813



Grant Thornton

Edifício Amadeo Souza Cardoso
Alameda António Sérgio, 22, 11.º
1495-132 Algés
T: + 351 214 123 520
E-mail: gt.lisboa@pt.gt.com

Avenida Arriaga, 30 – 1.º B
9000-064 Funchal
T: + 351 291 200 540
E-mail: gt.funchal@pt.gt.com

Avenida da Boavista, 1180, 4.º
4100-113 Porto
T: + 351 220 999 083
E-mail: gt.porto@pt.gt.com

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 2021 (que evidencia um total de 6.119.869.550 euros e um total de capital próprio de 1.770.472.933 euros, incluindo um resultado líquido de 83.284.856 euros), a demonstração consolidada dos resultados por naturezas, a demonstração consolidada do rendimento integral, a demonstração consolidada das alterações no capital próprio e a demonstração consolidada dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas, que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada da AdP – Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data, de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos 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 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 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.6, 6, 21.2, 22, 26, 27, 30 e 39 às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações.

A nossa abordagem a este risco consistiu na realização de um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o ROC das subsidiárias, obtenção e análise de documentação relevante;
- Análise da coerência do valor do investimento contratual utilizado para o cálculo das amortizações com o valor de investimento que consta do EVEF aprovado pelo Concedente;
- Comparação dos caudais utilizados no cálculo das amortizações com a informação produzida pelo departamento comercial, tendo sido efetuados testes para garantir a fiabilidade desta informação;
- Recálculo das referidas amortizações de acordo com os critérios estabelecidos;
- Obtenção e análise das demonstrações financeiras das subsidiárias e das respetivas Certificações Legais das Contas;

Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.

Riscos de distorção material mais significativos identificados

- *Reconhecimento e mensuração dos desvios de recuperação de gastos*

Os Desvios de Recuperação de Gastos (DRG) correspondem à correção (positiva no caso de déficit, negativa no caso de superavit) a registrar ao rédito das atividades reguladas, para que este rédito obedeça ao disposto nos diversos contratos de concessão/parceria, nomeadamente no que diz respeito à recuperação integral dos gastos (incluindo imposto sobre o rendimento coletivo) e remuneração anual garantida aos acionistas.

Tal como mencionado na Nota 2.4.5 às demonstrações financeiras consolidadas, a estimativa dos DRG é, em cada exercício, determinada com base na melhor informação disponível à data da preparação das demonstrações financeiras, nomeadamente o Orçamento e Projeto Tarifário (OPT), devendo as entidades gestoras, nos termos dos respetivos contratos de concessão/parceria, enviar à Entidade Reguladora o cálculo do DRG para que esta o aprove.

Sobre esta matéria, as Notas 2.4.5, 2.5, 12 e 26 às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações.

- *Recuperabilidade dos saldos a receber dos Municípios*

O montante registado na rubrica de Clientes referente a Municípios a 31 de dezembro de 2021 é de 224.468.118 euros e tal como detalhado na nota 13.3 das notas às demonstrações financeiras consolidadas, é composto por saldos que apresentam uma elevada antiguidade, o que 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

Síntese da abordagem de auditoria

A nossa abordagem a este risco consistiu numa resposta que incluiu um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o ROC das subsidiárias, obtenção e análise de documentação relevante;
- Obtenção e análise das demonstrações financeiras das subsidiárias com atividade regulada e das respetivas Certificações Legais das Contas;
- Recálculo da Remuneração Garantida e do correspondente DRG de acordo com os critérios estabelecidos nos contratos de concessão;
- Análise da correspondência/comunicações que 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.

A nossa abordagem a este risco consistiu numa resposta que incluiu um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o ROC das subsidiárias, obtenção e análise de documentação relevante, nomeadamente quanto ao trabalho realizado sobre a recuperabilidade dos créditos aos Municípios;
- Obtenção e análise das demonstrações financeiras das subsidiárias e das respetivas Certificações Legais das Contas;
- Teste à razoabilidade dos saldos dos Municípios enquanto clientes registados pelas

Riscos de distorção material mais significativos identificados **Síntese da abordagem de auditoria**

juros de mora debitados aos Municípios em consequência destes atrasos, os quais ascendem a 14.062.879 euros.

Na avaliação efetuada pelo Conselho de Administração quanto à necessidade de registo de perdas de imparidade, este tem em consideração a adoção das medidas possíveis tendentes a assegurar a recuperabilidade dos saldos, entre as quais, a ativação do mecanismo associado ao privilégio contraditório, a realização de acordos de regularização de dívida e a interposição de injunções/ações judiciais.

Dada a relevância do saldo no total do ativo, a não recuperabilidade da totalidade dos valores em dívida poderá colocar em causa o equilíbrio económico-financeiro das concessões/parcerias, afetando o cumprimento das responsabilidades contratuais.

Sobre esta matéria, as Notas 13 e 32 às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações

• **Reconhecimento do rédito da Atividade em baixa – estimativas associadas a vendas de água e prestação de serviços de saneamento.**

O reconhecimento do rédito relativo à atividade em baixa de venda de água e prestação de serviços de saneamento ocorre no momento da entrega da água e incorpora vendas de água efetuadas com base em consumos efetivos e como venda de água efetuadas com base em consumos estimados no histórico de cada cliente.

O apuramento dos consumos estimados para efeitos de faturação de vendas de água e prestação de serviços em baixa é realizado essencialmente através do sistema Aquamatrix com recurso a um algoritmo produzido de acordo com os critérios definidos pelo Grupo baseados no consumo médio diário de cada cliente, ponderado de acordo com os perfis históricos de consumo. O referido algoritmo é testado com recurso à contagem de uma amostra de

subsidiárias e do saldo conjunto considerado nas demonstrações financeiras consolidadas;

- Análise das respostas dos advogados aos pedidos diretos de informação sobre os processos judiciais em curso;
- Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.

A nossa abordagem a este risco consistiu na realização de um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Contactos efetuados com o ROC das subsidiárias, obtenção e análise de documentação relevante;
- Obtenção e análise das demonstrações financeiras das subsidiárias e das respetivas Certificações Legais das Contas;
- Análise das divulgações efetuadas de forma a garantir que as mesmas respeitam as disposições das normas contabilísticas aplicáveis.



Riscos de distorção material mais significativos identificados Síntese da abordagem de auditoria

consumos, sendo ainda efetuada à posteriori uma análise de *rollback* dos consumos reais.

As quantidades estimadas são valorizadas tendo por base a tarifa definida.

Consideramos a estimativa de vendas de água uma matéria relevante de auditoria, devido à elevada complexidade da metodologia utilizada pelo Grupo para estimar os consumos de água dos seus clientes e o grau de julgamento envolvido nomeadamente no que diz respeito a volumes de consumo.

Sobre esta matéria, as Notas 13 e 26, às demonstrações financeiras consolidadas, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornecem mais informações.

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.

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 concluímos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras consolidadas ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Grupo descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- obtemos prova de auditoria suficiente e apropriada relativa à informação financeira das entidades ou atividades dentro do Grupo para expressar uma opinião sobre as demonstrações financeiras consolidadas. Somos responsáveis pela orientação, supervisão e desempenho da auditoria do Grupo e somos os responsáveis finais pela nossa opinião de auditoria;
- comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificada durante a auditoria;
- das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras consolidadas do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública;
- declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos-lhe todos os relacionamentos e outras matérias que possam ser percebidas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório 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.

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, tendo-nos mantido em funções em 2021.
- O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras consolidadas. No planeamento e execução da nossa auditoria de acordo com as ISA, mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras consolidadas devido a fraude. Em resultado do nosso trabalho não 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: 10328871
Data: 2022.04.27 17:18:19+01'00'



Grant Thornton & Associados – SROC, Lda.

Representada por Pedro Lisboa Nunes

ROC registado na CMVM com o n.º 20160813

Report of the External Auditor

PWC

Auditor's Report

Audit report on the consolidated financial accounts

Opinion

We have audited the attached Consolidated Financial Statements of AdP - Águas de Portugal, S.G.P.S., S.A. (the Group), which include the Consolidated Statement of Financial Position as at 31 December 2021 (showing a total of EUR 6,119,869,550 and total equity of EUR 1,770,472,933, including a net profit of EUR 83,284,856), the Consolidated Income Statement by Type, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the financial year ending on that date and the Notes to the Consolidated Financial Statements, including a summary of the main accounting policies.

In our opinion, the attached Consolidated Financial Statements give a true, appropriate picture, in all material aspects, of the consolidated financial position of AdP - Águas de Portugal, S.G.P.S., S.A. as at 31 December 2021, its consolidated financial performance and consolidated cash flows during the period that ended on that date in accordance with the International Financial Reporting Standards as adopted in the European Union.

Bases for Opinion

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Portuguese Statutory Auditors Association. Our responsibilities pursuant to these standards are described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section below. We are independent of the entities that make up the Group pursuant to law and we comply with other ethical requirements under the code of ethics of the Portuguese Statutory Auditors Association.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

Areas relevant to the audit

The material audit matters are those that, in our professional judgment, were of the greatest importance in the audit of the consolidated financial statements for the current year. These matters were considered in the context of the audit of the consolidated financial statements, and in forming the opinion, and we do not express a separate opinion on these matters. We consider the matters described below to be the relevant audit matters to be communicated in this report.

Areas relevant to the audit	Summary of the identified audit approach
<p>Measurement of right of use infrastructures and contractual investments associated with concessions/partnerships of the managing entities of multi-municipal systems</p> <p>Disclosures relating to measuring the right of use infrastructures and the contractual investment associated with their concessions/partnership appear in notes 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.5, 6, 21,22, 30 and 39.</p> <p>The right of use infrastructures, which as at December 31, 2021 amounted to 3,705,188,000 Euros (December 31, 2020: 3,744,533,000 Euros), as well as the corresponding subsidies, for the total amount of 1,445,287,000 Euros (December 31, 2020: 1,484,046,000 euros), are amortised on a systematic basis according to the pattern of obtaining economic benefits, which are approved by the Regulatory Entity (ERSAR) or by the respective Partnership Commission, in the case of concessions and partnerships, respectively,</p> <p>The amortisations associated with contractual investment are calculated based on the flows (water and effluent) billed and the flows expected to be billed through to the end of each concession/partnership, which are provided for in the respective Economic and Financial Feasibility Study (EVEF) attached to each concession/partnership contract.</p> <p>In addition, in compliance with the concession contract stipulations, the partnership management contracts and other regulatory rules, the estimated share of costs to meet liabilities for future contractual investments is recorded annually. This increase, with an accumulated value, as detailed in note 21, amounting to 551,410,000 euros as at 31 December 2021 (31 December 2020: 526,118,000 euros) is calculated based on the respective EVEF, a document that states the respective investment.</p>	<p>Our approach to this relevant matter consisted of:</p> <ul style="list-style-type: none"> • analysis of the consistency of the amount of the contractual investment serving to calculate the amortisations of the total investment amount in the respective EVEFs approved by the Grantor or Partnership Commission, whether it is a Concession Contract or a Partnership Contract, respectively; • comparison of the flows used in the calculation of amortisations with the information produced by the commercial area of the managing entities; • recalculation of the amortisation of the rights of use and of the related subsidies in accordance with the criteria established; • obtaining and analysing the correspondence and exchange of information that has existed to date between the management entities of the multi-municipal systems, ERSAR and the partnership commissions, particularly as regards the level of activities and investments to be made under each Concession Contract/ Partnership Contract. • request information from the Board of Directors about the reasons the EVEF review is not yet approved for several multi-municipal system managing entities; and • inquire the Board of Directors about the reasons for several addenda to not yet signed concession contracts.

Areas relevant to the audit

Summary of the identified audit approach

The relevance of this matter to our audit arises from the material nature of the amounts associated with the right of use infrastructures and the contractual investments of the concessions/partnerships in the consolidated financial statements, which impact on the amortisation of right of use infrastructures – IFRIS 12, the recycling of the respective subsidies and the corresponding increase in the costs of contractual investments.

We also reviewed the disclosures related to these investments.

Recognition and Measurement of Cost Recovery Deviations

Disclosures related to recognition and measurement of the Cost Recovery Deviations presented in notes 2.4.5, 2.5, 12 and 26

The Cost Recovery Deviations (CRDs) correspond to the corrections (positive in the case of deficits, negative in the case of surpluses) recorded to the regulated activity revenues so that this remains in full accordance with the provisions of the Concession/Partnership Contract, especially as regards full recovery of the expenses (including corporate income tax) and the guaranteed annual remuneration of shareholders taking into account, in the case of concessions, the costs allowed for under the efficiency scenario based on indicators subject to prior approval by the Regulatory Entity (ERSAR). The amount recognised in the income statement under the caption "Tariff cost recovery deficit/surplus" shows a surplus of EUR 58,888,000 as at 31 December 2020 (31 December 2020: surplus of EUR 55,352,000).

In each financial year, estimates of the CRDs are determined based on the best information available at the date of preparation of the consolidated financial statements, and the managing entities of the multi-municipal systems, under the terms of each Concession Contract, shall send the CRD calculations to ERSAR for their approval and, under the terms of each Partnership Contract, shall send the respective accountancy documents to the respective Partnership Committees for their appraisal and later deliberation on approving the CRDs.

The relevance of this matter in our audit results from the complexity and level of judgment inherent to these assessments of the CRD estimates as well as the from the unpredictability associated with their respective approval.

The audit procedures performed included:

- analysis of the rationale for the metrics calculated by the Group and assessment of their respective compliance;
- mathematical re-calculation of the Guaranteed Remuneration and the corresponding CRDs in accordance with the criteria established in the concession/partnership contracts;
- obtaining and analysing the correspondence and exchange of relevant information that existed between the concession entities and ERSAR, in particular as regards the expenditure allowed under an efficiency scenario and ERSAR's appraisal of the CRDs, through to the date of our report;
- obtaining and analysing the correspondence and exchange of relevant information that existed between the managing bodies of the partnerships and each Partnership Committee, in particular as regards the appreciation of the CRDs by the Partnership Committee, through to the date of our report;

We furthermore undertook the review of the figures disclosed for these deviations in the consolidated financial statements.

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

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

OPINION

In accordance with that stated above, the Supervisory Board hereby concurs with the 2020 Management Report and Consolidated Accounts of AdP - Águas de Portugal, SGPS, SA, granting a favourable opinion that they be approved by the General Meeting.

Lisbon, 27 April 2022

ON BEHALF OF THE SUPERVISORY BOARD

Carla Maria Lamego Ribeiro
Digitally signed by Carla Maria Lamego Ribeiro
Date: 2022.04.27
17:51:45 +01'00'

Carla Maria Lamego Ribeiro
(President)

Retail activities - estimates associated with water sales and provision of sanitation services

Disclosures related to water sales and provision of sanitation services presented in notes 13 and 26

The recognition of the revenue related to the retail activity of water sales and provision of sanitation services occurs at the time of delivery of the water and includes water sales based on actual consumption, as well as water sales based on estimated consumption according to each customer's history.

The calculation of estimated consumption for the purpose of invoicing water sales is calculated essentially through Aquamatrix and the application of an algorithm produced according to the criteria defined by the Group based on the average daily consumption of each customer, weighted according to historical consumption profiles. The Group then tests this algorithm by counting a consumption sample. Rollback analysis of the actual consumptions is also performed afterwards.

The estimated quantities are valued on the basis of the defined tariff.

The high complexity of the methodology applied by the Group to estimate the water consumption of its clients and the degree of judgment involved, particularly with regard to volumes of consumption and the associated tariff, justifies this being a relevant matter for the purposes of our audit.

Our approach included performing the following procedures:

- identifying and testing the design and operational effectiveness of key controls related to the recognition of revenue associated with the write-off of water sales made, specifically in the Aquamatrix system, and in particular those relating to the estimated sales at the end of each period;
- obtaining the algorithm with the calculations for the estimated volumes and verifying it on a sample basis for each type of customer and tariff in conjunction with compliance with the criteria defined by the Group and the reasonability of the adjustments made;
- obtaining the water balance and assessing the reasonableness, in the light of historical data, of the differences between the water entering the network and the water both billed and estimated;
- carrying out analytical review procedures for the main components of the Sales and Services Rendered items, including analysis of significant annualised variations and compared with expectations and contracted/budgeted activities;
- re-execution of the calculation of the estimate for water consumed and not invoiced on 31 December 2021 based on historical invoicing.

We also analysed the disclosures presented in the consolidated financial statements.

Responsibilities of the management body and the supervisory body for the financial statements

The management body is responsible for the:

- a) preparation of the consolidated financial statements that fairly and appropriately present the Group financial position, the financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- b) preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory framework;
- c) implementation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;

- d) adoption of the appropriate accounting policies and criteria under these circumstances; and
- e) assessment of the Group's capacity to remain operational and disclosing, whenever applicable, any issues that may give rise to significant changes in the continuity of activities.

In turn, the supervisory body is responsible for overseeing the preparation and disclosure of the Group's financial information.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable certainty is a high level of safety but this does not guarantee that an audit performed in accordance with the IAS shall always detect material misstatements when existing. Distortions may arise from fraud or error and are considered material when, whether in isolation or in conjunction, they can reasonably be expected to influence the economic decisions of users based on the respective financial statements.

As part of an IAS audit, we make professional judgments and maintain professional scepticism throughout the audit and also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to providing a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting material misrepresentation due to error as fraud may involve collusion, forgery, intentional omissions, false declarations or overlapping internal control;
- b) obtain an understanding of the internal control system relevant to the audit for the purpose of designing audit procedures appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Group's internal control system;
- c) evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- d) conclude on the appropriateness of the management's adoption of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that might give rise to significant doubts about the Group's ability to continue activities. When concluding that there is material uncertainty, we duly draw attention in our report to the related disclosures included in the consolidated financial statements or, when these disclosures are not appropriate, we correspondingly modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to discontinue its activities;
- e) evaluate the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether these consolidated financial statements represent the underlying transactions and events in order to convey an appropriate presentation;
- f) obtain sufficient and appropriate audit evidence regarding Group financial information and the respective activities in order to express an opinion on the consolidated financial statements. We are responsible for the structure, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion;

- g) communicate with those responsible for governance, including the supervisory body, the scope and timing of the audit, among other issues, as well as any significant audit findings, including any significant internal control weaknesses identified during the audit;

Our responsibility also includes verifying the consistency of the information contained in the management report with that in the consolidated financial statements as well as verifying the presentation of the consolidated financial statement.

Report on other legal and regulatory requirements

On the management report

It is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained therein is correspondingly consistent with the audited consolidated financial statements and, taking into account our knowledge and evaluation of the Group, we do not identify any material misreporting.

27 April 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

(one illegible signature)

José Alves Bizarro Duarte, Chartered Account no. 1957

registered with the CMVM (Portuguese
Securities Market Commission) under no.
20200003



Relatório de Auditoria

Relato sobre a auditoria das demonstrações financeiras consolidadas

Opinião

Auditámos as demonstrações financeiras consolidadas anexas da AdP - Águas de Portugal, S.G.P.S., S.A. (o Grupo), que compreendem a demonstração consolidada da posição financeira em 31 de dezembro de 2021 (que evidencia um total de 6.119.869.550 euros e um total de capital próprio de 1.770.472.933 euros, incluindo um resultado líquido de 83.284.856 euros), a demonstração consolidada dos resultados por naturezas, a demonstração consolidada do rendimento integral, a demonstração das variações do capital próprio consolidado e a demonstração dos fluxos de caixa consolidados relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada da AdP - Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (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.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1050-316 Lisboa, Portugal
Recepção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros de 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 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.5, 6, 21, 22, 30 e 39

O direito de utilização de infraestruturas, que em 31 de dezembro de 2021 ascende a 3.705.188 milhares de euros (31 de dezembro de 2020: 3.744.533 milhares de euros), assim como os subsídios correspondentes, no montante de 1.445.287 milhares de euros (31 de dezembro de 2020: 1.484.046 milhares de euros), são amortizados numa base sistemática de acordo com o padrão de obtenção dos benefícios económicos, os quais são aprovados pela Entidade Reguladora (ERSAR) ou pela respetiva Comissão de Parceria, caso se trate de concessões ou parcerias, respetivamente.

As amortizações associadas ao investimento contratual são calculadas tendo como base os caudais (água e efluentes) faturados e os caudais que se estima faturar até ao final de cada concessão/parceria, os quais se encontram previstos no respetivo Estudo de Viabilidade Económica e Financeira (EVEF) anexo a cada contrato de concessão/parceria.

Adicionalmente, em cumprimento do estipulado nos contratos de concessão, nos contratos de gestão das parcerias e demais regras 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 21, ascende a 551.410 milhares de euros em 31 de dezembro de 2021 (31 de dezembro de 2020: 526.118 milhares de euros), é calculado com base nos respetivos EVEF, documento onde

A nossa abordagem a esta matéria relevante consistiu em:

- análise da coerência dos caudais estimados e do montante do investimento contratual utilizado para o cálculo das amortizações com o montante de investimento que consta dos respetivos EVEF aprovados pelo Concedente ou Comissão de Parceria, consoante se trate do Contrato de Concessão ou Contrato de Parceria;
- comparação dos caudais reais utilizados no cálculo das amortizações com a informação produzida pela área comercial das entidades gestoras;
- reexecução matemática das amortizações dos direitos de utilização e dos respetivos subsídios de acordo com os critérios estabelecidos;
- obtenção e análise da correspondência e troca de informação que existiu até à data entre as entidades gestoras dos sistemas multimunicipais, a ERSAR e as respetivas 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;
- inquirir o Conselho de Administração sobre os motivos pelo qual a revisão do EVEF de diversas entidades gestoras dos sistemas multimunicipais não se encontrar ainda aprovada; e
- inquirir o Conselho de Administração sobre os motivos para diversos aditamentos a contratos de concessão não se encontrarem ainda aprovados.

Matérias relevantes de auditoria**Síntese da abordagem de auditoria**

consta a estimativa dos investimentos a realizar.

A relevância deste assunto na nossa auditoria resulta da materialidade dos montantes associados aos direitos de utilização de infraestruturas e aos investimentos contratuais das concessões/parcerias nas demonstrações financeiras consolidadas, que impactam a amortização dos direitos de utilização de infraestruturas – IFRIC 12, a reciclagem dos respetivos subsídios e o acréscimo de gastos de investimento contratual.

Procedemos, igualmente, à revisão das divulgações relacionadas com estes investimentos.

Reconhecimento e mensuração dos Desvios de Recuperação de Gastos

Divulgações relacionadas com o reconhecimento e mensuração dos Desvios de Recuperação de Gastos apresentadas nas notas 2.4.5, 2.5, 12 e 26

Os Desvios de Recuperação de Gastos (DRG) correspondem à correção (positiva no caso de déficit, negativa no caso de superavit) a registar ao rédito das atividades reguladas, para que este se apresente conforme o disposto no Contrato de Concessão/Parceria, nomeadamente no que diz respeito à recuperação integral dos gastos (incluindo imposto sobre o rendimento das pessoas coletivas) e remuneração anual garantida aos acionistas, tendo em consideração, no caso das concessões, os gastos permitidos em cenário de eficiência com base nos indicadores aprovados previamente pela Entidade Reguladora (ERSAR). O montante reconhecido na Demonstração dos resultados na rubrica de "Desvio de recuperação de gastos (Superavit Tarifário)" apresenta a 31 de dezembro de 2021 um superavit de 58.888 milhares de euros (31 de dezembro de 2020: superavit de 55.352 milhares de euros).

A estimativa dos DRG é, em cada exercício, determinada com base na melhor informação disponível à data da preparação das demonstrações financeiras consolidadas,

Os procedimentos de auditoria realizados incluíram:

- análise da fundamentação das métricas calculadas pelo Grupo e avaliação do cumprimento das mesmas;
- reexecução matemática da Remuneração Garantida e do correspondente DRG de acordo com os critérios estabelecidos nos contratos de concessão/parceria;
- obtenção e análise da correspondência e troca de informação relevante que existiu até à data do nosso relatório entre as entidades concessionárias e a ERSAR, em particular no que respeita aos gastos permitidos em cenário de eficiência e a apreciação dos DRG por parte da ERSAR;
- obtenção e análise da correspondência e troca de informação relevante que existiu até à data do nosso relatório entre as entidades gestoras das parcerias e cada Comissão de Parceria, em particular no que respeita à apreciação dos DRG por parte da Comissão de Parceria.

Procedemos, igualmente, à revisão das divulgações relacionadas com estes desvios.



Matérias relevantes de auditoria

devido 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.

Síntese da abordagem de auditoria

nas demonstrações financeiras consolidadas.

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 2.5, 13 e 32

Em 31 de dezembro de 2021 o Grupo apresenta registado no Ativo, corrente e não corrente, saldos a receber de Municípios e entidades municipais que ascendem a 224.468 milhares de euros (31 de dezembro de 2020: 265.466 milhares de euros).

Tal como evidenciado na nota 13, 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 conseqüentemente 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 13 e 26.

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
<p>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.</p> <p>As quantidades estimadas são valorizadas tendo por base a tarifa definida.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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 2021 com base nos históricos de faturação. <p>Analisamos, ainda, as divulgações apresentadas nas demonstrações financeiras consolidadas.</p>

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras consolidadas

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira consolidada, o desempenho financeiro e os fluxos de caixa consolidados do Grupo de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório consolidado de gestão nos termos legais e regulamentares aplicáveis;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras consolidadas isentas de distorções materiais devido a fraude ou a erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e

e) avaliação da capacidade do Grupo de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira do Grupo.

Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras consolidadas como um todo estão isentas de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISAs detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISAs, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- a) identificamos e avaliamos os riscos de distorção material das demonstrações financeiras consolidadas, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- b) obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Grupo;
- c) avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- d) concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Grupo para dar continuidade às suas atividades. Se 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 de gestão com as demonstrações financeiras.

Relato sobre outros requisitos legais e regulamentares

Sobre o relatório consolidado de gestão

Em nossa opinião, o relatório consolidado de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras consolidadas auditadas e, tendo em conta o conhecimento e a apreciação sobre o Grupo, não identificámos incorreções materiais

27 de abril de 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:



José Alves Bizarro Duarte, ROC nº 1957
Registado na CMVM com o nº 20200003

[página em branco]

Separate Financial Statements

Table of contents

Statement of the financial position.....	291
Statement of the annual results.....	292
Statement of comprehensive income.....	292
Statement of changes in own capital.....	293
Statement of cash flow.....	294
Notes to the financial statements.....	295
1. General information.....	295
2. Relevant accounting policies, judgements and estimates.....	295
3. New standards and policy changes.....	296
4. Financial risk management policies.....	298
5. Intangible assets.....	300
6. Tangible fixed assets.....	301
7. Leases.....	302
8. Investments in subsidiaries and holdings.....	306
9. Loans to Group companies.....	309
10. Account receivables.....	314
11. Other current assets.....	315
12. Cash and cash equivalents.....	316
13. Own capital.....	316
14. Provisions, assets and contingent liabilities.....	317
15. Loans.....	319
16. Suppliers and other current liabilities.....	321
17. Financial instruments by IFRS 9 category.....	322
18. Income from client contracts.....	323
19. Supplies and external services.....	324
20. Personnel costs.....	324
21. Financial year amortisations, depreciations and reversals.....	325
22. Other operating expenses and losses.....	326
23. Other operating income and gains.....	326
24. Financial costs.....	326
25. Financial income.....	327
26. Financial investment gains / losses.....	327
27. Income tax.....	327
28. Balance of transactions with related parties.....	329
29. Information required by law.....	331
30. Subsequent events.....	331
31. Other issues – COVID-19.....	332

Statement of the financial position

	Notes	2021	2020
ASSETS			
Non-current assets			
Intangible assets	5	46 911	53 170
Tangible fixed assets	6	9 932	15 334
Right-of-use assets	7	336 826	633 887
Other financial assets		43 676	24 744
Investments in subsidiaries and holdings	8	713 377 702	712 654 702
Loans to Group companies	9	619 005 800	640 350 982
Total of non-current assets		1 332 820 847	1 353 732 819
Assets current			
Loans to Group companies	9	69 462 475	68 208 182
Clients	10	3 136 915	5 893 041
Other current assets	11	688 430	953 488
Cash and cash equivalents	12	33 466 508	11 522 666
Total of current assets		106 754 328	86 577 377
Total assets		1 439 575 175	1 440 310 196
OWN CAPITAL			
Share capital	13	434 500 000	434 500 000
Adjustments to capital holdings in subsidiaries and holdings		25 571 780	25 571 780
Legal reserve		42 208 231	39 179 944
Retained earnings		327 499 880	297 462 431
Net annual result	13	56 038 209	60 565 736
Total own capital		885 818 100	857 279 891
LIABILITIES			
Non-current liabilities			
Provisions	14	5 000 000	5 000 000
Loans	15	387 500 000	544 318 182
Lease liabilities	7	14 974	231 264
Total of non-current liabilities		392 514 974	549 549 446
Current liabilities			
Loans	15	156 879 450	28 818 182
Lease liabilities	7	211 445	294 983
Suppliers and other current liabilities	16	3 119 476	3 071 957
Tax on financial year earnings	27	1 031 730	1 295 737
Total of current liabilities		161 242 101	33 480 859
Total of liabilities		553 757 075	583 030 305
Total liabilities and own capital		1 439 575 175	1 440 310 196

The Board of Directors

José Carlos Athaide dos Remédios Furtado (Executive Chair)
 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 the annual results

	Notes	2021	2020
Income from client contracts	18	16 535 551	13 852 682
Supplies and external services	19	(4 075 972)	(2 817 660)
Personnel costs	20	(7 161 793)	(5 897 672)
Financial year amortisations, depreciations and reversals	21	(290 692)	(177 308)
Other operating expenses and losses	22	(64 436)	(65 263)
Other operating income and gains	23	1 993 753	672 439
Operating income		6 936 411	5 567 218
Financial costs	24	(2 870 398)	(4 525 499)
Financial income	25	18 053 601	19 933 371
Financial investment gains / losses	26	39 939 442	44 997 620
Financial results		55 122 645	60 405 492
Profit before tax		62 059 056	65 972 710
Tax for the year	27	(6 020 847)	(5 405 824)
Deferred tax	27	-	(1 150)
Net profit from continued operations		56 038 209	60 565 736
Net annual result		56 038 209	60 565 736
Net result per share (basic and diluted)	13	0.64	0.70

Statement of comprehensive income

	Notes	2021	2020
Net annual result		56 038 209	60 565 736
Fair value of the instruments for cashflow coverage	13	-	350 431
Comprehensive income		56 038 209	60 916 167
Comprehensive income per share		0,64	0,70

The Board of Directors

José Carlos Athaide 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 own capital

	Notes	Share capital	Adjustments in own capital	Other reserves - cash flow cov. Instr.	Legal reserve	Retained earnings	Net annual result	TOTAL
Balance on 31 December 2019		434 500 000	25 571 780	(350 431)	35 922 364	263 068 404	65 151 607	823 863 724
Appropriation of results for 2019		-	-	-	3 257 580	61 894 027	(65 151 607)	-
Dividend paid		-	-	-	-	(27 500 000)	-	(27 500 000)
Change in fair value of hedging derivatives		-	-	350 431	-	-	-	350 431
Net annual result for 2020		-	-	-	-	-	60 565 736	60 565 736
Balance on 31 December 2020		434 500 000	25 571 780	-	39 179 944	297 462 431	60 565 736	857 279 891
Appropriation of results for 2020	13	-	-	-	3 028 287	57 537 449	(60 565 736)	-
Dividend paid	13	-	-	-	-	(27 500 000)	-	(27 500 000)
Net annual result for 2021		-	-	-	-	-	56 038 209	56 038 209
Balance on 31 December 2021		434 500 000	25 571 780	-	42 208 231	327 499 880	56 038 209	885 818 100

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 cash flow

	Notes	2021	2020
Operating activities			
Trade receivables		40 051 082	35 094 786
Trade payables		(5 005 679)	(3 929 322)
Payments to staff		(7 179 409)	(5 866 342)
Operational generated earnings		27 865 994	25 299 122
Payment of income tax		(6 276 677)	(4 696 326)
Other payments related to operating activities		(515 054)	(2 553 842)
Other operating flows		(6 791 731)	(7 250 168)
Total operating activities (1)		21 074 263	18 048 954
Investment activities			
Receivables from:			
Treasury funding	9	100 450 000	127 889 316
Advances	9	48 518 182	55 739 017
Dividends	26	40 134 442	44 992 620
Sub-Total		189 102 624	228 620 953
Payments for:			
Investments in subsidiaries	8	(918 000)	(1 203 768)
Treasury funding	9	(100 630 000)	(115 586 133)
Advances	9	(27 173 000)	(11 289 017)
Sub-Total		(128 721 000)	(128 078 918)
Total of investment activities (2)		60 381 624	100 542 035
Financing activities			
Receivables from:			
Loans obtained	15	10 000 000	92 500 000
Sub-Total		10 000 000	92 500 000
Payments for:			
Loans obtained	15	(38 818 182)	(181 318 182)
Capital of lease liabilities		(299 831)	(267 191)
Interest and similar costs		(2 895 099)	(6 960 759)
Dividends	13	(27 500 000)	(27 500 000)
Sub-Total		(69 513 112)	(216 046 132)
Total financing activities (3)		(59 513 112)	(123 546 132)
Change in cash and cash equivalents (1 + 2 + 3)		21 942 775	(4 955 143)
Cash and cash equivalents at the beginning of the period	12	11 522 666	16 477 809
Cash and cash equivalents at the end of the period	12	33 465 441	11 522 666
Change in cash and cash equivalents		21 942 775	(4 955 143)

The Board of Directors

José Carlos Athaide 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

Notes to the financial statements

1. General information

1.1. Company identification

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

The following are shareholders in AdP:

	% Capital	Subscribed amount	No. of shares	Type of shares
Parpública, SGPS, S.A.	81.00%	351 945 000	70 389 000	Nominative
Caixa Geral de Depósitos, S.A.	19.00%	82 555 000	16 511 000	Nominative
	100.00%	434 500 000	86 900 000	

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

1.2. Economic activity

AdP was incorporated 28 years ago and entrusted with developing multi-municipal systems for the abstraction, treatment and distribution of water for public consumption in Portugal and for the collection, treatment and disposal of urban wastewaters. In 1996, the company's mission took on greater depth and extended its scope of intervention to the sectors of water distribution and effluent collection, providing systems to directly serve the population.

On 1 August 2020, the Group underwent restructuring with its subsidiary AdP Valor (previously AdP Serviços), hitherto responsible for activities related to information systems, legal, procurement and general support, incorporated into AdP, which implied an increase in revenue from contracts with clients and in costs due to additional supply and external service and personnel costs.

1.3 Approval of financial statements

These financial statements were approved by the Board of Directors on 26 April 2022. It is the opinion of the Board of Directors that they reliably reflect the company's operations, as well as its position and financial performance and its cash flows. It is the expectation of the Board of Directors that these financial statements will be approved unchanged by the General Shareholders Meeting.

2. Relevant accounting policies, judgements and estimates

2.1 Bases of presentation o

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IAS / IFRS) issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or the former "Standing Interpretations Committee" ("SIC"), adopted by the EU, in force for fiscal years beginning after 1 January 2021.

The most significant accounting policies used in the preparation of these financial statements are set out below. These policies have been applied consistently in comparative periods, except when otherwise specified.

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

AdP's financial statements were prepared based on the principle of continuity of operations and according to historical cost. The preparation of financial statements in accordance with IAS / IFRS requires estimates and assumptions that influence the reported amounts of assets and liabilities and the reported amounts of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge in relation to current events and actions, the actual results may ultimately differ

from these estimates. The management nonetheless believes that the adopted estimates and assumptions do not incorporate any significant risks that might require material adjustments to the value of assets and liabilities.

2.2 Estimates and judgements

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

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

- Note 8.2 – impairment for investments in subsidiaries and holdings
- Note 9.2 – impairment for financial assets – Loans to Group companies
- Note 10.2 - impairment for financial assets – Clients
- Note 14.2 – provisions

2.3 Subsequent events

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

3. New standards and policy changes

3.1 Voluntary changes in accountancy policies

No voluntary changes to accounting policies were made during the annual period that ended on 31 December 2021, with respect to those considered in the preparation of the financial information relating to the year that ended on 31 December 2020 presented in the comparisons.

3.2 New standards, interpretations and alterations coming into effect from 1 January 2021

These standards and amendments are effective for annual periods beginning on or after 1 January 2021 and have been applied in the preparation of these financial statements.

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

The application of these new standards had no material impact on AdP's financial statements.

3.3 New standards and interpretations already issued but not yet mandatory

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

• Already endorsed by the EU

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

• Not yet endorsed by the EU

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

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

4. Financial risk management policies

4.1 Risk factors

AdP Group business operations are exposed to a number of financial risk factors: credit risk, liquidity risk and cash flow risk (associated with the interest rate). AdP Group has correspondingly developed and implemented a risk management program which, in addition to constantly monitoring the financial markets, seeks to minimise potential adverse effects on the financial performance of AdP and its subsidiaries. Risk management is the responsibility of the central treasury department according to the policies approved by the Board of Directors. The treasury department identifies, assesses and undertakes operations designed to minimise financial risks in close cooperation with the AdP Group operational units. The Board of Directors drafts the principles for risk management as a whole as well as policies covering specific areas such as currency conversion risks, interest rate risks, credit risks, recourse to derivatives, other non-structured instruments and the investment of surplus liquidity. The Board of Directors is responsible for establishing the general risk management principles and also the exposure limits. All transactions undertaken using derivatives require the prior approval of the Board of Directors and the ministry, which both sets the parameters for each transaction and approves the formal documents describing the specific objectives.

4.2 Market risk

4.2.1 Interest rate risk

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

Sensitivity analysis to interest rate fluctuation

	31.12.2021	Average rate of impact +1%	Average rate of impact -1%
Variable rate interest (costs)	(556 733)	(1 315 869)	-
Variable rate interest (earnings)	1 139 030	2 694 050	-
Net impact	10 833 297	1 378 181	-

Impact of an interest rate fluctuation measured for a twelve month period.

4.3 Liquidity and capital risks

Liquidity risk management requires maintaining available funds at a reasonable level, the viability of floating debt consolidation through an adequate amount of credit facilities and the ability to settle market positions. Due to the dynamics of the underlying business, AdP's treasury policy strives to ensure the flexibility of floating debt, while maintaining available credit lines. AdP manages liquidity risk by contracting and maintaining credit and financing facilities with underwriting commitments to high credit rating national and international financial institutions that allow immediate access to funds.

The table below shows the liabilities of AdP by contractual residual maturity intervals. The amounts presented in the table are the contractual cash flows, not discounted, receivable and payable in the future.

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

In order to ascertain the variable future interest rate, this took into consideration (i) the coupon of interest known on 31 December 2020 and to be settled in 2021; and (ii) the following coupons considered the Euribor index on 31 December 2020 plus the contractually formalised spread.

In September 2017, AdP SGPS entered into a 25-year, EUR 220 million financing agreement with the European Investment Bank under a EUR 420 million credit facility approved in July 2017 by the Board of Directors of this financial institution. In addition, on 31 July 2019, the AdP Group formally took up the remaining EUR 200 million that may serve as funding for termination of debt regularising agreements reached between the AdP Group and its municipal clients under the auspices of Decree Law no. 5/2019, of 14 January. As at 31 December 2021, the AdP Group has drawn down EUR 30 million from tranche A and EUR 41.8 million from tranche B.

In view of the above, as well as recurring operating assets, AdP does not foresee difficulties in fulfilling its financial commitments. Particularly for short term bank loans, AdP has immediate liquidity to cover the entire debt servicing forecast for the next 12 months.

Contracted short term credit lines

MEUR

Liquidity risk	Amount of ceiling available	Amount used	Amount unused
Bank overdrafts (attributable only to AdP SGPS)	57.5	-	57.5
Group company loans	90.0	-	90.0
Short term group company loans	(103.9)	(56.6)	(47.3)
Net available credit lines attributable to AdP SGPS	43.7	(56.6)	100.2
Bank overdrafts (AdP Group)	125.0	-	125.0

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

The Group policy is to have the parent company, AdP SGPS, contract loans with financial corporations (with the exception of investment loans) before, in turn, making loans to its subsidiaries. This policy aims to optimise the capital structure for greater tax efficiency while also reducing the average cost of capital.

	Notes	2021	2020
Non-current loans (bond loans)	15	387 500 000	544 318 182
Current loans (bond loans and Group loans)	15	156 818 182	28 818 182
Availabilities	12	(33 465 441)	(11 522 666)
Net debt		510 852 741	561 613 698
Total own capital		885 818 100	857 279 891
Capital		1 396 670 841	1 418 893 589
Net debt/total capital		0.37	0.40

The financing model of AdP is fundamentally based on two broad categories that allow for the balancing of the capital structure, shareholder financing and own capital.

4.4 Credit risk

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

4.4.1 Operating counterparty

The credit risk related to operations essentially stems from the credits for services provided to the subsidiaries and to advances/treasury funding granted to the same companies.

Subsidiary credit risks are low considering their financial situations and legal and regulatory frameworks. Indeed, in state-owned systems, financial autonomy ratios are high and the multi-municipal or partnership systems, concession or partnership agreements have mechanisms for restoring the economic-financial balance in order to ensure third parties comply with all their liabilities, including those arising from debt servicing.

In addition, in the case of multi-municipal systems and partnerships, the regulatory and legislative provision that ensures the recovery of the municipality debts owed to these systems has been consolidated in the context of calculating the Cost Recovery Deviation, which in turn has a recovery period defined by Decree Law.

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

Business sector	Major industrial clients and other entities	Group companies	TOTAL (Note 10)
Client typology			
Risk	Medium	Low	
Gross exposure	33 542	3 134 734	3 168 276
Impairment	(31 361)	-	(31 361)
Net exposure	2 181	3 134 734	3 136 915

4.4.2 Deposit counterparty

The following table represents AdP's maximum exposure to credit risk (not including the Trade receivables and Other debtors item balances) as of 31 December 2021 and 2020, without regard to any collateral held or other credit enhancements. For assets in the statement of the financial position, the defined exposure is based on its carried over amount as reported in the statement of the financial position.

Financial bank assets	2021	2020
Current accounts (Note 12)	3 464 941	7 521 666
Term deposits (Note 12)	30 000 000	4 000 000
	33 464 941	11 521 666

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

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

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

5. Intangible assets

5.1 Accounting policies

Intangible assets (software development costs) are stated at cost net of accumulated amortisations. These items are amortised by the straight-line method normally over a period of three to ten years. Research and development costs that do not meet the criteria for recognition of development expenditure as intangible assets are recognised as expenses in the period when incurred. Development expenses previously recognised as costs for the year are not recognised as intangible assets in subsequent periods. Investments that increase the performance of software programs beyond their original specifications are added to the original cost of the software.

Software implementation costs recognised as assets are amortised using the straight-line method over their useful lives, in particular from three to six years.

5.2 Details and movements

The details of the intangible assets at 31 December 2021 and 2020 are as follows:

	2021	2020
IT software programs	46 911	-
Ongoing intangible assets	-	53 170
	46 911	53 170

The movements in intangible assets in the year ended 31 December 2021 are as follows:

	2020			Acquisitions	Amortisations for the year (Note 21)	Transfers	2021		
	Gross amount	Accumulated amortisations	Net amount				Gross amount	Accumulated amortisations	Net amount
IT software programs	-	-	-	-	(9 382)	56 293	56 293	(9 382)	46 911
Ongoing intangible assets	53 170	-	53 170	3 123	-	(56 293)	-	-	-
	53 170	-	53 170	3 123	(9 382)	-	56 293	(9 382)	46 911

6. Tangible fixed assets

6.1 Accounting policies

Recognition and measurement

Fixed tangible assets are measured at cost, minus the depreciations in keeping with their estimated useful life expectancy. Expenditure directly attributable to the acquisition of the assets and their preparation to enter into operation are considered in the balance sheet value.

The subsequent costs are included in the accounting value of the asset or recognised as separate assets as appropriate only when it is probable that the economic benefits shall flow to the company and the cost may be reliably measured. Their depreciation is carried out throughout their useful remaining life or through to the next repair, whichever of the two occurs first. Replaced asset components are identified and recognised in the results.

Other expenditures with repairs and maintenance are recognised as costs in the period during which they are incurred.

Tangible fixed assets are depreciated on the basis of their estimated useful life, beginning when they are ready to enter into operation. The depreciable amount is obtained by deducting the expected residual value at the end of the estimated useful life.

The estimated useful life spans of tangible fixed assets are set out according to the following average periods:

Type	Interval in years
Administrative equipment	4 - 10

The depreciation of assets for which there is the intention to sell is suspended with the respective assets then classified as assets held for sale.

At the end of each financial year, the Board of Directors reviews the depreciation methods and the estimated life span for each asset so as to ensure a fair reflection of the patterns of consumption of the benefit of assets throughout their years of utilisation by AdP. Eventual alterations in these assumptions are processed as if an alteration to an accounting estimate and subject to prospective application.

Impairment

Whenever there is evidence of a loss in value of tangible fixed assets, impairment tests are carried out in order to estimate the recoverable value of the asset and, whenever necessary, to register a loss due to impairments. The recoverable value is determined as the highest between the net sale price and the use value of the asset with the latter calculated based on the actual value of the estimated future cash flows, stemming from continuous usage and disposal of the asset at the end of its useful operational life span.

Determination of the recoverable asset amount

The recoverable amount is the higher of its net selling price or its value in use. In determining an asset's value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset in question. The recoverable amount for assets that do not in themselves generate independent cash flows is determined in conjunction with the cash-generating unit to which they belong.

Reversal of impairment losses

Impairment losses are reversed whenever there are changes in the estimates applied to determine the respective recoverable amount. Impairment losses are reversed up to the amount, net of amortisation or depreciation, that the asset would have had were the impairment loss not recognised.

Derecognition

Gains and losses stemming from writing off or disposal are determined by the difference between the amount received from the disposal and the accounting value of the asset and recognised as income or costs in the financial results.

6.2 Details and movements

Tangible fixed assets at 31 December 2021 and 2020 are detailed as follows:

	2021	2020
Administrative equipment	9 932	15 334
Other tangible assets	-	-
	9 932	15 334

The movement in tangible fixed assets during the years ending on 31 December 2021 and 2020 was as follows:

	2020				2021		
	Gross amount	Accumulated depreciations	Net amount	Financial year depreciations (Note 21)	Gross amount	Accumulated depreciations	Net amount
Administrative equipment	135 834	(120 500)	15 334	(5 402)	135 834	(125 902)	9 932
Other tangible assets	1 058	(1 058)	-	-	1 058	(1 058)	-
	136 892	(121 558)	15 334	(5 402)	136 892	(126 960)	9 932

	2019					2020		
	Gross amount	Accumulated depreciations	Net amount	Acquisitions	Financial year depreciations (Note 21)	Gross amount	Accumulated depreciations	Net amount
Administrative equipment	132 233	(115 459)	16 774	3 601	(5 041)	135 834	(120 500)	15 334
Other tangible assets	1 058	(1 058)	-	-	-	1 058	(1 058)	-
	133 291	(116 517)	16 774	3 601	(5 041)	136 892	(121 558)	15 334

7. Leases

7.1 Accounting policies

The leases in which the AdP Group is the lessee are recognised, measured and presented according to a single model. Through this model, the leases are accounted for in the financial position statements. On the lease commencement date, the AdP Group recognizes the liability relating to the future lease payments (i.e., the lease liability) and the assets representing the right to use the assets during the lease period (i.e., assets under right of use). The AdP Group separately recognises financial costs related to lease liabilities and the costs with depreciation or amortisation of the right-of-use asset.

AdP engages in leasing only as the lessee.

A) Identification of a lease

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

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

Separating contractual components

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

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

Unless the practical arrangements attributed to lessees are used, the lessee shall account for the non-lease component in accordance with the respective applicable IFRSs.

Lease terms

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

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

The lease term includes the months of grace for rental charges, whenever applicable. The lease commencement date corresponds to the date on which the lessor makes the underlying asset of the lease available for lessee usage.

b) Accounting for lessees

Lease recognition and initial measurement

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

Initial measurement of the right-of-use asset

On the lease start date, the asset under right-of-use is measured at cost, which is equal to the value of the lease liability plus costs for dismantling the asset (where such is an obligation), the direct initial costs incurred in installing the asset and less any payments or incentives that may have occurred before the contract date.

Initial measurement of lease liability

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

Future lease payments are discounted according to the prevailing interest rate:

- a) In contracts where the implicit rate of the respective contract is applicable, this rate is applied (the interest rate that equals the fair value of the underlying asset applied to the total present value of the lease payments and the residual value);
- b) For other contracts, the incremental financing rate applies (the interest rate that would be obtained for financing the lease term corresponding to the acquisition of the underlying lease asset).

Subsequent lease measurement

Subsequent measurement of right-of-use assets

The asset under right-of-use is measured according to the cost model in which assets under right-of-use are measured at cost less their accumulated depreciation and impairment losses and then adjusted for any remeasurements of lease liabilities.

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

The operational lives for right-of-use assets reflect the following average durations:

Type	Interval in years
Software licences	3
Transport equipment	1 - 4

Subsequent measurement of lease liabilities

Lease liabilities are measured at their amortised costs. After the lease start date, AdP measures their lease liabilities by:

- a) 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);
- b) Reductions to reflect the lease payments made;;
- c) 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

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

- a) In contracts with lease and service components, the service component is treated as a lease under IFRS 16;
- b) Leases with contractual terms of under 12 months are excluded from the scope of IFRS 16;
- c) Leasing contracts for which the underlying assets attain an estimated value of less than USD 5,000 (printers and photocopiers, water dispensers and similar) are excluded from the scope of IFRS 16.

In leases where AdP is the lessee and for underlying assets holding little value (such as personal computers) and short-term lease contracts (i.e., contracts with a 12 month or less duration), lease recognition and measurement does not take place according to the single model described above with these lease rentals recognised as expenses on a straight-line basis over the period of the lease in the income statement under "External supplies and services - Rents and leases".

7.2 Right-of-use assets

The details of the right-of-use assets as of 31 December 2021 and 2020 and their movement during the years ending on those dates are as follows:

Right-of-use assets	2020			Increases	Amortisations for the year	Amortisation		2021		
	Gross amount	Accumulated amortisations	Net amount			Gross amount	Accumulated amortisations	Gross amount	Accumulated amortisations	Net amount
Software licences	374 788	(10 411)	364 377	(Note 21)	(124 929)	-	-	374 788	(135 340)	239 448
Transport equipment	588 894	(319 384)	269 510	8 057	(150 979)	(53 031)	23 821	543 920	(446 542)	97 378
	963 682	(329 795)	633 887	8 057	(275 908)	(53 031)	23 821	918 708	(581 882)	336 826

Right-of-use assets	2019			Increases	Amortisations for the year (Note 21)	Settlements Amortisations	2020		
	Gross amount	Accumulated amortisations	Net amount				Gross amount	Accumulated amortisations	Net amount
Software licences	-	-	-	374 788	(10 411)	-	374 788	(10 411)	364 377
Transport equipment	473 424	(145 799)	327 625	115 470	(161 856)	(11 729)	588 894	(319 384)	269 510
	473 424	(145 799)	327 625	490 258	(172 267)	(11 729)	963 682	(329 795)	633 887

7.3 Lease liabilities

The details of the lease liabilities at 31 December 2021 and 2020 are as follows:

	2021	2020
Non-current	14 974	231 264
Current	211 445	294 983
	226 419	526 247

Capital outstanding by type of right-of-use asset	2021	2020
Software licences	125 018	248 940
Transport equipment	101 401	277 307
	226 419	526 247

Future minimum payments	2021	2020
Up to 1 year	213 871	303 671
From 1 to 5 years	15 400	234 158
Over 5 years	-	-
	229 271	537 829

Interest	2021	2020
Up to 1 year	2 426	8 688
From 1 to 5 years	426	2 894
Over 5 years	-	-
	2 852	11 582

Current value of minimum payments	2021	2020
Up to 1 year	211 445	294 983
From 1 to 5 years	14 974	231 264
Over 5 years	-	-
	226 419	526 247

7.4 Leasing payments

Total of leasing payments	2021	2020
Accounted for according to the single model stipulated in IFRS 16	308 236	278 272
Accounted for as expenditure in the results	37 456	19 275
	345 692	297 547

8. Investments in subsidiaries and holdings

8.1 Accounting policies

8.1.1 Financial holdings in subsidiaries

Subsidiaries are all those entities over which AdP maintains control. AdP controls an entity whenever exposed to, or holds rights over, the variable returns from its involvement with the entity and has the capacity to shape these returns through its powers over the entity. Subsidiaries are fully consolidated as from the date when control is transferred to AdP. This consolidation terminates from the date when such control comes to an end.

AdP applies the acquisition accounting methods to its business takeovers and acquisitions. The amount transferred in the acquisition of the subsidiary represents the fair value of the assets provided, the liabilities assumed or incurred as well as the former owners and the AdP issued capital instruments. The amount transferred includes the fair value of any asset and liability that results from any of the contingent agreements. The assets and liabilities thereby acquired and the contingent liabilities assumed on acquiring businesses are initially measured according to their fair value on the date of acquisition irrespective of the existence and of non-controlling interests. The attributable costs directly incurred in the acquisition are recognised in the financial results whenever incurred.

The subsidiaries are recognised in the statement of the AdP financial position on the date of obtaining control or significant influence or powers of negotiation or contracting, which is the date on which AdP commits to acquiring or disposing of the asset. During the transition, the financial holdings were recognised in accordance with the presumed cost or the considered cost, thus for the amount carried over in the financial statements prepared in accordance with the former norm in effect on that date as an alternative to the acquisition cost.

In the first phase, the subsidiaries are recognised at their acquisition cost plus the directly attributable transaction costs. These assets are subject to derecognition whenever: (i) the contractual rights of AdP to the receipt of its cash flows expire; (ii) AdP has substantially transferred all of the risks and benefits associated with its ownership; or (iii) despite still retaining a stake, but not substantially incurring all of the risks and benefits associated with its ownership as AdP has transferred control over the assets.

Recognition of dividends is recorded in the income statement on the date of their reporting.

8.1.2 Financial investments in associated companies

Investments in associated companies are reported according to the value resulting from the application of the patrimonial equivalence method. According to this method, the financial reporting includes the percentage share of AdP in the total gains and losses recognised since the date when this significant influence was first established before extending to when it effectively terminates for the associated companies in which AdP holds between 20% and 50% of the voting rights, or over which AdP holds significant influence but which cannot exercise their control. Gains or losses not deriving from transactions between AdP and its associates are eliminated. The dividends attributed by the associated company are considered reductions in the investment held.

When the quota share of associated company losses exceeds the investment made, the accounting value of the financial investment is reduced to zero and AdP recognises additional losses in the future relative to the already assumed responsibilities whenever having made the payment through the Associated Company account. Any excess in the acquisition cost of a financial investment by an AdP holding is registered in the fair value of assets, liabilities and contingent liabilities identified on the date of acquiring the stake gets accounted for as goodwill, which is then included in the value of the financial holding and its recovery is evaluated annually as an integral financial investment. Whenever the cost of acquisition is below that of the fair net value of the assets of the associated company acquired, the difference is registered directly in the statement of results.

8.1.3 Impairment of investments in subsidiaries and associated companies

Financial holdings in subsidiaries and associates are analysed on the date of each Financial Accounting Report in order to detect indications of any eventual losses due to impairment. Whenever such an indication exists, the financial amount recoverable from the stake is evaluated. Whenever the amount registered for a financial holding exceeds the sum receivable, this is reduced to the amount recoverable with this impairment loss recognised in the results for that financial year. The amount recoverable from the financial holdings in subsidiaries and associates corresponds to the greatest of the value of use and the value of sale. The losses through impairment are reverted through to the value that the asset would have held had the impairment loss not been recognised.

The companies directly and indirectly owned by AdP on 31 December 2021 are:

Business unit / Company	Headquarters	% of subscribed capital (*)	% of paid-up capital (*)	% of effective capital (**)	Share capital	Own capital	Net annual result	
Water and Sanitation								
Águas do Algarve, S.A.	Faro	54.44%	54.44%	54.44%	EUR	29 825 000	30 556 589	365 764
Águas do Centro Litoral, S.A.	Coimbra	60.33%	60.71%	62.77%	EUR	39 974 968	102 292 938	1 548 134
Águas do Douro e Paiva, S.A.	Porto	51.00%	51.00%	51.00%	EUR	20 902 500	30 558 371	753 707
Águas do Norte, S.A.	Vila Real	68.73%	70.74%	72.50%	EUR	108 095 468	273 448 103	4 199 668
Águas de Santo André, S.A.	V. N. de Sto André	100.00%	100.00%	100.00%	EUR	1 000 000	29 691 248	5 221 976
AgdA - Águas Públicas do Alentejo, S.A.	Beja	51.00%	51.00%	51.00%	EUR	9 053 000	10 775 163	622 714
Águas do Tejo Atlântico, S.A.	Lisbon	50.68%	51.83%	51.61%	EUR	113 527 680	115 776 448	3 750 162
Águas do Vale do Tejo S.A.	Guarda	68.74%	68.74%	68.27%	EUR	83 759 578	211 138 070	3 131 675
SIMARSUL - Saneamento da Península de Setúbal, S.A.	Qta. do Conde	51.00%	51.00%	51.43%	EUR	25 000 000	67 845 701	943 070
SIMDOURO - Saneamento do Grande Porto, S.A.	V. N. de Gaia	58.52%	58.52%	58.61%	EUR	20 046 075	32 692 570	707 632
AdRA - Águas da Região de Aveiro, S.A.	Aveiro	51.00%	51.00%	51.00%	EUR	17 500 000	18 745 081	600 372
EPAL, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	150 000 000	654 147 671	49 659 244
Águas do Alto Minho, S.A.	Viana do Castelo	51.00%	51.00%	51.00%	EUR	3 600 000	3 874 308	195 713
International								
AdP - Águas de Portugal Internacional - Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	175 000	238 429	38 215
AdP Timor-Leste, Unipessoal, Lda.	Timor	0.00%	0.00%	100.00%	USD	5 000	(502 712)	1 759
Aquatec, Lda.	Maputo Mozambique	0.00%	0.00%	100.00%	MZN	2 476 580	(67 796 195)	(1 588 447)
Águas do Brasil, S.A.	Rio de Janeiro Brazil	100.00%	100.00%	100.00%	BRL	2 050 100	(1 331 794)	-
Corporate services								
AdP Valor - Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	50 000	16 437 820	895 104
AdP Energias - Energias Renováveis e Serviços Ambientais, S.A.	Lisbon	100.00%	100.00%	100.00%	EUR	1 250 000	798 848	(241 642)
Associated companies								
Trevo Oeste, S.A.	Alcobaça	43.20%	43.20%	43.20%	EUR	1 336 085	n.d.	n.d.

(*) % of directly held capital

(**) % of directly and indirectly held capital

8.2 Estimates and judgements

The determination of a possible impairment loss can be triggered by the occurrence of several events, in particular the generation of consecutive net negative results by the subsidiaries. The identification of impairment indicators, the estimation of future cash flows and the determination of the fair value of financial investments, subsidiaries and associates imply high degrees of judgment on the part of management in the identification and evaluation of the different indicators of impairment, expected cash flows, applicable discount rates, useful lives and residual values. In view of AdP's intention to maintain the financial holdings and not having any intention to sell, AdP assumes that the recoverable amount corresponds to the own capital value of these subsidiaries and associates.

For the subsidiaries that are concessions or partnerships, given the fact that the respective concession and partnership contracts provide for guaranteed returns, sensitivity analyses are not performed as the recoverability of the investment is not conditioned.

8.3 Details and movements

At 31 December 2021 and 2020, the details of Investments in subsidiaries and associated companies are as follows:

	2021	2020
Investments in subsidiaries	733 726 677	732 808 677
Impairments for investments in subsidiaries	(20 348 975)	(20 153 975)
	713 377 702	712 654 702
Investments in associated companies	572 991	572 991
Impairments for investments in associated companies	(572 991)	(572 991)
	-	-
	713 377 702	712 654 702

The movements in the financial investments in subsidiaries for the years ending 31 December 2021 and 2020 are as follows:

	Notes	2021	2020
Opening balance		712 654 702	711 595 934
Increase in capital	(a)	918 000	985 065
Distribution of losses	(b)	-	218 703
Reversal / (increase) of impairment	26 (c)	(195 000)	5 000
Transfer of impairment to advances granted		-	(150 000)
Closing balance		713 377 702	712 654 702

(a) In the year ended 31 December 2021, AdP paid up the remaining capital in Águas do Alto Minho (EUR 918,000). In the year ended 31 December 2020, AdP paid the Increase in capital in Águas Públicas do Alentejo (EUR 617,865), and paid in capital to Águas do Alto Minho (EUR 367,200).

(b) In the year ended 31 December 2020, AdP covered the losses of AdP Internacional (EUR 218,703).

(c) In the year ended 31 December 2021, reflecting the results generated by the subsidiaries, AdP reinforced the impairment for the financial investment in the subsidiary AdP Energias by EUR 245,000 and reversed the impairment for the financial investment in the subsidiary AdP Internacional by EUR 50,000.

At 31 December 2021 and 2020, the details of Investments in subsidiaries and holdings by entity are as follows:

	2021			2020		
	Cost	Impairment	Total	Cost	Impairment	Total
Subsidiaries:						
EPAL	365 813 820	-	365 813 820	365 813 820	-	365 813 820
Águas do Vale do Tejo	79 347 548	-	79 347 548	79 347 548	-	79 347 548
Águas do Tejo Atlântico	34 623 897	-	34 623 897	34 623 897	-	34 623 897
SIMARSUL	18 866 926	-	18 866 926	18 866 926	-	18 866 926
Águas do Norte	111 404 246	-	111 404 246	111 404 246	-	111 404 246
Águas do Douro e Paiva	10 877 643	-	10 877 643	10 877 643	-	10 877 643
SIMDOURO	10 854 212	-	10 854 212	10 854 212	-	10 854 212
Águas do Centro Litoral	36 454 976	-	36 454 976	36 454 976	-	36 454 976
Águas do Algarve	25 834 640	-	25 834 640	25 834 640	-	25 834 640
AdP Internacional	15 651 636	(15 411 695)	239 941	15 651 636	(15 461 695)	189 941
Águas da Região de Aveiro	8 925 000	-	8 925 000	8 925 000	-	8 925 000
AdP Energias	5 733 226	(4 937 280)	795 946	5 733 226	(4 692 280)	1 040 946
Águas de Santo André	2 298 412	-	2 298 412	2 298 412	-	2 298 412
Águas Públicas do Alentejo	4 617 030	-	4 617 030	4 617 030	-	4 617 030
AdP Valor	587 465	-	587 465	587 465	-	587 465
Águas do Alto Minho	1 836 000	-	1 836 000	918 000	-	918 000
	733 726 677	(20 348 975)	713 377 702	732 808 677	(20 153 975)	712 654 702
Associated companies:						
Trevo Oeste	572 991	(572 991)	-	572 991	(572 991)	-
	734 299 668	(20 921 966)	713 377 702	733 381 668	(20 726 966)	712 654 702

9. Loans to Group companies

9.1 Accounting policies

Classification

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

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

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

Given the nature of AdP activities, the company only holds financial assets at amortised cost. A financial asset is classified under the category "Financial assets at amortised cost" when the following two conditions are met:

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

This item includes debt instruments, mainly investments in credit institutions and loans and advances to customers and Group companies (advances and treasury funding).

Evaluating the financial asset business model

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

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

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

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

Initial recognition

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

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

Subsequent measurement

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

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

- a) Interest is recorded in the income statement according to the effective transaction interest rate on the gross book value of the transaction (except in the case of impaired assets where the interest rate applies to the net book value of the impairment);
- b) Other changes in value are recognised as income or cost when the instrument is derecognised from the balance sheet, when reclassified and, in the case of financial assets, when impairment losses or gains occur in their recovery.

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

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

Credit written off from assets

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

Impairment of financial assets

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

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

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

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

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

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

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

Reclassification between financial instrument portfolios

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

Derecognition policy

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

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

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

- When the lessor does not hold control of the asset transferred, it is derecognised from the balance and any right or obligation held or resulting from the transfer is recognised.
- When the lessor does not hold control of the financial asset transferred, they still recognise it on the balance sheet at the same value as the exposure, including any alterations made and recognised as a liability associated to the financial asset transferred. The net values of the transferred asset and of the associated liability reflect the amortised cost of the rights and obligations held when the assets are measured at the amortised cost or at the fair value of the rights and obligations held or when the transferred asset is measured at fair value.

9.2 Estimates and judgments

Impairment losses for loans to Group companies are calculated according to the expected loss, the risk profiles of clients and their financial positions. Loans to Group companies, due to their nature, have a reduced risk of impairment. Therefore, no sensitivity analysis was performed.

9.3 Details and movements

At 31 December 2021 and 2020, the details of loans to Group companies are as follows:

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Advances	619 076 115	11 818 182	630 894 297	640 421 297	11 818 182	652 239 479
Treasury funding	-	56 570 000	56 570 000	-	56 390 000	56 390 000
	619 076 115	68 388 182	687 464 297	640 421 297	68 208 182	708 629 479
Accrued interest (a)	-	1 074 293	1 074 293	-	-	-
	619 076 115	69 462 475	688 538 590	640 421 297	68 208 182	708 629 479
Impairment	(70 315)	-	(70 315)	(70 315)	-	(70 315)
	619 005 800	69 462 475	688 468 275	640 350 982	68 208 182	708 559 164

(a) At 31 December 2020, the accrued interest was recorded in the "Clients" item (EUR 1,027,765) - Note 10.3.

At 31 December 2021 and 2020, the loans to Group companies by entity are as follows:

	2021					2020				
	Advances			Treasury funding	Total	Advances			Treasury funding	Total
	Non-current	Current	Total			Non-current	Current	Total		
Águas do Norte	290 000 000	3 636 364	293 636 364	7 320 000	300 956 364	298 136 363	3 636 364	301 772 727	2 890 000	304 662 727
Águas do Vale do Tejo	97 500 000	909 091	98 409 091	30 000 000	128 409 091	90 909 091	909 091	91 818 182	30 000 000	121 818 182
Águas do Centro Litoral	58 000 000	909 091	58 909 091	-	58 909 091	72 909 091	909 091	73 818 182	6 000 000	79 818 182
Águas Públicas do Alentejo	35 300 000	454 545	35 754 545	-	35 754 545	28 181 546	454 545	28 636 091	5 000 000	33 636 091
Águas da Região de Aveiro	58 500 000	909 091	59 409 091	4 950 000	64 359 091	57 409 091	909 091	58 318 182	4 500 000	62 818 182
Águas do Douro e Paiva	12 000 000	-	12 000 000	-	12 000 000	23 000 000	-	23 000 000	-	23 000 000
Águas do Algarve	15 000 000	5 000 000	20 000 000	8 500 000	28 500 000	20 000 000	5 000 000	25 000 000	3 500 000	28 500 000
SIMDOURO	47 000 000	-	47 000 000	-	47 000 000	48 000 000	-	48 000 000	-	48 000 000
Águas do Alto Minho	-	-	-	3 900 000	3 900 000	-	-	-	2 000 000	2 000 000
AdP Internacional	3 600 000	-	3 600 000	400 000	4 000 000	1 700 000	-	1 700 000	2 500 000	4 200 000
AdP Valor	2 000 000	-	2 000 000	1 500 000	3 500 000	-	-	-	-	-
Águas do Brasil	105 800	-	105 800	-	105 800	105 800	-	105 800	-	105 800
Trevo Oeste	70 315	-	70 315	-	70 315	70 315	-	70 315	-	70 315
	619 076 115	11 818 182	630 894 297	56 570 000	687 464 297	640 421 297	11 818 182	652 239 479	56 390 000	708 629 479
Interest incurred					1 074 293					-
					688 538 590					708 629 479
Impairment	(70 315)	-	(70 315)	-	(70 315)	(70 315)	-	(70 315)	-	(70 315)
	619 005 800	11 818 182	630 823 982	56 570 000	688 468 275	640 350 982	11 818 182	652 169 164	56 390 000	708 559 164

The advances correspond to reimbursable loans with a maturity of over one year and the treasury funding identifies the reimbursable loans with a period of less than one year. Advances and treasury funding are remunerated with interest.

The movements in Loans to Group companies in the years ending on 31 December 2021 and 2020 were as follows:

	2021				
	Advances			Treasury funding	Total
	Non-current	Current	Total		
Opening balance	640 421 297	11 818 182	652 239 479	56 390 000	708 629 479
Utilisation of credit	27 173 000	-	27 173 000	100 630 000	127 803 000
Reimbursement of capital	(36 700 000)	(11 818 182)	(48 518 182)	(100 450 000)	(148 968 182)
Non-current to current reclassifications	(11 818 182)	11 818 182	-	-	-
Closing balance	619 076 115	11 818 182	630 894 297	56 570 000	687 464 297

	2020				
	Advances			Treasury funding	Total
	Non-current	Current	Total		
Opening balance	684 871 297	11 818 182	696 689 479	68 693 183	765 382 662
Utilisation of credit	11 289 017	-	11 289 017	115 586 133	126 875 150
Reimbursement of capital	(43 920 835)	(11 818 182)	(55 739 017)	(127 889 316)	(183 628 333)
Non-current to current reclassifications	(11 818 182)	11 818 182	-	-	-
Closing balance	640 421 297	11 818 182	652 239 479	56 390 000	708 629 479

10. Account receivables

10.1 Accounting policies

For accounting policies regarding accounts receivables, see disclosures in Note 9.1.

10.2 Estimates and judgments

Losses due to impairments to accounts receivable are calculated according to the losses expected, the profile of client risk and their respective financial positions. The AdP accounts receivable derive from the provision of financial service to subsidiaries and hence with only a low risk of impairment. In this sense, no sensitivity analyses were carried out.

10.3 Details

At 31 December 2021 and 2020, the accounts receivables were as follows:

	2021	2020
Group companies	2 287 411	2 539 735
Other entities	33 542	33 542
	2 320 953	2 573 277
Contractual assets – Estimate of services for invoicing (i)	847 323	3 351 125
	3 168 276	5 924 402
Impairment	(31 361)	(31 361)
	3 136 915	5 893 041

(i) Contractual assets – Estimate of services for invoicing

At 31 December 2021 and 2020, the contractual assets referring to not yet invoiced revenues were as follows:

	2021	2020
Management fees	671 596	648 184
Established service levels (a)	145 779	1 275 276
Attendance of subsidiary Board of Director meetings	29 948	110 648
Interest (b)	-	1 027 765
Commissions (c)	-	284 132
Attendance of subsidiary general assemblies (c)	-	5 120
	847 323	3 351 125

(a) Revenue related to the activities transferred from the subsidiary AdP Valor as described in note 1.2.

(b) As of December 31 2021, accrued and non-invoiced interest is recorded in the item "Loans to Group companies - Current" (Note 9.3).

(c) As of 31 December 2021, non-invoiced commissions and participations in the Shareholder General Meetings of subsidiaries are recorded under "Other current assets" (Note 11.2).

As of December 31, 2021 the duration of the account receivables debt was as follows:

Client type Age of debt	Large industrial clients and other entities				Group companies				Total net exposure
	Gross exposure	Impairment	% Loss	Net exposure	Gross exposure	Impairment	% Loss	Net exposure	
Not due	-	-	0,0%	-	3 124 812	-	0,0%	3 124 812	3 124 812
Due for up to 180 days	-	-	0,0%	-	(765)	-	0,0%	(765)	(765)
Due for over 180 days	33 542	(31 361)	-93,5%	2 181	10 687	-	0,0%	10 687	12 868
	33 542	(31 361)	-93,5%	2 181	3 134 734	-	0,0%	3 134 734	3 136 915

11. Other current assets

11.1 Accounting policies

For the other current assets accounting policies, see disclosures in Note 9.1.

11.2 Details

At 31 December 2021 and 2020, there were the following other current assets:

		2021	2020
Other receivables	i)	548 461	691 533
Deferred charges	ii)	141 716	263 702
State and other public entities	iii)	807 286	807 286
		1 497 463	1 762 521
Impairment	iii)	(809 033)	(809 033)
		688 430	953 488

i) Other receivables

		2021	2020
Other receivables:			
Commissions for invoicing	(a)	268 314	-
Costs to reclaim from subsidiaries		107 678	250 475
Compensatory interest	(b)	71 000	425 773
Fiscal consolidation		46 747	-
Other receivables		54 722	15 285
		548 461	691 533

(a) As at 31 December 2020, accrued income from commissions was recorded under the "Account receivables" item (Note 10.3).

(b) The item "Compensatory interest" corresponds to the amount of compensatory interest paid in 2019 and related to 2015 and 2016 following a taxation process related to the Special Regime for General Corporate Taxation. AdP reclaimed these interest payments in a Court of Arbitration, with the sentence handed down favourable to AdP.

ii) Deferred charges

	2021	2020
Deferred charges:		
Insurance	105 472	71 983
Pre-payment of services	36 244	9 881
Bank charges (c)	-	181 838
	141 716	263 702

(c) As at 31 December 2021, deferred bank charges arising from the issuing of debenture loans are recorded in liabilities as a deduction to the "Loans" item (Note 15.2).

iii) The impairments to other current assets include EUR 807 286 referring to retentions at source carried out in previous years by the debt instruments then held with their periods of reimbursement withdrawn by the Taxation Authority and the costs accounted for in the Statement of Results for the financial year ending on 31 December 2018 under the "Tax on financial year earnings" item..

12. Cash and cash equivalents

12.1 Accounting policies

Cash and cash equivalents include cash, bank deposits, and other short-term liquidity investments with initial maturities of up to three months. Bank overdrafts are presented in statements of the financial position, in current liabilities, under the Loans obtained item, which are also considered in preparing the cash-flow statement.

12.2 Details

At 31 December 2021 and 2020, the details of Cash and cash equivalents were as follows:

	2021	2020
Current accounts	3 464 941	7 521 666
Term deposits	30 000 000	4 000 000
Cash	500	1 000
	33 465 441	11 522 666
Interest accrued from term deposits	1 067	-
	33 466 508	11 522 666

The term deposits were established with the IGCP (Treasury and Public Debt Management Agency - IGCP, E.P.E.) in December 2021 and matured on 3 January 2022.

13. Own capital

13.1 Accounting policies

Classification

An instrument is classified as an equity instrument:

- when there is no contractual obligation either to settle it by delivering cash or other financial assets to another entity or to exchange financial assets or financial liabilities with another entity according to terms potentially unfavourable to the issuer;;
- when the instrument will or may be settled by the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative settled only by the issuer exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Capital

Ordinary shares are classified in Equity. Costs incurred directly by the issuance of new shares or options are presented in Equity as a deduction, net of taxes, to the amount issued.

Dividends

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

13.2 Share capital

The capital, for the amount of 434,500,000, is represented by 86,900,000 shares of 5 euros each and is fully subscribed.

Shareholders as of 31.12.2021 and 31.12.2020	% Capital	Subscribed amount	No. of shares	Type of shares
Parpública, SGPS, S.A.	81%	351 945 000	70 389 000	Nominative
Caixa Geral de Depósitos, S.A.	19%	82 555 000	16 511 000	Nominative
	100%	434 500 000	86 900 000	

13.3 Net result and full earnings per share

	2021	2020
Net annual result	56 038 209	60 565 736
Number of shares	86 900 000	86 900 000
Result per share	0.64	0.70

	2021	2020
Comprehensive income	56 038 209	60 916 167
Number of shares	86 900 000	86 900 000
Result per share	0.64	0.70

In accordance with the Company's Articles of Association and the Portuguese Company Code, the Company is obliged to transfer at least 5% of the net profit for each year to the legal reserve, included in the Other Reserves item in Own Capital, until this reserve reaches 20% of the share capital. The legal reserve cannot be distributed to the shareholders but may, under certain circumstances, be applied to increase capital or to absorb losses after all other reserves have been exhausted.

The application of results for 2020 was approved as per the General Meeting held on 10 May 2021:

- i) Increase of the legal reserve in the amount of EUR 3,028,287;
- ii) Dividend paid in the amount of EUR 27,500,000; and
- iii) Transfer in the amount of EUR 30,037,449 to retained earnings.

14. Provisions, assets and contingent liabilities

14.1 Accounting policies

Provisions

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

sheet date, according to the best estimate by the Board of Directors regarding the expenditure required to discharge the obligation. The discount rate in effect for calculating the present value reflects the then prevailing market expectation both for the period of the discount and for the risk of the provision in question.

Provisions for future operating losses are not recognised.

Contingent liabilities

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

Contingent assets

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

14.2 Estimates and judgments

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

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

14.3 Details

As at 31 December 2021 and 2020, provisions in the amount of EUR 5,000,000 relate to a lawsuit in progress against the Company for contractual responsibilities inherent to the sale of a subsidiary that occurred in previous years.

Ongoing legal cases

AdP makes careful evaluations of its risks and contingencies and, subsequently, constitutes the provisions that, in keeping with the risks identified and the probability of actual liability, are deemed appropriate for recognition. From the evaluations made and in addition to the provisions recorded, no other liabilities were identified that require disclosure as contingent liabilities.

Guarantees

The financial commitments and liabilities of the Company not shown in the Statement of Financial Position were as follows as of 31 December 2021:

	Instituições financeiras
Guarantees - EIB	1 082 615 402
Guarantees – Group Banking Overdrafts	125 000 000
Other guarantees	2 867 229
	1 210 482 631

The guarantees refer to the guarantee given by AdP to the European Investment Bank within the scope of financing for AdP Group subsidiaries.

The credit risk of the subsidiaries is low, considering their respective financial situations and the legal and regulatory frameworks in effect. In fact, throughout the state-owned system, the financial autonomy ratios are high and in the multi-municipal systems or under the partnership regimes, the concession or partnership contracts contain mechanisms for restoring the economic and financial balance to ensure compliance with all third party responsibilities, in particular in terms of debt servicing liabilities.

Furthermore, in the case of multi-municipal systems and partnerships, the regulatory and legislative provision that ensures the recovery of the debts owed by Municipalities to these systems was consolidated within the scope of the Cost of Deviation Recovery mechanism, which in turn deploys Decree-Law stipulated recovery periods.

Contingent assets

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

15. Loans

15.1 Accounting policies

Classification

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

The category "Financial liabilities at amortised cost" includes those liabilities presented under "Loans", "Group company loans" and "Suppliers". These liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost according to the effective interest rate.

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

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

Loans obtained

Loans (bond loans and Group loans) are recorded as liabilities at the nominal value received, net of commissions related to the issuance of those loans. Financial expenses are calculated based on the effective interest rate and are recorded under the item "Financial expenses" in the consolidated income statement on an annualised basis. The portion of the effective interest charge relating to the fees for issuing loans, when not paid during the reporting period, is deducted from the book value of the loan whenever not settled over the course of the financial year.

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

Reclassification between categories of financial instruments

Financial liabilities cannot be reclassified between categories.

15.2 Details and movements

At 31 December 2021 and 2020, the amounts of Loans were as follows:

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Bond loans	387 500 000	156 818 182	544 318 182	544 318 182	6 818 182	551 136 364
Group company loans	-	-	-	-	22 000 000	22 000 000
	387 500 000	156 818 182	544 318 182	544 318 182	28 818 182	573 136 364
Accrued interest (a)	-	193 841	193 841	-	-	-
Deferred bank charges (b)	-	(132 573)	(132 573)	-	-	-
	-	61 268	61 268	-	-	-
	387 500 000	156 879 450	544 379 450	544 318 182	28 818 182	573 136 364

(a) At 31 December 2020, accrued interest was recorded under the item "Suppliers and other current liabilities" (EUR 254,489).

(b) At 31 December 2020, deferred charges associated with initial issuing costs for bond loans were recorded in assets under the item "Other current assets". (Note 11.2).

Bond loans are subject to ownership clauses, which state that eventual changes in the shareholder structure of AdP may lead to the immediate maturity of the debt.

The loans obtained from group companies are contracted with terms of less than 12 months and bear interest.

Movement in the loans obtained

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

	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Opening balance	544 318 182	28 818 182	573 136 364	551 136 364	110 818 182	661 954 546
Reclassification of non-current to current	(156 818 182)	156 818 182	-	(6 818 182)	6 818 182	-
Loans obtained	-	10 000 000	10 000 000	-	92 500 000	92 500 000
Loan capital reimbursed	-	(38 818 182)	(38 818 182)	-	(181 318 182)	(181 318 182)
Fluctuations in accrued Interest	-	61 268	61 268	-	-	-
Final balance	387 500 000	156 879 450	544 379 450	544 318 182	28 818 182	573 136 364

Loans by maturity

As at 31 December 2021 and 2020, the details of the loans, by interest rate type and principal repayment maturity, were the following:

Variable interest rate	2021	2020
Up to 1 year	156 818 182	6 818 182
From 1 to 2 years	206 818 182	156 818 182
From 2 to 3 years	6 818 182	206 818 182
From 3 to 4 years	6 818 182	6 818 182
From 4 to 5 years	6 818 182	6 818 182
Over 5 years	160 227 272	167 045 454
	544 318 182	551 136 364

Fixed interest rate	2021	2020
Up to 1 year	-	22 000 000
From 1 to 2 years	-	-
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
Over 5 years	-	-
	-	22 000 000
	544 318 182	573 136 364

Fair value

The loans obtained by AdP correspond to bond loans issued in 2007, 2008 and 2016. Considering the fact that bond loans were issued on those dates and that afterwards AdP did not resort to this type of loans, it is therefore not possible to determine at what rates AdP could be financed for the contracted maturities and it is thus correspondingly not possible to determine the fair value of the loans obtained in any reasonable way.

16. Suppliers and other current liabilities

16.1 Accounting policies

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

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

16.2 Details

At 31 December 2021 and 2020, the details of Suppliers and other current liabilities were as follows:

		2021	2020
General suppliers		300 122	125 450
Other payables	i)	258 271	412 570
Accrued expenses and deferrals	ii)	1 729 217	2 150 791
State and other public entities	iii)	831 866	383 146
		3 119 476	3 071 957

i) Other accounts payable

		2021	2020
Distribution of life insurance results for settling with subsidiaries	(a)	368 677	136 536
Insurance premiums for repaying to subsidiaries		(152 603)	(25 406)
Other creditors		42 197	180 395
Fiscal consolidation		-	121 045
		258 271	412 570

(a) This corresponds to profit sharing from life insurance policies with this amount received by the Company and to be paid out to Group companies in 2022.

ii) Additional costs and deferrals

		2021	2020
Staff holidays and holiday payments		845 548	770 558
Diverse services provided by suppliers and not invoiced		382 877	353 263
Commissions payable	(b)	241 949	257 295
Training		233 832	241 585
Interest payable	(c)	-	254 489
Operating subsidies received on behalf of subsidiaries		-	241 800
Other additional costs		25 011	31 801
		1 729 217	2 150 791

(b) This essentially corresponds to commissions to be paid to the General Directorate of Treasury and Finance for the guarantee issued by the Portuguese state for the loans obtained by the subsidiaries from the European Investment Bank.

(c) As of 31 December 2021, the accrued interest payable relating to the loans obtained is recorded under the item "Loans" (Note 15).

iii) State and other public entities

		2021	2020
Value added tax		577 052	151 239
Social security		143 617	124 662
Third party withholding taxes		109 288	103 108
Other taxation		1 909	4 137
		831 866	383 146

17. Financial instruments by IFRS 9 category

Classification of financial assets and liabilities (31.12.2021)	Financial assets at amor-tised cost	Financial liabilities at amortised cost	Total financial instruments
Other financial assets	43 676		43 676
Loans to Group companies	688 468 275		688 468 275
Clients	3 136 915		3 136 915
Cash and cash equivalents	33 466 508		33 466 508
Total assets	725 115 374	-	725 115 374
Loans		544 379 450	544 379 450
Suppliers		300 122	300 122
Total liabilities	-	544 679 572	544 679 572

Classification of financial assets and liabilities (31.12.2020)	Financial assets at amortised cost	Financial liabilities at amortised cost	Total financial instruments
Other financial assets	24 744		24 744
Loans to Group companies	708 559 164		708 559 164
Clients	5 893 041		5 893 041
Cash and cash equivalents	11 522 666		11 522 666
Total assets	725 999 615	-	725 999 615
Loans		573 136 364	573 136 364
Suppliers		125 450	125 450
Total liabilities	-	573 261 814	573 261 814

18. Income from client contracts

18.1 Accounting policies

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

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

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

In the provision of services by AdP, there is only one performance obligation, hence the revenue is recognised immediately as the provision of client services.

18.2 Details

In the financial years ending on 31 December 2021 and 2020, the levels of income from client contracts were as follows:

	2021	2020
Management fees	12 097 274	12 045 014
Established service levels (NSE's)	4 298 016	1 807 668
Attendance of subsidiary Board of Director meetings	140 261	-
	16 535 551	13 852 682

The revenue from contracts with customers corresponds to the management fee charged to Group companies and corresponds to a set rate applied to the business turnover of each subsidiary and with no subsequent change in the rate of the AdP charged management fee.

The NSEs correspond to the revenue for the activities carried out by AdP Valor and transferred to AdP on 1 August 2020 (information systems, procurement, logistics and legal services).

As a holding company, AdP debits its subsidiaries for the remuneration of the non-executive members it appoints. In 2020, this revenue was recorded under the item "Other operating income and gains - Performance of social duties at subsidiaries" (Note 23).

19. Supplies and external services

19.1 Accounting policies

Expenses and losses are recorded in the period to which they relate, regardless of the time of their payment or receipt on an accruals base (accruals principle).

19.2 Details

In the years ending on 31 December 2021 and 2020, the details of the supplies and external services was as follows:

		2021	2020
Specialised works- Technical assistance	(a)	1 471 084	866 332
Specialised works- Audits		32 338	46 219
Specialised works- Studies and consultancy		197 248	57 696
Specialised works- Financial consultancy		41 832	55 723
Specialised works- Legal consultancy		97 238	64 251
Specialised works- IT consultancy		166 858	45 701
Specialised works- Leasing of spaces		1 297 736	992 837
Specialised works- Others		202 987	243 728
Advertising and publicity		250 932	238 530
Rentals and leasing		37 456	19 275
Travel and accommodation		48 125	29 796
Insurance		77 805	76 747
Other external supplies and services		154 333	80 825
	(b)	4 075 972	2 817 660

(a) Technical assistance costs include: (i) costs of engineering services provided by AdP Valor; and (ii) costs related to the IT infrastructure provided by AdP Valor (although the activities of AdP Valor have been transferred to AdP, the costs of software and hardware for information systems continue to be contracted to AdP Valor with the recognition of costs related to the infrastructures provided to AdP continuing in 2021).

(b) The general increase in costs with external supplies and services in 2021 is explained by the incorporation on 1 August 2020 of the Information Systems, Purchasing and Logistics and Legal Departments, which formerly constituted AdP Valor.

20. Personnel costs

20.1 Accounting policies

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

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

The Company recognises a liability and an expense related to termination benefits when the Company can no longer withdraw the offer of such benefits.

20.2 Details

In the years ending on 31 December 2021 and 2020, the details of the personnel costs were as follows:

	2021	2020
Remuneration of the Governing Bodies	439 039	380 513
Remuneration of staff	4 977 007	3 747 691
Compensation	148 126	370 862
Charges on remunerations	1 255 274	957 074
Insurance	255 533	221 991
Social welfare costs	8 629	8 969
Other costs with staff	78 185	210 572
	7 161 793	5 897 672

The increase in the cost of staff in 2021 results from the reorganisation carried out on 1 August 2020 at AdP and AdP Valor, in which the Information Systems, Procurement and Logistics and Legal departments were transferred from AdP Valor to AdP.

Remunerations of governing bodies

	2021	2020
Board of Directors	370 527	309 317
Supervisory Board	31 967	31 967
Chartered Accountant (*)	36 545	39 229
	439 039	380 513

The current Board of Directors was appointed on 4 May 2020.

(*) Grant Thornton & Associados – SROC, Lda.) - the annual fees for the Statutory Audit (excluding VAT) amount to EUR 35,723.

Number of people working for the company

Type	Average number		Year end	
	2021	2020	2021	2020
Board of Directors	6	5	6	6
Supervisory Board	3	3	3	3
Permanent / temporary workers	99	73	100	93
	108	81	109	102

21. Financial year amortisations, depreciations and reversals

In the years ending on 31 December 2021 and 2020, the amounts of amortisations, depreciations and reversals were the following:

	Note	2021	2020
Intangible assets	Note 5	9 382	-
Tangible fixed assets	Note 6	5 402	5 041
Right-of-use assets	Note 7	275 908	172 267
		290 692	177 308

22. Other operating expenses and losses

For the years ending on 31 December 2021 and 2020, there were the following other operating expenses and losses:

	2021	2020
Donations and membership fees	56 800	51 389
Taxes and charges	3 908	14 132
Taxes and penalties	517	1 029
Other operating expenses	3 211	(1 287)
	64 436	65 263

23. Other operating income and gains

For the years ending on 31 December 2021 and 2020, there were the following other operating income and gains:

		2021	2020
Value added tax	(a)	1 934 935	-
Loaning of staff to subsidiaries		53 837	34 305
Performance of social duties by subsidiaries		1 370	210 262
Compensatory interest	Note 12.2.i)b)	-	425 773
Other operating income and gains		3 611	2 099
		1 993 753	672 439

(a) In 2020, following analysis of the Value Added Tax deduction methodology, AdP switched over to real allocation (applying the pro-rata method until 31 December 2019). Following this change in 2021, AdP recovered the VAT related to the years from 2016 to 2019.

(b) In 2020, this included income from the participation of Board members in subsidiaries (EUR 202,041).

24. Financial costs

In the years ending on 31 December 2021 and 2020, the details of the financial costs were as follows:

		2021	2020
Interest paid - Bond loans	(a)	556 733	1 080 130
Interest paid - Group company loans		3 131	418 746
Interest paid - Lease liabilities		8 405	11 081
Interest paid - Interest rate swap (hedging coverage)	(b)	-	387 615
Interest paid - Other interest		50	22
Penalty interest charges		-	8
Bank commission	(c)	2 194 143	2 308 551
Financial commissions	(d)	20 000	234 690
Other costs and financial losses		87 936	84 656
		2 870 398	4 525 499

(a) The reduction in the costs of bond loan interest payments stems from the reduction in the outstanding capital debt and the negative reference rates prevailing in the market (Euribor).

(b) At 31 December 2019, AdP had contracted a cash flow hedge derivative (interest rate swap) with a notional amount of EUR 20 million, maturing in January 2023 and valued at the negative amount of EUR 2,788,817 as of 31 December 2019. On 23 January 2020, the counterparty exercised the cancellation option, having been paid the amount of EUR 2,826,000 by AdP. Consequently, the negative fair value reserve recorded for the amount of EUR 350,431 in own capital was recognised in the income statement.

(c) The bank commissions correspond to the guarantee provided by the Portuguese Government for the loans granted by the EIB to the subsidiaries of AdP (0.2% of the outstanding capital). This charge is re-debited to the subsidiaries with the re-debit recorded under the item "Financial income".

(d) Commissions relating to the use of the EIB V loan.

25. Financial income

In the years ending on 31 December 2021 and 2020, there was the following financial income:

	2021	2020
Interest on treasury funding and advances to Group companies	11 390 030	12 966 118
Commissions	6 662 448	6 967 253
Term deposit interest	1 123	-
	18 053 601	19 933 371

The commissions item includes the amount attributable to the Portuguese state for the guarantees on the EIB granted loans.

26. Financial investment gains / losses

In the years ending on 31 December 2021 and 2020, the gains / (losses) on financial investments were as follows:

		2021	2020
EPAL		37 577 765	41 986 763
Águas do Tejo Atlântico		1 839 259	2 106 512
Águas do Douro e Paiva		376 360	354 347
Águas de Santo André		40 920	45 000
Águas da Região de Aveiro		300 138	329 355
Águas Públicas do Alentejo		-	170 643
Águas do Algarve		-	-
Dividends	(a)	40 134 442	44 992 620
Financial investment impairment losses/reversals	Note 8	(195 000)	5 000
		39 939 442	44 997 620

(a) The amounts presented correspond to the dividends declared and paid to AdP.

27. Income tax

27.1 Accounting policies

Corporate Income Tax

The Company is subject to taxation as an individual entity in accordance with IRC – Corporate Income Tax based upon the respective taxable amount at the taxation rate in effect.

The Company is taxed at the rate of 21% in addition to the 1.5% municipal surcharge levy on taxable profits. Furthermore, there is the 3% state surcharge levied on taxable profits in excess of EUR 1.5 million up to a limit of EUR 7.5 million, 5% on the amount of taxable profits of over EUR 7.5 million up to a limit of EUR 35 million with profits in excess of EUR 35 million subject to a 9% surcharge rate.

Income tax for the period includes current tax and deferred tax. Income tax is recognised in the income statement, except when relating to items recognised directly in equity. Calculating the amount of current tax payable is based on the pre-tax profit, adjusted according to the taxation framework in effect.

The determination of income tax requires certain interpretations. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle. Therefore, AdP complies with the

guidance of IFRIC 23 - Uncertainty over Income Tax Treatment, regarding the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty over the income tax treatment, not having resulted in any material impact on the financial statements. AdP understands that any review of the tax returns will not result in material adjustments in the financial statements that require any provision for taxes.

Deferred tax

Deferred tax is recognised according to the balance sheet liability method that considers the temporary differences between the asset and liability tax base and their carried over amounts on the financial statements. Deferred tax that arises from the initial recognition of an asset or liability in a non-merger transaction, and which has not affected either the accounting outcome or the tax outcome on the transaction date, is not recorded.

Deferred tax assets are recognised whenever there is the probability that future taxable profit will be available against which temporary differences are applicable or when the reversal of a deferred tax asset is forecast for the same time and with the same authority.

Deferred taxes are calculated based on the current rate or the rate officially in effect on the balance sheet date and expected to apply on the date on which the deferred tax assets are realised or deferred tax liabilities are paid. Any differences arising from expected changes in the rates that then reverse the temporary tax differences are detailed in the income statement.

Deferred taxes are recognised for temporary differences arising from investments in subsidiaries and associates except when AdP is able to control the timing of the reversal in the temporary difference and the temporary difference is unlikely to be reversed in the foreseeable future.

Deferred taxes are recorded either in the net profit item or in the "Other reserves" in accordance with how the original transaction or event is recorded.

27.2 Detail and movement

The balance of the income tax payable at 31 December 2021 and 2020 is as follows:

	2021	2020
Estimated financial year tax	(5 903 784)	(5 458 593)
Advance payment of tax on earnings	3 949 770	3 298 056
Taxation withheld at source by third parties	165 546	248 794
Additional payments of tax on earnings	756 738	616 006
Tax payable	(1 031 730)	(1 295 737)

At 31 December 2021 and 2020, the total tax burden was as follows:

	2021	2020
Estimate of taxation for the financial year	(5 903 784)	(5 458 593)
Current tax adjustments from previous years	(117 063)	52 769
Deferred tax	-	(1 150)
Tax for the year	(6 020 847)	(5 406 974)
Pre-tax results	62 059 056	65 972 710
Effective taxation rate	9.70%	8.20%

As at 31 December 2021 and 2020, the reconciliation between the nominal and the effective tax rate was the following:

	2021			2020		
	Base	Rate	Tax	Base	Rate	Tax
Pre-tax results	62 059 056			65 972 710		
Nominal taxation rate (*)	1 500 000	22.50%	337 500	1 500 000	22.50%	337 500
	6 000 000	25.50%	1 530 000	6 000 000	25.50%	1 530 000
	27 500 000	27.50%	7 562 500	27 500 000	27.50%	7 562 500
	27 059 056	31.50%	8 523 603	30 972 710	31.50%	9 756 404
Expected taxation		28.93%	17 953 603		29.08%	19 186 404
Permanent differences:						
. Dividends	(40 134 442)	-18.71%	(11 610 841)	(44 992 620)	-19.83%	(13 084 904)
. Fines and charges	567	0.00%	164	1 037	0.00%	302
. Unaccepted impairment provisions	195 000	0.09%	56 413	(5 000)	0.00%	(1 454)
. Compensatory interest	-	0.00%	-	(425 773)	-0.19%	(123 825)
. Donations	35 106	0.02%	10 156	27 094	0.01%	7 880
. Shares	(9 047)	0.00%	(2 617)	(15 034)	-0.01%	(4 372)
. Others	25 227	0.01%	7 298	-	0.00%	-
Savings from the State Surcharge rate		-0.82%	(511 893)		-0.79%	(520 597)
Corrections to current taxation from previous years		0.19%	117 063		-0.08%	(52 769)
Autonomous taxation		0.00%	1 501		0.00%	310
Estimated annual IRC		9.70%	6 020 847		8.20%	5 406 974

(*) Taxation on the earnings of Collective Entities (21%) + Municipal Surcharge (1.5%) + State Surcharge on EUR 6 000 000 (3%) + State Surcharge on EUR 27 500 000 (5%) + State Surcharge on taxable profit in excess of EUR 35 000 000 (9%).

The movements in deferred taxes for the financial year ending on 31 December 2020 were as follows:

	31.12.2019			Increases net of reversions			31.12.2020		
	Base	Rate	Tax	Base	Rate	Tax	Base	Rate	Tax
Deferred tax assets:									
. Lease liabilities	332 737	22.5%	74 866	(332 737)	22.5%	(74 866)	-	0.0%	-
Deferred tax liabilities									
. Right-of-use assets	(327 625)	22.5%	(73 716)	327 625	22.5%	73 716	-	0.0%	-
	5 112	22.5%	1 150	(5 112)	22.5%	(1 150)	-	0.0%	-

28. Balance of transactions with related parties

28.1 Related parties

On 31 December 2021, the related AdP parties were the following:

- Shareholders (Pública, SGPS, S.A. and Caixa Geral de Depósitos, S.A.)
- Entities held by AdP (Note 2.3);
- Members of the AdP Board of Directors;
- Members of the shareholder Boards of Directors.

28.2 Balance with related parties

On 31 December 2021, the balance (net of impairments) of transactions with related parties was the following:

	Asset				Total	Liabilities			Net
	Loans to Group companies	Clients	Other current assets	Cash and cash equivalents		Loans	Suppliers and other current liabilities	Total	
Total item balance	688 468 275	3 136 915	688 430	33 466 508	725 760 128	(544 379 450)	(3 119 476)	(547 498 926)	178 261 202
AdP Valor	3 502 256	(9 239)	-	-	3 493 017	-	(214 896)	(214 896)	3 278 121
Águas do Algarve	28 615 797	64 176	36 334	-	28 716 307	-	-	-	28 716 307
Águas Públicas do Alentejo	35 830 908	4 211	3 288	-	35 838 407	-	-	-	35 838 407
SIMDOURO	47 019 975	101 803	1 151	-	47 122 929	-	-	-	47 122 929
Águas do Douro e Paiva	12 005 856	20 795	4 554	-	12 031 205	-	-	-	12 031 205
Águas do Tejo Atlântico	-	8 620	58 274	-	66 894	-	-	-	66 894
SIMARSUL	-	69 303	17 801	-	87 104	-	-	-	87 104
EPAL	-	185 592	49 240	-	234 832	(1 419)	(2 213)	(3 632)	231 200
Águas de Santo André	-	191 183	9 509	-	200 692	-	-	-	200 692
Águas da Região de Aveiro	64 501 606	(30 227)	-	-	64 471 379	-	-	-	64 471 379
Águas do Norte	301 498 068	912 248	56 798	-	302 467 114	-	(4 286)	(4 286)	302 462 828
Águas do Alto Minho	3 900 000	1 178 989	8 767	-	5 087 756	-	-	-	5 087 756
Águas do Centro Litoral	58 988 329	161 689	30 346	-	59 180 364	-	-	-	59 180 364
Águas do Vale do Tejo	128 489 850	170 711	67 681	-	128 728 242	-	-	-	128 728 242
Trevo Oeste	-	11 422	-	-	11 422	-	-	-	11 422
AdP Internacional	4 009 830	93 033	77 145	-	4 180 008	-	(2 007)	(2 007)	4 178 001
Águas do Brasil	105 800	427	-	-	106 227	-	-	-	106 227
Parública	-	-	-	-	-	-	(6 674)	(6 674)	(6 674)
Caixa Geral de Depósitos	-	-	-	1 983	1 983	-	-	-	1 983
Total intra-group balance	688 468 275	3 134 736	420 886	1 983	692 025 880	(1 419)	(230 076)	(231 495)	691 794 385
Total external group balance	-	2 179	267 544	33 464 525	33 734 248	(544 378 031)	(2 889 400)	(547 267 431)	(513 533 183)

28.3 Related party transactions

In the year ending on 31 December 2021, there were the following transactions with related parties:

	Income from client contracts	Supplies and external services	Personnel costs	Other operating expenses and losses	Other operating income and gains	Financial costs	Financial income	Gains/losses from financial investments	Total
Total item balance	16 535 551	(4 075 972)	(7 161 793)	(64 436)	1 993 753	(2 870 398)	18 053 601	39 939 442	62 349 748
AdP Valor	42 112	(2 864 491)	-	-	-	-	2 256	-	(2 820 123)
Águas do Algarve	1 208 563	-	-	-	-	-	1 404 425	-	2 612 988
Águas Públicas do Alentejo	397 802	-	-	-	775	-	652 221	-	1 050 798
SIMDOURO	311 322	-	-	-	-	-	853 185	-	1 164 507
Águas do Douro e Paiva	808 052	-	-	-	-	-	451 314	376 360	1 635 726
Águas do Tejo Atlântico	1 841 733	-	-	-	845	-	1 256 416	1 839 259	4 938 253
SIMARSUL	387 184	72	-	-	-	-	450 640	-	837 896
EPAL	3 039 736	-	(844)	-	50 947	(1 711)	-	37 577 765	40 665 893
Águas de Santo André	552 114	2 966	-	-	-	-	-	40 920	596 000
Águas da Região de Aveiro	1 370 113	-	-	(2 500)	-	-	1 057 659	300 138	2 725 410
Águas do Norte	2 805 786	-	-	-	-	-	6 561 862	-	9 367 648
Águas do Alto Minho	468 438	-	-	-	-	-	29 110	-	497 548
Águas do Centro Litoral	1 152 653	(154)	-	-	-	-	1 997 200	-	3 149 699
Águas do Vale do Tejo	2 083 591	-	-	-	525	-	3 267 229	-	5 351 345
Trevo Oeste	-	-	-	-	-	-	1 211	-	1 211
AdP Internacional	65 670	-	-	-	-	-	67 750	-	133 420
AdP Energias	683	(199 560)	-	-	-	-	-	-	(198 877)
Parública	-	-	(14 038)	-	-	-	-	-	(14 038)
Total intra-group balance	16 535 552	(3 061 167)	(14 882)	(2 500)	53 092	(1 711)	18 052 478	40 134 442	71 695 304
Total external group balance	(1)	(1 014 805)	(7 146 911)	(61 936)	1 940 661	(2 868 687)	1 123	(195 000)	(9 345 556)

29. Information required by law

Of the information legally required under other legislation, in particular articles 66, 324, 397 and 447 of the Commercial Companies Code (CSC), the current legal provisions of Decree-Law 328/95, of 9th December and the provisions referred to in Decree-Law 411/91, of 17th October, it should be noted that:

- 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.
- 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.
- In compliance with the provisions of article 21 of Decree-Law no. 411/91, of 17 September, this furthermore reports the Company has no outstanding social security or taxation debts, with the balances accounted for on 31 December 2020, resulting from withholding tax and contributions relating to the month of December at source, were duly paid out in January 2021, in accordance with the legally stipulated deadlines

30. Subsequent events

At the date of issue of these financial statements, no subsequent events affecting their presentation were known.

31. Other issues – COVID-19

The years 2020 and 2021 were greatly impacted by the spread of infection with the new Covid-19 coronavirus, which generated highly significant consequences for socioeconomic activities with their impacts still not fully quantifiable in terms of their respective magnitudes. In keeping with European Union practices, Portugal has adopted various measures to mitigate the impact of this event on the national economy. These measures include initiatives to support corporate cash flow and that are expected to return positive consequences in terms of maintaining employment and income within the scope of sustaining domestic demand and keeping the economy running. These measures also include specific measures in support of operating services in the general economic interest, which includes the scope of AdP Group activities.

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

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

- **Assets**

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

- **OC/BT ratio**

- *As for business turnover*

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

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

The services provided in 2020 experienced no interruptions given the contingency plans implemented for operations, workers and suppliers.

- *As regards operating costs*

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

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

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

- **Debt variation ratio**

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

The AdP Group does not anticipate any of its companies shall encounter operational continuity problems over the next twelve months. As mentioned in Note 4.3, the AdP Group has medium- and long-term credit lines contracted with the EIB for the amount of EUR 341 million and short-term credit lines contracted with Portuguese commercial banks for the amount of EUR 125 million, with the Board of Directors holding the conviction that these lines shall suffice to deal with the debt commitments assumed and cope with any eventual reduction in liquidity as a consequence whether of potential delays to client receivables or any downturn in business turnover.

The Board of Directors



José Carlos Athaíde dos Remédios Furtado
(Executive Chair)



José Manuel Leitão Sardinha
(Executive Vice-Chair)



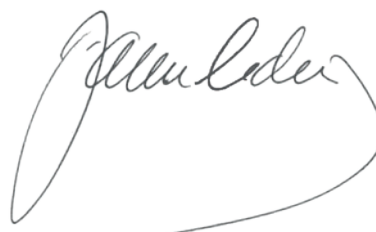
Carla da Conceição Afonso Correia
(Executive Director)



Catarina Isabel Clímaco Monteiro d'Oliveira
(Executive Director)

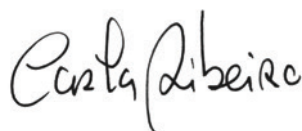


João Pedro Moura Castro Neves
(Executive Director)



Jaime Serrão Andrez
(Non-Executive Director)

The Chartered Accountant



Carla Isabel Costa Pinto Ribeiro

Report and opinion of the Audit Board

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

I. FRAMEWORK

1. In compliance with the applicable legal and statutory provisions, the Supervisory Board hereby issues this report and opinion on the annual report and accounts and other separate accounting documents of AdP - Águas de Portugal, S.G.P.S., S.A., submitted by the Board of Directors and relating to the 2021 financial year.
2. The Supervisory Board monitored the management and business performance of AdP - Águas de Portugal, S.G.P.S., S.A., especially via contacts with its directors and by reading the minutes of the meetings of the Board of Directors and Executive Committee. It held regular meetings which were normally attended by the Financial Director and the Statutory Auditor. The Supervisory Board was given all the clarifications requested and the documentation that it deemed necessary to perform its supervisory duties.
3. The Supervisory Board also verified compliance with the applicable legal and statutory provisions and exercised its powers in accordance with Article 420 of the Commercial Companies Code.
4. Under the powers invested in it by paragraphs 1 and 3 of Article 33 of Decree Law 133/2013 of 3 October, the Supervisory Board verified the company's compliance with the obligations set out therein and issued quarterly reports, which were sent to the competent authorities.
5. The report by the non-executive director on the performance of the executive directors provides a globally positive appreciation of their performance in 2021.
6. The Board of Directors in office on 31 December 2021 was elected for the term of office 2020-2022, on 4 May 2020, in the midst of the State of Emergency resulting from the COVID-19 Pandemic. We would note that through a resolution passed at the General Meeting on 10 May 2021, the strategic guidelines, objectives and management indicators and respective quantifiable targets were set for the 2020-2022 term of office.
7. Following Order no. 1025/2021-SET, of 10 November, which authorised the regrouping of the corporate centre of the Aguas de Portugal Group, implementing the concentration, at the holding company level, of the provision of technical administration and management services to its subsidiaries (and put into practice through the transfer to AdP SGPS of areas previously the responsibility of AdP Valor: procurement, legal services and information systems), the PAO – the Activity and Budget Plan of AdP, SGPS for 2021 was approved by Order no. 1155/2021-SET of 10/12/2021.

II. ASSESSMENT OF ACCOUNTING DOCUMENTS

8. Complete analysis of the Group across the economic, social, environmental, innovation and equality fields is detailed in the 2021 Sustainability Report and demonstrating corresponding material fulfilment.

9. As regards the annual accounts rendered here, analysis according to the disclosure obligations established in article 44 of Decree-Law no. 133/2013 of October 3, demonstrates compliance.

10. In the field of the remuneration of workers and of governing bodies, the salary guidelines in effect in 2021 were duly complied with.

In general, compliance with the legal guidelines and budget execution was verified when framed and monitored against the 2021 PAO; with the exception of the set of costs related to travel, travel allowances and accommodation, and those associated with the vehicle fleet, which exceeded the authorised limit (€ 296.9 million) by about €17.7 million, and with the exception of the costs associated with vehicles (as per point 14).

11. As regards compliance with the targets set in the 2021 PAO, the results obtained generally met the targets defined in the documents reporting the accounts, highlighting an EBITDA execution of 107% resulting from positive net contributions from Turnover and ESI Funds and Other Operating Income and a financial investment execution in the order of 93%, which corresponds to the capitalisation of the company Aguas do Alto Minho.

PRC	Unit	2021 Fin. Year	2021 Bud.	Implementation
EBITDA	EUR	7 227 103	6 735 293	107%
Financial Investment	EUR	918 000	988 000	93%

Source: Annual Report 2021

12. Within the framework of compliance with legal guidelines, compliance with RCM 34/2008 as regards the PMP – the Average Term of Payment.

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

Source: Annual Report 2021

13. The limits relative to the communications ceilings were fully complied with, as shown in the following table.

Board Member (Name)	Communications Costs (EUR)		
	Defined Monthly Platform	Annual Amount	Observations
José Carlos Athaide dos Remédios Furtado	80	343.14	-
José Manuel Leitão Sardinha (*)	0	0	-
Catarina Isabel Clímaco Monteiro d'Oliveira	80	133.62	-
Carla da Conceição Afonso Correia	80	336.65	-
João Pedro Moura Castro Neves	80	235.56	-
Jaime Serrão Andrez, in rep. of Parpública, SGPS, S.A.	n/a	n/a	-
		1048.97	

(*) Remuneration incurred by EPAL

Source: Annual Report 2021

14. The limits relative to the fuel ceilings and fuel surcharges were mostly complied with, as can be seen in the chart below, although they were not fully complied with due to professional reasons associated to one of the directors, according to the information provided.

BD Member (Name)	Monthly Limit Fuel and Tolls	Annual costs associated with vehicles (€)			Observations
		Fuels	Tolls	Total	
José Carlos Athaide dos Remédios Furtado	572.28	4357.20	1444.00	5801.20	
José Manuel Leitão Sardinha (*)	-	-	-	-	
Catarina Isabel Clímaco Monteiro d'Oliveira	457.82	763.80	324.90	1088.70	
Carla da Conceição Afonso Correia	457.82	542.58	187.70	730.28	
João Pedro Moura Castro Neves (**)	457.82	5445.37	2192.71	7638.08	

Source: Annual Report 2021

15. - It should be noted that, although lines a), b) and c) of article 158.3 of the 2019 DLEO have not been complied with in 2021, with regard to personnel costs and all the costs related to travel, daily allowances and accommodation and the costs associated with the vehicle fleet as well as those related to the contracting of studies, opinions, projects and consultancy services respectively, the amounts recorded in these aggregates were within the limits defined in the 2021 PAO, with the exception of travel, subsistence and accommodation costs and those associated with the vehicle fleet, which exceeded the authorised limit (296.9m euros) by about 17.7m euros. It should also be noted that, although the first paragraph of Article 1589 of the above-mentioned law was not observed, the value registered by the OG/TO (67.9%) was within the limit established in the 2021 PAO (71.33%)

PRC	2021 Impl.	2021 Bud.	2020 Impl.	2019 Impl.	2021/2020		2021/2019	
					Δ Abs.	Var. %	Δ Abs.	Var. %
(0) EBITDA	7 227 103	6 735 293	5 742 725	2 954 468	1 484 378	26%	4 272 635	145%
(1) CMVMC	0	0	0	0	0	0%	0	0%
(2) FSE	4 075 972	5 550 683	2 817 660	3 612 184	1 258 312	45%	463 788	13%
(3) Costs with staff	7 161 793	7 200 101	5 897 672	4 750 935	1 264 121	21%	2 410 858	51%
I. Compensation paid for contractual termination	148 126	150 000	370 862	0	-222 736	-60%	148 126	0%
II. Rises in remuneration	48 238	48 237	39 586	9 763	8 651	22%	38 475	394%
III. Impact of the application of IRCT	0	0	35 154	0	-35 154	-100%	0	0%
(4) Costs with staff without the impacts on the operating costs ^{a)}	6 965 429	7 001 864	5 452 070	4 741 172	1 513 359	28%	2 224 257	47%
(5) Impact of Covid-19 pandemic on operating costs ^{a)}	18 086	0	39 927	0	-21 841	-55%	18 086	0%
(6) Operating costs for the purpose of calculating operating efficiency = ((1)+(2)+(3)-(5))	11 219 679	12 750 784	8 675 406	8 363 119	2 544 273	29%	2 856 560	34%
(7) Business turnover (VN)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
Operating subsidies					0	0%	0	0%
Compensatory payments					0	0%	0	0%
(8) Loss of revenue from the Covid-19 pandemic ^{a)}	0	0	0	0	0	0%	0	0%
(9) Business turnover for the purpose of calculating operating efficiency (7+8)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
(10) Weighting of Costs /VN = (6)/(9)	67.9%	71.3%	62.9%	73.9%	5.0%	8%	0	-8%
I. Travel and accommodation expenses (FSE)	32 347	11 703	11 709	25 019	20 638	176%	7 328	29%
II. Expenses with daily allowances (Personnel costs)	6 490	1 003	1 030	5 586	5 460	530%	904	16%

PRC	2021 Impl.	2021 Bud.	2020 Impl.	2019 Impl.	2021/2020		2021/2019	
					Δ Abs.	Var. %	Δ Abs.	Var. %
III. Vehicle fleet costs ³⁾	275 747	284 195	256 937	222 176	18 810	7%	53 572	24%
(11) Total = (i) + (ii) + (iii)	314 584	296 900	269 676	252 781	44 908	17%	61 804	24%
(12) Charges with contracting studies, opinions, projects and consultancy	433 186	529 571	315 335	584 327	117 852	37%	-151 141	-26%
Total number of HR staff (GB + BD + Employees)	120	120	106	89	14	13%	31	35%
No. Governing Bodies (GB)	13	13	14	12	-1	-7%	1	8%
No. Board of Directors positions (BD)	9	9	8	9	1	13%	-1	-11%
No. employees (without GB and BD)	98	98	73	42	25	34%	56	133%
No. Employees / No. CD	11	11	9	5	7	183%	8	341%
No. of vehicles	47	48	44	31	3	7%	16	52%

Source: Annual Report 2021

16. There was a year-on-year decrease of around 4.5M€ in the level of net profit for the year*, which mainly arises from by the drop of 5.3M€ in the Financial Result mainly due to the impact on financial investments resulting from lower dividend distributions by the subsidiaries, especially EPAL. Simultaneously, but not so expressively, there was also a reduction at other companies resulting from the trend in the 10-year Treasury Bond rate which is determinant to the net results of the managing entities of the Multi-Municipal Systems and State-Municipal partnerships. In fact, a downward evolution of this index has been ongoing since 2018, falling from 1.84% in that year, to 0.75% in 2019, 0.41% in 2020 and 0.30% in 2021.
17. The year of 2021 also reflects an improvement in the Operating Income totalling in the region of € 1.4 million: resulting from: i) revenue from the activities formerly performed by AdP Valor (NSEs), until August 2020 and then transferred to AdP SGPS (information systems, procurement and logistics and legal); and ii) the recovery of VAT paid out between 2016 and 2019 due to changing from the Pro-Rata to the real allocation methodology (+€ 1.9 M).
In terms of operating costs, due to the reorganisation carried out in August 2020, with the integration of three departments into AdP SGPS previously belonging to the AdP Valor organisational structure, there was an increase in staffing costs (+€1.3 million) and an increase in supplies and services (FSE) (€1.3 million).
18. Total financial investments in subsidiaries and associates, amounting to € 713.4 M as at 31 December 2021, represent about 49.5% of the total AdP, SGPS assets and, as such, constitute a materially significant asset and thus require monitoring in terms of the eventual investment impairment processes or the recognition of provisions for additional subsidiary liabilities.
19. 2021 experienced a continuation of the AdP Group's centralised policy for managing its financing and liquid assets, which has enabled the integrated management of Group financial needs. The centralisation of a significant proportion of funding in AdP SGPS has furthermore allowed for the cohesive and coherent of the financing needs, avoiding cash-flow shortages and insolvency problems, despite the serious financial problems the country experienced in the meanwhile. Complementing this medium and long-term framework, AdP SGPS has also focused on negotiating with the banking system to obtain short-term funding. reducing the capacity of individual banks to penalise any of the subsidiaries, either in terms of costs or credits.

20. In compliance with the legal guidelines, and in respect of the IGCP Order of 18/12/2020 on the request for exemption from complying with the UTE, which provided an exception for the years 2020 and 2021 for a set of services, the Group applied the cash surplus net of the Group's needs with the IGCP, and has also transferred the operating surplus in the banking system to that entity, although there is a set of residual commercial banking balances as detailed in the tables below.

IGCP	1st Quarter EUR	2nd Quarter EUR	3rd Quarter EUR	4th Quarter EUR
Availabilities	25 295 565.97	43 227 141.63	74 704 731.26	3 224 850.52
Financial Applications				
Total	25 295 565.97	43 227 141.63	74 704 731.26	3 224 850.52

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

21. Following the recommendation of the Supervisory Board addressed to the Company, in 2018, the process of defining the Internal Control Model continued and with AdP SGPS approving the project for defining and implementing a transversal Group Internal Control System during 2019.
- It should be noted that, within the scope of the work carried out to assess the effectiveness of the controls implemented in the Purchasing Process, the tests carried out demonstrated the existence of a satisfactory Overall Control Level (91.4%). It should also be noted that the Public Procurement Monitoring Report identified no situations arising from the checks carried out on the different aspects of analysis.
- Notwithstanding the progresses made during the current financial year, the Supervisory Board believes that the conclusion of the works in progress to implement the Internal Control System across the Group, based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model, should be maintained as priority actions deserving increased efforts in order to ensure the greater maturity of the existing internal controls through the effective recognition of the already existing controls capable of responding to the identified risks, as well as the respective compliance testing, and thereby ascertaining the reliability of the AdP SGPS, SA internal control system.
22. The Corporate Governance Report submitted to this Supervisory Board includes current, complete and relevant information on the matters regulated in Section II (Good Governance Practices) of Chapter II of Decree-Law no. 133/2013 of 3 October.
23. The Statutory Audit Board took note of the Report issued by the External Auditors on the separate accounts, with no objections as to its contents.

24. The Supervisory Board considered the Legal Certification of Accounts, issued under the terms of the legislation in force by the Statutory Auditor, which includes the relevant audit matters and the other legal requirements, which are reproduced here, which deserved their agreement and took cognizance of the respective additional report of the same Statutory Auditor on the inspection carried out. The Supervisory Board also took note of the respective additional report of the same Statutory Auditor on the inspection carried out.
25. In accordance with the work performed, the Statutory Audit Board considers that the Annual Report, the separate Financial Statements (which include the Statement of Financial Position as of 31 December 2021, the Income Statements by nature and comprehensive income, the Statement of changes in equity, the Cash Flow Statement for the year then ended and the Notes to the Financial Statements), are appropriate to understanding not only the financial position of AdP - Águas de Portugal, SGPS, SA as at December 31, 2021 but also how the results were formed and the activities undertaken.
26. The Audit Committee would hereby emphasise all of the collaboration it has obtained from the Board of Directors, through the director responsible for the financial area, the Statutory Auditor, the External Auditor and the respective services of AdP - Águas de Portugal, SGPS, SA.

OPINION

As a result of the above, the Audit Committee is in favour of the approval by the General Meeting of AdP - Águas de Portugal, SGPS, SA:

- a) The Report and separate accounts and accounts for 2021;
- b) The proposal for the application of results formulated by the Board of Directors in its Report.

Lisbon, 27 April 2022

ON BEHALF OF THE SUPERVISORY BOARD

Carla Maria Lamego Ribeiro
Digitally signed by Carla Maria Lamego Ribeiro
Date: 2022.04.27
17:53:17 +01'00'

Carla Maria Lamego Ribeiro
(President)

Relatório e Parecer do Conselho Fiscal



RELATÓRIO E PARECER DO CONSELHO FISCAL SOBRE OS DOCUMENTOS DE PRESTAÇÃO DE CONTAS SEPARADAS

I. ENQUADRAMENTO

- 1- Em cumprimento das disposições legais e estatutárias aplicáveis, o Conselho Fiscal emite o presente Relatório e Parecer sobre o Relatório de Gestão e restantes documentos de prestação de contas separadas da sociedade AdP – Águas de Portugal, S.G.P.S., S.A., apresentadas pelo Conselho de Administração, relativamente ao exercício de 2021.
- 2- O Conselho Fiscal acompanhou a gestão da AdP – Águas de Portugal, SGPS, SA, e a evolução dos seus negócios, designadamente mediante contactos com os seus principais responsáveis, bem como através da leitura das atas das reuniões do seu Conselho de Administração e da sua Comissão Executiva. Efetuou reuniões com regularidade, nas quais, em regra, contou com a presença da Administradora responsável pelo pelouro financeiro e do Revisor Oficial de Contas. O Conselho Fiscal obteve todos os esclarecimentos solicitados e dispôs da documentação que considerou necessária ao desempenho das suas funções de fiscalização.
- 3- O Conselho Fiscal procedeu ainda à análise do cumprimento das normas legais e estatutárias aplicáveis, e exerceu as suas competências em conformidade com o estabelecido no artigo 420.º do Código das Sociedades Comerciais.
- 4- No âmbito das competências que são atribuídas pelos números 1 e 3, do artigo 33.º do Decreto-Lei n.º 133/2013, de 3 de outubro, o Conselho Fiscal verificou o cumprimento pela sociedade das obrigações aí estabelecidas, tendo emitido os Relatórios Trimestrais que foram remetidos às entidades competentes.
- 5- O Relatório do Administrador não executivo sobre o desempenho dos Administradores executivos referencia uma apreciação globalmente positiva do desempenho dos membros do órgão de administração em 2021.
- 6- O Conselho de Administração em funções a 31 de dezembro de 2021 foi eleito para o mandato 2020-2022, a 4 de maio de 2020, em pleno Estado de Emergência, decorrente do contexto de Pandemia Covid-19. Assinale-se que através de deliberação tomada em Assembleia Geral de 10 de maio de 2021 foram fixadas as orientações estratégicas, objetivos e indicadores de gestão e respetivas metas quantificáveis para o mandato 2020-2022.

NIPC e Matrícula - 501 093 742 - C.R.C. Lisboa - Capital Social e - 915.500.000

1/8



AdP - Águas de Portugal, SGPS, S.A.
Rua Visconde de Seabra, 3 • 1700-421 Lisboa • Portugal
tel.: +351 21 246 94 00 • fax: +351 21 246 94 01 • e-mail: info@adp.pt • www.adp.pt

7- Na sequência do Despacho n.º 1026/2021-SET, de 10 de novembro, o qual autorizou a reorganização do centro corporativo do Grupo Águas de Portugal materializada na concentração, ao nível da holding, da prestação de serviços técnicos de administração e gestão às suas participadas (e consubstanciada na transferência para a esfera de intervenção da AdP SGPS, de áreas até então a cargo da AdP Valor, compras, serviços jurídicos e sistemas de informação), o Plano de Atividades e Orçamento (PAO) da AdP, SGPS, para 2021, foi objeto de aprovação pelo Despacho n.º 1155/2021-SET de 10/12/2021.

II. AVALIAÇÃO DOS DOCUMENTOS DE PRESTAÇÃO DE CONTAS

8- A análise completa para o Grupo nos domínios económico, social, ambiental, inovação e igualdade consta do Relatório de Sustentabilidade 2021, revelando-se um cumprimento material daqueles.

9- Verifica-se o cumprimento, no que respeita à prestação de contas anual aqui sujeitas a análise, das obrigações de divulgação estabelecidas no artigo 44.º do Decreto-Lei n.º 133/2013, de 3 de outubro.

10- No domínio das remunerações dos órgãos sociais foi dado cumprimento às orientações remuneratórias vigentes em 2021.

Verificou-se, de uma forma geral, o cumprimento das orientações legais e da execução orçamental quando enquadrada e monitorizada face ao PAO 2021, com exceção do conjunto dos encargos com deslocações, ajudas de custo e alojamento, e os associados à frota automóvel que ultrapassaram o limite autorizado (296,9m€) em cerca de 17,7m€ e com exceção do que se refere aos gastos associados a viaturas (conforme ponto 14).

11- No que se refere ao cumprimento das metas estabelecidas do PAO 2021, os resultados obtidos alcançaram, na sua generalidade, as metas definidas conforme consta dos documentos de prestação de contas destacando-se uma execução do EBITDA de 107% decorrente de contributos líquidos positivos do Volume de Negócios e FSE's e de Outros Rendimentos Operacionais e uma execução dos investimentos financeiros na ordem de 93%, a qual corresponde à realização de capital da empresa Águas do Alto Minho.

PRC	Un.	2021 Exec.	2021 Orç.	Execução
EBITDA	EUR	7 227 103	6 735 293	107%
Investimento Financeiro	EUR	918 000	988 000	93%

Fonte: R&C 2021

2/8



- 12- No quadro do cumprimento das orientações legais, deverá ser assinalado o cumprimento da RCM n.º 34/2008 referente ao Prazo Médio de pagamentos.

FMP	2021	2020	Variação 21/20	
			Valor	%
Prazo (dias) a)	38	48	-10	-20,8%

Fonte: R&C 2021

- 13- Os limites relativos aos plafonds de comunicações, foram integralmente cumpridos conforme decorre do quadro infra.

Membro do CA (Nome)	Gastos com Comunicações (€)		
	Plafond Mensal Definido	Valor Anual	Observações
José Carlos Athaide dos Remédios Furtado	80	343,14	-
José Manuel Leitão Sardinha (*)	0	0	-
Catarina Isabel Clímaco Monteiro d'Oliveira	80	133,62	-
Carla da Conceição Afonso Correia	80	336,65	-
João Pedro Moura Castro Neves	80	235,56	-
Jaime Serrão Andrez, em rep. da Parpública, SGPS, S.A.	n.a	n.a	-
		1048,97	

(*)A remuneração é suportada pela EPAL
Fonte: R&C 2021

- 14- Os limites relativos aos plafonds de combustíveis e portagens foram maioritariamente cumpridos conforme se pode observar no quadro infra, não o tendo sido integralmente por motivos de ordem profissional associados a um dos administradores, de acordo com a informação prestada.

Membro do CA (Nome)	Plafond Mensal Combustível e Portagens	Gastos anuais associados a Viaturas (€)			Observações
		Combustível	Portagens	Total	
José Carlos Athaide dos Remédios Furtado	572,28	4357,20	1444,00	5801,20	
José Manuel Leitão Sardinha (*)	-	-	-	-	
Catarina Isabel Clímaco Monteiro d'Oliveira	457,82	763,80	324,90	1088,70	
Carla da Conceição Afonso Correia	457,82	542,58	187,70	730,28	
João Pedro Moura Castro Neves	457,82	5445,37	2192,71	7638,08	

Fonte: R&C 2021

- 15- Salienta-se que, ainda que não tenham sido observadas em 2021 as alíneas a), b) e c) do n.º 3 do artigo 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, e encargos com contratação de estudos, pareceres, projetos e consultoria respetivamente, os montantes registados nestes agregados contiveram-se dentro dos limites evidenciados no PAO 2021, com

3/8



exceção do conjunto dos encargos com deslocações, ajudas de custo e alojamento, e os associados à frota automóvel que ultrapassaram o limite autorizado (296,9m€) em cerca de 17,7m€. De igual modo, também se deverá assinalar que, pese embora não tenha sido observado o n.º 1 do artigo 158.º do supracitado diploma, o valor registado pelo agregado GOVN (67,9%) conteve-se no limite estabelecido no PAO 2021 (71,3%).

PRC	2021 Exec.	2021 Orç.	2020 Exec.	2019 Exec.	2021/2020		2021/2019	
					Δ Absol.	Var. %	Δ Absol.	Var. %
(0) EBITDA	7 227 103	6 735 293	5 742 725	2 954 468	1 484 378	26%	4 272 635	145%
(1) CMVMC	0	0	0	0	0	0%	0	0%
(2) FSE	4 075 972	5 550 683	2 817 660	3 612 184	1 258 312	45%	463 788	13%
(3) Gastos com o pessoal	7 161 793	7 200 101	5 897 672	4 750 935	1 264 121	21%	2 410 858	51%
I. Indemnizações pagas por rescisão	148 126	150 000	370 862	0	-222 736	-60%	148 126	0%
II. Valorizações remuneratórias	48 238	48 237	39 586	9 763	8 651	22%	38 475	394%
III. Impacto da aplicação dos IRCT	0	0	35 154	0	-35 154	-100%	0	0%
(4) Gastos com o pessoal sem os impactos nos Gastos Operacionais ^{a)}	6 965 429	7 001 864	5 452 070	4 741 172	1 513 359	28%	2 224 257	47%
(5) Impacto da Pandemia por COVID-19 nos Gastos Operacionais ^{a)}	18 086	0	39 927	0	-21 841	-55%	18 086	0%
(6) Gastos Operacionais para efeitos do apuramento da eficiência operacional = ((1)+(2)+(3)-(5))	11 219 679	12 750 784	8 675 406	8 363 119	2 544 273	29%	2 856 560	34%
(7) Volume de negócios (VN)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
Subsídios à exploração					0	0%	0	0%
Indemnizações Compensatórias					0	0%	0	0%
(8) Perda de receita decorrente da Pandemia por COVID-19 ^{a)}	0	0	0	0	0	0%	0	0%
(9) Volume de negócios para efeitos do apuramento da eficiência operacional (7+8)	16 535 551	17 872 455	13 852 682	11 317 017	2 682 869	19%	5 218 534	46%
(10) Peso dos Gastos/VN = (6)/(9)	67,9%	71,3%	62,9%	73,9%	5,0%	8%	0	-8%

NIPC e Matrícula - 501 093 742 - C.R.C. Lisboa - Capital Social e 151.500.000

4/8



PRC	2021 Exec	2021 Orç	2020 Exec.	2019 Exec.	2021/2020		2021/2019	
					Δ Absol.	Var. %	Δ Absol.	Var. %
I. Gastos com Deslocações e Alojamento (FSE)	32 347	11 703	11 709	25 019	20 638	176%	7 328	29%
II. Gastos com Ajudas de custo (G c/ Pessoal)	6 490	1 003	1 030	5 586	5 460	530%	904	16%
III. Gastos associados à frota automóvel ^{b)}	275 747	284 195	256 937	222 176	18 810	7%	53 572	24%
(11) Total = (i) + (ii) + (iii)	314 584	296 900	269 676	252 781	44 908	17%	61 804	24%
(12) Encargos com contratação de estudos, pareceres, projetos e consultoria	433 186	529 571	315 335	584 327	117 852	37%	-151 141	-26%
Número Total de RH (OS+CD+Trabalhadores)	120	120	106	89	14	13%	31	35%
N.º Órgãos Sociais (OS)	13	13	14	12	-1	-7%	1	8%
N.º Cargos de Direção (CD)	9	9	8	9	1	13%	-1	-11%
N.º Trabalhadores (sem OS e sem CD)	98	98	73	42	25	34%	56	133%
N.º Trabalhadores/N.º CD	11	11	9	5	7	183%	8	341%
N.º de viaturas	47	48	44	31	3	7%	16	52%

Fonte: R&C 2021

- 16- Observa-se um decréscimo do nível do resultado líquido verificado no exercício na ordem de 4,5M€ face a 2020, o qual é explicado fundamentalmente pela redução verificada nos Resultados Financeiros de cerca de 5,3M€, designadamente pelo impacto em investimentos financeiros, em virtude da menor distribuição de dividendos das participadas, com destaque para a EPAL. Paralelamente e de forma pouco material, observa-se uma redução noutras empresas, resultante da evolução da taxa das Obrigações do Tesouro a 10 anos que é determinante dos resultados líquidos das entidades gestoras dos Sistemas Multimunicipais e das parcerias Estado-Autarquias. Com efeito, constata-se desde 2018 uma evolução decrescente deste indexante, tendo passado de 1,84% naquele ano, para 0,75% em 2019, 0,41% em 2020 e 0,30% em 2021.
- 17- O exercício de 2021 reflete também a melhoria do Resultado Operacional em cerca de 1,4 M€; decorrente: i) do rédito pelas atividades que eram exercidas pela AdP Valor (NSE's), até agosto de 2020, transferidas para a AdP SGPS (sistemas de informação, compras e logística e jurídico); e ii) na recuperação de IVA relativo a 2016 a 2019 devido a uma alteração de metodologia de Pro-Rata para afetação real (+1,9 M€)

5/8



AdP - Águas de Portugal, SGPS, S.A.
Rua Visconde de Seabra, 3 • 1700-421 Lisboa • Portugal
tel: +351 21 246 94 00 • fax: +351 21 246 94 01 • e-mail: info@adp.pt • www.adp.pt

Em termos de gastos operacionais, verifica-se, em função de reorganização corporativa realizada em agosto de 2020, com a integração, na AdP SGPS, de três direções anteriormente pertencentes à estrutura orgânica da AdP Valor, o aumento de Gastos com Pessoal (+ 1,3 M€), e aumento dos Fornecimentos e Serviços Externos (FSE) (1,3 M€).

- 18- O total de investimentos financeiros em subsidiárias e participadas, totalizando 713,4M€ a 31 de dezembro, representa cerca de 49,5% do total do ativo da AdP, SGPS, pelo que sendo um ativo com expressão material deve ser objeto de acompanhamento quanto ao processo de avaliação de eventuais imparidades dos investimentos ou reconhecimento de provisões para responsabilidades adicionais em subsidiárias.
- 19- No exercício de 2020 foi dada continuidade à política centralizada de gestão de financiamento e disponibilidades do Grupo AdP, a qual tem permitido gerir de forma integrada as necessidades financeiras do Grupo.
- A centralização de parte significativa de fundos na AdP SGPS tem permitido gerir de forma coesa e coerente as necessidades financeiras do Grupo, tendo-se evitado ruturas de tesouraria e problemas de insolvência, apesar dos graves problemas financeiros que o País atravessou. Complementando este enquadramento de médio e longo prazo, a AdP SGPS centralizou também a negociação com o sistema bancário para obtenção dos financiamentos de curto prazo, reduzindo a capacidade dos bancos individualmente poderem penalizar alguma das participadas, quer em termos de custos quer em termos de crédito.
- 20- Em cumprimento das orientações legais e em respeito do Despacho do IGCP, de 18/12/2020, sobre o pedido de dispensa de cumprimento da UTE, o qual excecionou para os anos de 2020 e 2021 para um conjunto de serviços, o Grupo aplicou os excedentes de tesouraria, líquidos das necessidades do grupo junto do IGCP, bem como tem vindo a transferir a atividade operacional do sistema bancário para aquela entidade existindo, não obstante, um conjunto de saldos residuais na banca comercial, conforme decorre dos quadros infra.

IGCP	1º Trimestre EUR	2º Trimestre EUR	3º Trimestre EUR	4º Trimestre EUR
Disponibilidades	25 295 565,97	43 227 141,63	74 704 731,26	3 224 850,52
Aplicações Financeiras				
Total	25 295 565,97	43 227 141,63	74 704 731,26	3 224 850,52

Banca Comercial	1º Trimestre EUR	2º Trimestre EUR	3º Trimestre EUR	4º Trimestre EUR
NOVO BANCO	0,00	0,00	0,00	0,00
BANCO BPI	198 980,25	184 464,68	268 234,65	223 542,25
BANCO SANTANDER TOTTA	2 490,46	2 360,20	2 196,46	2 015,04
BANCO BILBAO VIZCAYA ARGENTARIA	4 543,05	4 032,60	3 522,15	3 011,70

6/8



BANCO COMERCIAL PORTUGUES	1 046,86	990,71	935,36	880,01
CAIXA GERAL DE DEPOSITOS	3 313,70	2 816,00	2 068,52	1 983,29
BANCO BANKINTER	8 902,05	8 820,87	8 739,69	8 658,51
Total	219 276,37	203 485,06	285 696,83	240 090,80
Juros auferidos				

- 21- Na sequência de recomendação do Conselho Fiscal dirigida à Sociedade, em 2018 foi dada continuidade ao processo de definição do Modelo de Controlo Interno, tendo a AdP SGPS aprovado no decurso de 2019 o projeto de definição e implementação de um Sistema de Controlo Interno transversal para o Grupo.

Assinale-se que, no âmbito de trabalho efetuado à avaliação da eficácia dos controlos implementados no Processo de Compras, foi aferido, no resultado dos testes efetuados, que o Nível de Controlo Global situou-se num patamar satisfatório (91,4%).

Salienta-se ainda, que na sequência de Relatório de monitorização da contratação pública, não foram identificadas, para as diferentes vertentes de análise, situações a identificar decorrentes das verificações efetuadas.

Não obstante os avanços registados no presente exercício, o Conselho Fiscal entende que deve ser mantida como 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.

- 22- O Relatório de Governo Societário apresentado a este Conselho Fiscal inclui informação atual, completa e relevante sobre as matérias reguladas na Secção II (Práticas de Bom Governo) do Capítulo II do Decreto-Lei n.º 133/2013, de 3 de outubro.
- 23- O Conselho Fiscal tomou conhecimento do Relatório emitido pelos Auditores Externos sobre as contas separadas, nada havendo a objetar quanto ao seu conteúdo.
- 24- O Conselho Fiscal apreciou a Certificação Legal das Contas, emitida nos termos da legislação em vigor pelo Revisor Oficial de Contas, a qual integra as matérias relevantes de auditoria e os outros requisitos legais, que aqui se dá como reproduzidos, que mereceu o seu acordo e tomou conhecimento do respetivo relatório adicional do mesmo Revisor Oficial de Contas sobre a fiscalização efetuada. O Conselho Fiscal tomou igualmente conhecimento do respetivo relatório adicional do mesmo Revisor Oficial de Contas sobre a fiscalização efetuada.

7/8



- 25- Em conformidade com o trabalho desenvolvido, o Conselho Fiscal considera que o Relatório e Contas, as Demonstrações Financeiras separadas (as quais compreendem a Demonstração da posição financeira em 31 de dezembro de 2021, as Demonstrações dos resultados por naturezas e do rendimento integral, a Demonstração das variações do capital próprio, a Demonstração dos fluxos de caixa do exercício findo naquela data e as Notas às Demonstrações Financeiras), são adequados à compreensão da situação patrimonial da AdP – Águas de Portugal, SGPS, SA em 31 de dezembro de 2021, e da forma como se formaram os resultados e se desenrolou a atividade.
- 26- O Conselho Fiscal salienta toda a colaboração que obteve do Conselho de Administração, através do administrador responsável pelo pelouro financeiro, do Revisor Oficial de Contas, do Auditor Externo e dos Serviços da AdP – Águas de Portugal, SGPS, SA.

PARECER

Em consequência do acima referido, o Conselho Fiscal é de parecer favorável a que sejam aprovados pela Assembleia-Geral da AdP – Águas de Portugal, S.G.P.S., S.A.:

- a) O Relatório e Contas e contas separadas referentes ao exercício de 2021;
- b) A proposta de aplicação de resultados formulada pelo Conselho de Administração no seu Relatório.

Lisboa, 27 de abril de 2022,

Pelo Conselho Fiscal
**CARLA
MARIA
LAMEGO
RIBEIRO**
Carla Maria Lamego Ribeiro
(Presidenta)

Assinado de
forma digital por
CARLA MARIA
LAMEGO RIBEIRO
Dados:
2022.04.27
17:53:17 +01'00'

Legal Certification of the Accounts



Grant Thornton

Edifício Amadeo Souza Cardoso
Alameda António Sérgio, 22, 11.º
1495-132 Algés
T: + 351 214 123 520
E-mail: gt.lisboa@pt.gt.com

Avenida Arriaga, 30 – 1.º B
9000-064 Funchal
T: + 351 291 200 540
E-mail: gt.funchal@pt.gt.com

Avenida da Boavista, 1180, 4.º
4100-113 Porto
T: + 351 220 996 083
E-mail: gt.porto@pt.gt.com

Legal Certification of Accounts

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the attached financial statements of AdP - Águas de Portugal, SGPS, SA (the Entity), which comprise the statement of the financial position as at 31 December 2021 (showing a total of EUR 1,439,575,175 and total equity of EUR 885,818,100, including a net result of EUR 56,038,209), the statement of profit and loss by nature, the statement of comprehensive income, the statement of changes in shareholder equity and the statement of cash flows for the year therein ending as well as the accompanying notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the attached consolidated financial statements present fairly and appropriately the consolidated financial position of AdP - Águas de Portugal, SGPS, SA in all material respects as at 31 December 2021 and its financial performance and cash flows for the year then ending in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Accounting Standards (IAS) and the other technical and ethical standards and guidelines of the Bar of Statutory Auditors. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of Financial Statements" below. We are independent of the Entity under the law and we comply with further legal requirements under the Statutory Auditor code of ethics.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

Areas relevant to the audit

The areas relevant to the audit are those that, in our professional judgment, played a major role in auditing the financial statements for the current year. These areas were considered in the context of the audit of financial statements as a whole and, in the formulation of our opinion, and we do not express a separate opinion on these matters.

Grant Thornton & Associados – SROC, Lda.

Member firm of Grant Thornton International Ltd
Share Capital: 31.400 Euros. Taxpayer / Registered under No. 502.286.784. Registered in the Commercial Registry Office of Cascais
Registered with the Portuguese Association of Statutory Auditors under no. 67 and with the C.M.V.M. (Portuguese Stock Market Authority) under no. 20161403

www.grantthornton.pt



Our audit approach was based on risk assessment at the level of financial reporting. In the case of this Entity, we have identified the following relevant audit subjects:

Most significant risks of material distortion

Summary of the identified audit approach

- *Impairment of investments in investees and recognition of provisions*

As at 31 December 2021, the item of Investments in subsidiaries and associates states the amount of EUR 713,377,702, which are deducted from the recognised impairments amounting to EUR 20,921,966, thus approximately representing 49% of the Entity's total assets.

The possible impairment of investments in invested companies that are measured at cost less impairment losses and the recognition of provisions to cover possible additional liabilities in the investees with negative equity capital was considered a relevant matter given the importance as a whole of these investments to the Entity's assets. In addition, the complexity of the impairment loss assessment process associated with these investments is high due to its involvement of a high degree of judgment, including recourse to estimates.

As regards this issue, notes 8 and 26 to the financial statements, detailing the disclosure of the accounting policies applied as well as the estimates and critical accounting judgments correspondingly made in the application of these accounting policies, provide further information.

Our approach to this risk included a number of combined procedures related to internal and substantive controls, specifically:

- Obtaining the financial statements and relevant information on the investments from the respective investees, including the reports issued by the Statutory Auditors (Legal Certification of Accounts);
- Assessment of the assumptions deployed by the Board of Directors in evaluating the indications of impairment of financial shareholdings and any impairment tests performed;
- Assessment of the need to establish and/or maintain provisions to cover possible liabilities arising from some investees proving unable to comply with their commitments.

Responsibilities of the management body and the supervisory body for the financial statements

The management body is in charge of the:

- preparation of financial statements that fairly and appropriately present the financial position, financial performance and cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;
- preparation of the management report, in accordance with the applicable legal and regulatory framework;
- creation and maintenance of an appropriate internal control system designed to ensure and enable the preparation of financial statements exempt from material distortion for reasons of fraud or error;
- adoption of the appropriate accounting policies and criteria under these circumstances; and

- assessment of the Entity's capacity to remain in operation and disclosing, whenever applicable, matters that may result in significant changes to the continuity of activities.

The supervisory body is responsible for overseeing the preparation and disclosure of the Entity's financial information.

Auditor Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to fraud or error and to issue a report containing our opinion. Fairness and a high level of safety does not however guarantee that an audit performed in accordance with the IAS shall always detect material misstatement when existing. Distortions may arise from fraud or error and are considered material whenever, in isolation or in conjunction, they can reasonably be expected to influence the economic decisions users make based on those financial statements.

As part of an IAS audit, we make professional judgments and maintain professional scepticism throughout the audit and also:

- identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting material misrepresentation due to error since fraud may involve collusion, forgery, intentional omissions, false declarations or overlapping internal controls;
- obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Entity's internal control system;
- evaluate the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- conclude on the appropriateness of the management's application of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could give rise to significant doubts about the Entity's ability to continue activities. If we conclude that there is material uncertainty, we should either draw attention in our report to the related disclosures included in the financial statements or, when these disclosures are not appropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to discontinue its activities;
- evaluate the presentation, structure and overall content of the financial statements, including disclosures, and whether these financial statements represent the underlying transactions and events in order to convey an appropriate representation;
- communicate to those in charge of governance, including the audit body, among other issues, the scope and planned timetable of the audit, and any significant findings of the audit including any significant deficiencies in internal control identified during the audit;
- in terms of the contents communicated to governance officials, including the audit body, we have determined the most important matters to auditing the financial statements for the current year and which are the relevant audit subjects. We correspondingly describe these matters in our report except when the law or other regulation prohibits their public disclosure;



- declare to the supervisory body that we comply with the relevant ethical requirements relating to independence and communicate all relationships and other issues that might be perceived as reflecting on our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information contained in the management report is consistent with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to Article 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 and remained in function in 2021.
- The management body has confirmed to us that it is not aware of the occurrence of any fraud or suspected fraud with a material effect on financial reporting. In planning and the performance of our audit in accordance with the ISA, we have maintained professional scepticism and devised audit procedures to respond to the possibility of material distortion of financial statements due to fraud. As a result of our work, we do not identify any fraud induced material distortion in the financial statements.
- We confirm that the audit opinion hereby issued is consistent with the additional report we prepared and delivered to the Entity's Audit Board on the same date.
- We declare that we do not provide any services prohibited under the terms of article 77, number 8, of the Statutes of the Order of Statutory Auditors and that we have maintained our independence vis-à-vis the Entity during the performance of this audit.

Digitally signed by: PEDRO MIGUEL RAPOSO LISBOA NUNES
Identification no.: B110328871 Date: 2022.04.27 17:20:12+01'00'

Grant Thornton & Associados – SROC, Lda. Represented by Pedro Lisboa Nunes

Chartered Accountant registered with the CMVM (Portuguese Securities Market Commission) under no. 20160813

Certificação Legal das Contas



Grant Thornton

Edifício Amadeo Souza Cardoso
Alameda António Sérgio, 22, 11.º
1495-132 Algés
T: + 351 214 123 520
E-mail: gt.lisboa@pt.gt.com

Avenida Arriaga, 30 – 1.º B
9000-064 Funchal
T: + 351 291 200 540
E-mail: gt.funchal@pt.gt.com

Avenida da Boavista, 1180, 4.º
4100-115 Porto
T: + 351 220 996 083
E-mail: gt.porto@pt.gt.com

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 2021 (que evidencia um total de 1.439.575.175 euros e um total de capital próprio de 885.818.100 euros, incluindo um resultado líquido de 56.038.209 euros), a demonstração dos resultados por naturezas, a demonstração do rendimento integral, a demonstração das alterações no capital próprio e a demonstração dos fluxos de caixa relativos ao ano findo naquela data, e as notas anexas às demonstrações financeiras, que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira da AdP – Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data, de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras" abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da nossa opinião, e não emitimos uma opinião separada sobre essas matérias.

A nossa abordagem de auditoria foi baseada na avaliação dos riscos ao nível do reporte financeiro, tendo no caso desta Entidade sido identificada a seguinte matéria relevante de auditoria:

Riscos de distorção material mais significativos identificados Síntese da abordagem de auditoria

• *Imparidade dos Investimentos em participadas e reconhecimento das provisões*

A rubrica de Investimentos em subsidiárias e associadas apresenta, em 31 de dezembro de 2021, o montante de 713.377.702 euros, os quais estão deduzidos de imparidades reconhecidas no valor de 20.921.966 euros, representando cerca de 50% do total do ativo da Entidade.

A eventual imparidade dos investimentos em participadas que se encontram mensurados ao custo menos perdas por imparidade e o reconhecimento de provisões para fazer face a eventuais responsabilidades adicionais nas participadas com capitais próprios negativos, foi considerada uma matéria relevante dada a importância destes investimentos no conjunto do ativo da Entidade. Adicionalmente, acresce ainda a complexidade do processo de avaliação das perdas por imparidade, associadas a estes investimentos, o qual envolve um elevado grau de julgamento, incluindo o recurso a estimativas.

Sobre esta matéria, as Notas 8 e 26 às demonstrações financeiras, referente à divulgação das políticas contabilísticas utilizadas, bem como às estimativas e julgamentos contabilísticos críticos efetuados na aplicação dessas políticas contabilísticas, fornece mais informações.

A nossa abordagem a este risco consistiu na realização de um conjunto combinado de procedimentos relacionados com o controlo interno e substantivos, designadamente:

- Obtenção das demonstrações financeiras e informação relevante sobre os investimentos nas participadas em causa, inclusive os relatórios emitidos pelos Revisores Oficiais de Contas (Certificação Legal das Contas);
- Avaliação dos pressupostos utilizados pelo Conselho de Administração na avaliação dos indícios de imparidade das participações financeiras e nos eventuais testes de imparidade efetuados;
- Avaliação da necessidade de constituição e/ou manutenção de provisões para fazer face a eventuais responsabilidades, decorrentes do facto de algumas participadas poderem não ter capacidade para cumprir os seus compromissos.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa da Entidade de acordo com Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia;
- elaboração do relatório de gestão nos termos legais e regulamentares aplicáveis;

- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorções materiais devido a fraude ou a erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade da Entidade se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira da Entidade.

Responsabilidades do auditor pela auditoria das demonstrações financeiras

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver 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 concluímos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que a Entidade descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria, incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria;
- das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras do ano

corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública;

- declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos todos os relacionamentos e outras matérias que possam ser percebidas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras.

RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório de gestão

Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e apreciação sobre a Entidade, não identificámos incorreções materiais.

Sobre os elementos adicionais previstos no artigo 10.º do Regulamento (UE) n.º 537/2014

Dando cumprimento ao artigo 10.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além das matérias relevantes de auditoria acima indicadas, relatamos ainda o seguinte:

- Fomos nomeados pela primeira vez como Revisor Oficial de Contas por deliberação social unânime por escrito do Acionista Parcial – Participações Públicas (SGPS), S.A., realizada em 27 de dezembro de 2018, para o mandato compreendido entre 2018 e 2020, tendo-nos mantido em funções em 2021.
- O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras. No planeamento e execução da nossa auditoria de acordo com as ISA, mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras devido a fraude. Em resultado do nosso trabalho não identificámos qualquer distorção material nas demonstrações financeiras devido a fraude.
- Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparámos e entregámos ao Conselho Fiscal da Entidade nesta mesma data.
- Declaramos que não prestámos quaisquer serviços proibidos nos termos do artigo 77.º, número 8, do Estatuto da Ordem dos Revisores Oficiais de Contas, e que mantivemos a nossa independência face à Entidade durante a realização da auditoria.

Assinado por: **PEDRO MIGUEL RAPOSO LISBOA NUNES**

Num. de Identificação: 10328871
Data: 2022.04.27 17:20:12+01'00'



Grant Thornton & Associados – SROC, Lda.

Representada por Pedro Lisboa Nunes

ROC registado na CMVM com o n.º 20160813

Report of the External Auditor

PWC Audit Report

Report on the audit of the financial statements

Opinion

We have audited the attached financial statements of AdP - Águas de Portugal, SGPS, SA (the Entity), which comprise the statement of the financial position as at 31 December 2021 (showing a total of EUR 1,439,575,175 and total equity of EUR 885,818,100 including a net result of EUR 56,038,209), the statement of profit and loss by type, the statement of comprehensive income, the statement of changes in shareholder equity and the statement of cash flows for the year therein ending as well as the accompanying notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the attached consolidated financial statements present fairly and appropriately the consolidated financial position of AdP - Águas de Portugal, SGPS, SA in all material respects as at 31 December 2021 and its financial performance and cash flows for the year then ending in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Accounting Standards (IAS) and the other technical and ethical standards and guidelines of the Bar of Statutory Auditors. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of Financial Statements" below. We are independent of the Entity under the law and we comply with further legal requirements under the Statutory Auditor code of ethics.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to providing a basis for our opinion.

Areas relevant to the audit

The areas relevant to the audit are those that, in our professional judgment, played a major role in auditing the financial statements for the current year. These areas were considered in the context of the audit of financial statements as a whole and, in the formulation of our opinion, and we do not express a separate opinion on these matters. We consider that the matters described below are the audit relevant matters to be expressed in this report.

Areas relevant to the audit	Summary of the identified audit approach
<p>Recoverability of investments in subsidiaries and associates</p> <p><i>Disclosures related to financial investments in subsidiaries and associates presented in notes 8 and 26</i></p> <p>As at 31 December 2021, the Entity presents in its separate financial statements the amount of EUR 713,378,000 (31 December 2020; EUR 712,655,000) related to financial investments in subsidiaries and associates, which are measured at acquisition cost less impairment losses. These should be tested for impairment whenever there are indications or changes in the circumstances indicating that the amount constituted may not be recoverable.</p> <p>The relevance of this matter in our audit results from the materiality of the investments in subsidiaries and associates in the separate financial statements.</p>	<p>To ensure the correct valuation of financial investments, the following audit procedures were carried out:</p> <ul style="list-style-type: none"> • 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. <p>We also analyse the disclosures presented in the notes to the financial statements</p>

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's 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 the internal control system relevant to the audit for the purpose of designing audit procedures appropriate to the circumstances but not to expressing an opinion on the effectiveness of the Entity's internal control system;

- c) evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the respective disclosures made by the management body;
- d) conclude on the appropriateness of the management's adoption of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that might give rise to significant doubts about the Entity's ability to continue activities. When concluding that there is material uncertainty, we duly draw attention in our report to the related disclosures included in the consolidated financial statements or, when these disclosures are not appropriate, we correspondingly modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to discontinue its activities;
- e) evaluate the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether these consolidated financial statements represent the underlying transactions and events in order to convey an appropriate presentation;
- f) communicate with those responsible for governance, including the supervisory body, the scope and timing of the audit, among other issues, as well as any significant audit findings, including any significant internal control weaknesses identified during the audit;
- g) as regards issues communicated to governance officials, including the supervisory body, we determined those most important to auditing the financial statements and the consolidated financial statements for this financial year and which were the relevant auditing matters. We describe these matters in our report except when legal or regulatory stipulations prohibits their public disclosure;
- h) declare to the supervisory body that we comply with the relevant ethical requirements relating to independence and communicating all relationships and other matters potentially perceived as reflecting on our independence and, when applicable, the respective safeguards.

Our responsibility also includes verifying the consistency of the information contained in the management report with that in the financial statements.

Report on other legal and regulatory requirements

On the management report

It is our opinion that the management report was prepared in accordance with the legal and regulatory requirements in force, the information contained therein is correspondingly consistent with the audited consolidated financial statements and, taking into account our knowledge and evaluation of the Entity, we do not identify any material misreporting.

27 April 2022

PricewaterhouseCoopers & Associados

- Sociedade de Revisores Oficiais de Contas, Lda.

represented by:

(one illegible signature)

José Alves Bizarro Duarte, Chartered Account no. 1957

registered with the CMVM (Portuguese Securities

Market Commission) under no. 20200003



Relatório de Auditoria

Relato sobre a auditoria das demonstrações financeiras

Opinião

Auditámos as demonstrações financeiras anexas da AdP - Águas de Portugal, S.G.P.S., S.A. (a Entidade), que compreendem a demonstração da posição financeira em 31 de dezembro de 2021 (que evidencia um total de 1.439.575.175 euros e um total de capital próprio de 885.818.100 euros, incluindo um resultado líquido de 56.038.209 euros), a demonstração do resultado, a demonstração do rendimento integral, a demonstração das variações do capital próprio e a demonstração dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira da AdP - Águas de Portugal, S.G.P.S., S.A. em 31 de dezembro de 2021 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro (IFRS) tal como adotadas na União Europeia.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISAs) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras" abaixo. Somos independentes da Entidade nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Matérias relevantes de auditoria

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias. Consideramos que as matérias descritas abaixo são as matérias relevantes de auditoria a comunicar neste relatório.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1089-316 Lisboa, Portugal
Recepção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros de PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

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 8 e 26

Em 31 de dezembro de 2021, a Entidade apresenta nas suas demonstrações financeiras separadas o montante de 713.378 milhares de euros (31 de dezembro de 2020: 712.655 milhares de euros) respeitante a investimentos financeiros em empresas subsidiárias e associadas, as quais se encontram mensuradas ao custo de aquisição deduzido de perdas por imparidade. Estes ativos devem ser sujeitos a testes de imparidade sempre que existam indícios ou alterações nas circunstâncias que indiquem que o montante pelo qual se encontram escrituradas possa não ser recuperável.

A relevância deste assunto na nossa auditoria resulta da materialidade dos investimentos em subsidiárias e associadas nas demonstrações financeiras separadas.

Para assegurar a correta valorização dos investimentos financeiros foram efetuados os seguintes procedimentos de auditoria:

- avaliação da existência de indícios de imparidade nas participações financeiras;
- análise dos Estudos de Viabilidade Económica e Financeira (EVEF) das entidades gestoras dos sistemas multimunicipais, nomeadamente a projeção dos fluxos de caixa futuros e os pressupostos que lhes estão inerentes; e
- avaliação da necessidade de constituir e/ou manter a provisão para fazer face a eventuais responsabilidades a assumir por conta das participadas que demonstram não terem capacidade para solver os seus compromissos.

Analizamos ainda as divulgações apresentadas nas notas às demonstrações financeiras separadas.

Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras

O órgão de gestão é responsável pela:

- 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 percebidas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras.

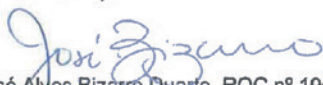
Relato sobre outros requisitos legais e regulamentares

Sobre o relatório de gestão

Em nossa opinião, o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e a apreciação sobre a Entidade, não identificámos incorreções materiais

27 de abril de 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:



José Alves Bizarro Duarte, ROC nº 1957
Registado na CMVM com o nº 20200003



Kevin Rose, Unipessoal Lda
Content Provider

Rua Sampaio e Pina, No 50 1ª Esq,
1070 250 Lisboa

kar@netcabo.pt

STATEMENT

The documents entitled “Report of the Non-Executive Director” published on page 133, “Report and Opinion of the Audit Board on the Consolidated Accounting Statements” published on pages 251-254, “Legal Certification of the Consolidated Accounts”, published on pages 260-266, “Report of the External Auditor on the Consolidated Accounting Statements” published on pages 274-280, “Report and Opinion of the Audit Board on the Separate Accounting Statements” published on pages 334-339, “Legal Certification of the Separate Accounts” published on pages 348-351 and “Report of the External Auditor on the Consolidated Accounting Statements” published on pages 356-358 of this annual report were translated by Kevin Rose Unipessoal, Lda from the original documents included in the Águas de Portugal “Relatório e Contas 2021”.

