



MACE
DO ■ ■
VITO
RINO

DECEMBER 2023

THE PORTUGUESE WATER MARKET

M A C E
D O ■ ■
V I T O
R I N O

CONTENTS

- 03 OVERVIEW
- 04 MARKET TIMELINE
- 05 MARKET ORGANIZATION
- 07 ADP GROUP – ÁGUAS DE PORTUGAL
- 09 PRIVATE OPERATORS
- 11 REGULATORY AUTHORITIES

OVERVIEW

The water sector in Portugal includes activities such as collecting, treating, and distributing water for public use, as well as managing wastewater. The responsibility for providing these services is shared between the government and local municipalities.

The government is responsible for the Multimunicipal systems, which are a set of components that connect the water distribution network and sewage network. These systems allow for connection to the downstream system.

On the other hand, municipalities are responsible for the Municipal systems, which allow the upstream system to be connected to the end user. They also collect wastewater from producers and redirect it to the upstream system.

Both the government and municipalities can use different management models for these activities, including direct management, delegated management, or concession management.

According to the latest data from the Annual Report of the Portuguese Water and Waste Services | 2022 (RASARP 2022), there are 240 entities

that provide public water supply services. Out of these, 18 operate on the upstream system and 232 operate on the downstream system.

The concession management model is more common in the upstream system, with 6 multi-municipal concessions covering 174 municipalities and serving over 5.1 million people. The sector has remained stable in terms of the entities providing water supply services for several years.

On the other hand, the direct management model is more prevalent in the downstream system, with 155 municipal services covering 54% of all municipalities and serving 2.6 million people.

In the state-owned systems, the Águas de Portugal group holds a total or majority share of the share capital in 10 companies out of the 18 that provide water services. In the municipal systems, there is a greater presence of private capital, specifically the Marubeni group (through AGS - Administração e Gestão de Sistemas de Salubridade, SA) and the SAUR group (through the Aquapor group).

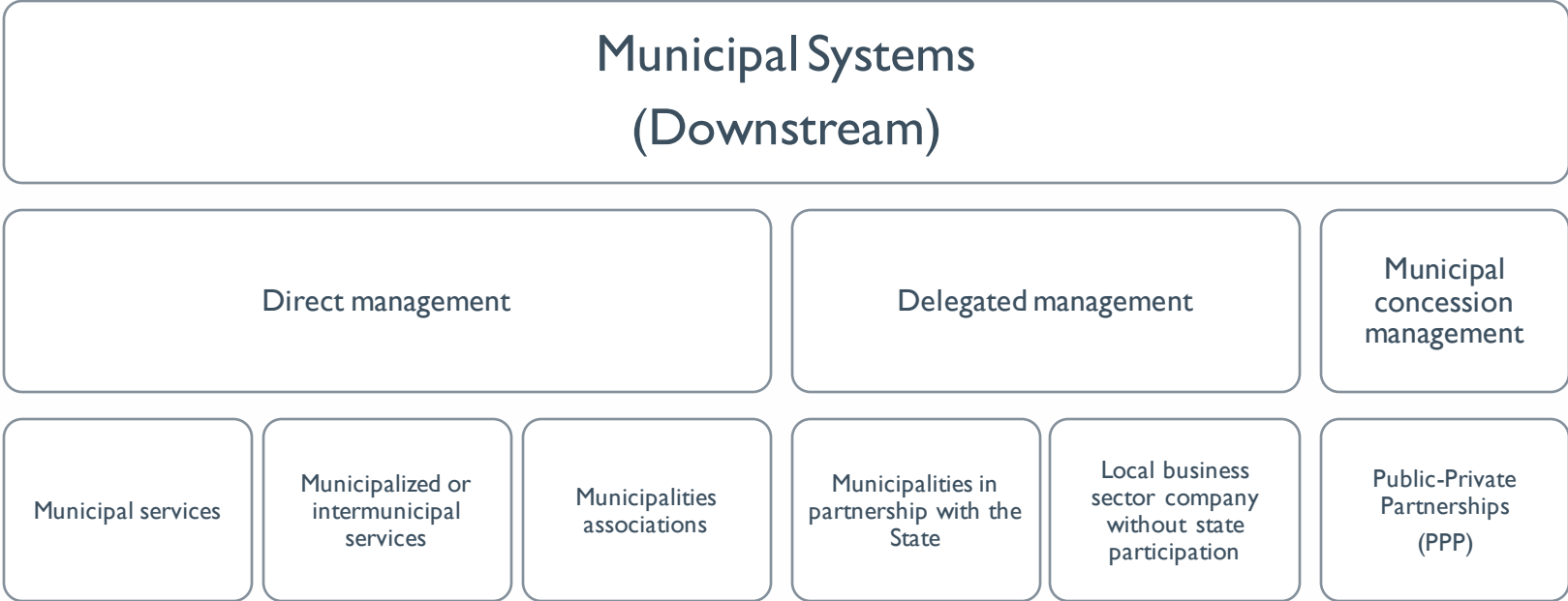
TIMELINE

1993	Opening up the water sector to private initiative Legal framework of the multi-municipal systems Establishment of the Águas de Portugal (AdP)		Reorganization of the AdP Group
1997	Establishment of the Water and Waste Regulatory Institute (IRAR)	2008	Approval of ERSAR regulatory framework
2000	Water Framework Directive (Directive 2000/60 / EC)	2009	Legal framework of the municipal systems Legal framework of the Partnerships between the State and municipalities
2002	AdP becomes the market leader Amendment of the legal framework of the multi-municipal systems	2013	Amendment of the legal framework of multi-municipal systems
2005	Approval of the Water Law (Law 58/2005 of 29 December)	2015	Restructuring of the multi-municipal systems
2007	Establishment of the Regulatory Authority for Water and Waste Services (ERSAR), which replaced IRAR	2017	Partial reversal of the restructuring of multi-municipal systems
		2020	ERSAR's statutes amendment
		2020	Strategic Plan for Water Supply and Wastewater and Stormwater Management 2030 (PENSAARP 2030)

MARKET ORGANIZATION



MARKET ORGANIZATION





2022 FINANCIAL DATA (in millions)

Turnover: €742.7

Operating Income: €174.1

Net profit: €100.3

EBITDA: €386,5

Total Assets: €6,291

Total Liabilities: €4,437

ADP GROUP – ÁGUAS DE PORTUGAL

Through the AdP Group, the State controls most of the "upstream" systems of supply, abstraction, treatment and distribution of water for public consumption, as well as the wastewater sanitation system.

Águas de Portugal, SGPS, S.A, is a state holding company 81% owned by Pa pública - Participações Públicas, SGPS, S.A and 19% by Parcaixa, SGPS, S.A.

The AdP Group owns throughout the Portuguese territory several management entities of multimunicipal systems, which provide water supply and sanitation services to municipalities. The AdP Group also provides water supply and sanitation services directly to the population, through the delegated management resulting from the aggregation of municipal systems.

In 2015, the AdP Group underwent a restructuring process. The 19 multimunicipal systems then in existence were aggregated into 5 entities. The next government, in 2017, partially reversed the the restructuring of the multi-municipal systems, creating Águas do Douro e Paiva and SimDouro by splitting up Águas do Norte and by splitting up Águas de Lisboa e Vale do Tejo, creating Simarsul and Águas no Tejo Atlantico again. A shareholder agreement with the AdP Group was also signed by the Government, in which the "public nature of the management company of the multimunicipal system" was assumed, and therefore, in the near future, a privatization of the company does not seem possible to happen.

ADP GROUP COMPANIES

Águas de Portugal, SGPS, SA. owns the majority of the share capital in the companies responsible for multi-municipal and municipal systems. The remaining equity is owned by the municipalities covered by the respective water systems, except for EPAL, which is wholly owned by Águas de Portugal.

Multi-municipal systems are operated under exclusive concession agreements with the Portuguese State, which typically last between 20 and 30 years.

Águas do Norte, Águas do Douro and Paiva, SimDouro, Águas do Centro Litoral, EPAL, Águas de Lisboa and Vale do Tejo, Águas Públicas do Alentejo, Águas de Santo André, and Águas do Algarve are responsible for operating multi-municipal systems that cover approximately 285 municipalities and serve over 7.5 million people.

In what concerns municipal systems, Águas do Norte provides water supply and sanitation services to 18 municipalities, Águas da Região de Aveiro serves 10 municipalities, and EPAL covers the entire area of Lisbon, serving around 350 thousand customers. Municipal systems are operated under public partnerships between the State and the municipalities.



PRIVATE OPERATORS

AGS

AGS – Administração e Gestão de Sistemas de Salubridade, SA (AGS) is a private company operating in the water sector. AGS provides management and operation services for water supply and wastewater sanitation in upstream and downstream systems.

AGS is fully owned by two Japanese companies: Marubeni and Innovation Network Corp. of Japan, which acquired AGS from the Portuguese construction group Somague in 2014 for approximately €72 million euros.

AGS provides its services through concession contracts and public-private partnerships (PPP) between the State and municipalities. AGS serves 855,740 thousand people in water supply and 1,135,859 people in wastewater sanitation.

Currently, AGS' portfolio includes Águas do Sado, Águas da Figueira, Águas de Gondomar, Águas da Serra, Tratave, Águas de Cascais, Águas de Carrazeda, and Águas de Alenquer.

AGS has interests in the three public-private partnerships in Tavira Verde, Fagar and Águas da Covilhã.

AQUAPOR

The Aquapor-Luságua Group, owned by Aquapor - Serviços, S.A., is a private entity operating water municipal systems and with investments in other sectors, such as renewable energy projects.

Previously, the Aquapor-Luságua Group was owned by the AdP Group. In 2008, the Aquapor-Luságua Group was sold to the consortium formed by DST (Investhome) and ABB for €63 million euros.

The Aquapor-Luságua Group consists of several companies that manage municipal concessions and participate in public-private partnerships responsible for downstream systems. Aquapor-Luságua Group services 25 municipalities, with a total of 378,000 water supply customers and 305,000 water sanitation customers.

The Aquapor-Luságua Group includes the following concessionaires: Águas da Azambuja, Águas da Figueira, Águas da Teja, Águas de Alenquer, Águas de Cascais, Águas de Gondomar, Águas do Lena, Águas do Planalto, Águas do Sado, Águas do Sado Vouga, Luságua Alcanena, Luságua Lisboa, and Tratave.

PRIVATE OPERATORS (CONT.)

INDAQUA

INDAQUA – Indústria e Gestão de Água, S.A. (Indaqua) is a privately held company operating in the Portuguese water sector, managing municipal water supply and wastewater treatment systems.

Indaqua is owned by the Miya Group (50.06%) and the Talanx Group (49.94%). The Miya Group acquired Indaqua from Mota-Engil in 2016 for €60 million, while the Talanx Group acquired its stake from Soares da Costa in 2014 for €29.41 million.

Indaqua holds six municipal concessions ("downstream" systems) and exercises direct control over its concessionaire companies through majority ownership. It also holds a 49% stake in Águas de S. João through a public-private partnership (PPP).

In total, Indaqua serves a population of 600,000 inhabitants. Indaqua Fafe, Indaqua Santo Tirso / Trofa, Indaqua Feira, Indaqua Matosinhos, Indaqua Vila do Conde, and Indaqua Oliveira de Azeméis are the concessionaires of municipal systems owned by Indaqua.

BE WATER

A Be Water, S.A. (Be Water) is a private entity that provides water supply and wastewater treatment services under municipal systems and operates and maintains multi-municipal systems.

Be Water, formerly CGEP - Compagnie Générale des Eaux (Portugal), is wholly owned by the Beijing Enterprises Water Group, a Chinese conglomerate focused on the water sector and environmental preservation. Be Water was acquired in 2013 from Veolia Environment for €95 million, marking the company's entry into operations outside China.

In Portugal, Be Water manages four concession contracts in the municipalities of Mafra, Ourém, Valongo, and Paredes. The company serves a population of 125,337 people in water supply and 90,796 people in wastewater sanitation.

Be Water also provides services to Águas do Algarve, S.A., operating and maintaining certain areas of the system.

REGULATORY AUTHORITIES

WATER AND WASTE SERVICES REGULATORY ENTITY (ERSAR)

ERSAR is the regulatory agency for the following sectors: public water supply, urban wastewater sanitation and urban waste management.

ERSAR is responsible for the following key tasks:

- Assessing the quality of water for human consumption;
- Evaluating the performance of management entities based on a number of criteria, including service quality, efficiency, and financial sustainability. The results of these evaluations are made public;
- Publishing information on the regulated sectors, including the performance of management entities and the latest regulatory developments;
- Drafting and submitting draft bills and recommendations;
- Setting prices for water, wastewater, and waste management services; and
- Overseeing the compliance of management entities with applicable laws, regulations, and contracts, including the power to impose administrative fines on management entities.

PORTUGUESE ENVIRONMENT AGENCY (APA)

APA is the Portuguese National Water Authority with a wide range of responsibilities, primarily focused on ensuring the efficient and sustainable utilization of Portugal's water resources.

As the National Water Authority, APA is responsible for:

- Ensuring the effective application of the Water Law, which outlines the legal framework for water resource management;
- Issuing and monitoring water usage permits;
- Implementing comprehensive monitoring programs to continuously assess the status and quality of water resources;
- Mediating water usage between water users, ensuring equitable and sustainable water allocation; and
- Managing drought and flood emergencies, implementing strategies to mitigate the impact of these natural disasters and minimize potential damage.

MACEDO • VITORINO

ABOUT US

WHO WE ARE & WHAT WE DO

ABOUT US

MACEDO VITORINO is a leading Portuguese law firm. We advise domestic and foreign clients in a wide range of business sectors, including banking, distribution, industry, energy, TMT and projects. We are known for our professional and client oriented approach to complex and difficult matters.

Since the foundation of our firm in 1996, we have been involved in several high-profile transactions in all of the firm's fields of practice, including banking and finance, capital markets, corporate and M&A, etc. We have also acted on many complex disputes and restructurings.

We have strong relationships with many of the leading international firms in Europe, Asia and the Americas, which enable us to handle cross-border transactions effectively.

The firm is recognised by The European Legal 500, IFLR 1000 and Chambers and Partners for its work in its main practice areas.

Our team is committed, hard-working, accessible and friendly. We believe in collegiality, teamwork, trust and loyalty. Clients value our team approach, the good management of time and our focus on their business goals.

We advise:

- NATIONAL AND MULTINATIONAL COMPANIES
- BANKS AND OTHER FINANCIAL INSTITUTIONS
- FUNDS
- BUSINESS AND SCIENTIFIC ASSOCIATIONS
- FOREIGN EMBASSIES
- INDIVIDUAL ENTREPRENEURS
- PRIVATE EQUITIES
- START-UPS
- PRIVATE CLIENTS

MACEDOVITORINO.COM

M
A
C
E
D
O
▪
▪
V
I
T
O
R
I
N
O