

ITAIPU Binacional

Financial Statements

December 31, 2021 and 2020

and Independent Auditors' Report

(A free translation of the original in Portuguese and Spanish)

(A free translation of the original in Portuguese and Spanish)

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BALANCE SHEET AT DECEMBER 31, 2021 AND 2020

(All amounts in thousands of US Dollars)

(A free translation of the original in Portuguese and Spanish)

A S S E T S

	<u>Note</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	245.329	183.959
Trade receivables	6	860.065	924.800
Storeroom supplies	7	4.951	4.749
Bonds receivable	8	2.832	3.224
Other receivables	9	14.365	11.155
TOTAL CURRENT ASSETS		<u>1.127.542</u>	<u>1.127.887</u>
NON-CURRENT ASSETS			
Bonds receivable	8	234.104	237.614
Judicial deposits	10	26.996	37.114
		<u>261.100</u>	<u>274.728</u>
RESULTS			
	11		
From prior years		(12.168.682)	(10.334.629)
Current financial year		(1.588.159)	(1.834.053)
		<u>(13.756.841)</u>	<u>(12.168.682)</u>
PROPERTY, PLANT AND EQUIPMENT			
	12	<u>17.604.709</u>	<u>17.598.307</u>
INTANGIBLE ASSETS			
	13	<u>34.746</u>	<u>34.943</u>
TOTAL NON-CURRENT ASSETS		<u>4.143.714</u>	<u>5.739.296</u>
TOTAL ASSETS		<u>5.271.256</u>	<u>6.867.183</u>

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET AT DECEMBER 31, 2021 AND 2020

(All amounts in thousands of US Dollars) (A free translation of the original in Portuguese and Spanish)

LIABILITIES AND EQUITY

	<u>Note</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
LIABILITIES			
CURRENT LIABILITIES			
Borrowings and financing	14	1.350.107	1.860.219
Remuneration and reimbursements	15	514.672	525.188
Suppliers	16	80.013	74.992
Salaries and social charges	17	72.223	73.514
Labor indemnities	18	31.731	40.125
Provision for lawsuits	20	20.264	30.022
Other payables	21	2.206	2.025
TOTAL CURRENT LIABILITIES		2.071.216	2.606.085
NON-CURRENT LIABILITIES			
Borrowings and financing	14	642.446	1.996.571
Labor indemnities	18	154.590	191.015
Post-employment benefits	19	2.191.327	1.854.803
Provision for lawsuits	20	109.602	116.624
Other payables	21	2.075	2.085
TOTAL NON-CURRENT LIABILITIES		3.100.040	4.161.098
TOTAL LIABILITIES		5.171.256	6.767.183
EQUITY			
Capital	22		
Centrais Elétricas Brasileiras S.A.		50.000	50.000
Administración Nacional de Electricidad		50.000	50.000
TOTAL EQUITY		100.000	100.000
TOTAL LIABILITIES AND EQUITY		5.271.256	6.867.183

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(All amounts in thousands of US Dollars)

(A free translation of the original in Portuguese and Spanish)

	Note	12/31/2021	12/31/2020
OPERATING REVENUES	23		
Contracted power		3.291.012	3.291.012
Remuneration for electricity assignment		186.085	217.973
Royalties and reimbursement for energy additional to the one tied to the contracted power		44.408	49.960
Total operating revenues		3.521.505	3.558.945
OPERATING EXPENSES			
REMUNERATION AND REIMBURSEMENTS	24		
Yields from capital		(54.660)	(50.010)
Remuneration for electricity assignment		(186.085)	(217.973)
Electricity related to contracted power			
Royalties		(363.188)	(377.834)
Reimbursement of management and supervision charges		(27.938)	(29.064)
		<u>(391.126)</u>	<u>(406.898)</u>
Energy additional to the one tied to the contracted power			
Royalties		(41.236)	(46.392)
Reimbursement of management and supervision charges		(3.172)	(3.568)
		<u>(44.408)</u>	<u>(49.960)</u>
		(676.279)	(724.841)
GENERAL AND ADMINISTRATIVE EXPENSES	25		
Operation, maintenance, and management		(769.302)	(613.731)
Social and environmental responsibility programs		(302.418)	(288.639)
		<u>(1.071.720)</u>	<u>(902.370)</u>
Total operating expenses		(1.747.999)	(1.627.211)
SERVICE INCOME		1.773.506	1.931.734
OTHER INCOME (EXPENSES)	26	(21.201)	(22.147)
Finance income		25.385	236.870
Finance costs		(189.531)	(312.404)
FINANCE RESULT	27	(164.146)	(75.534)
PROFIT FOR THE PERIOD		1.588.159	1.834.053

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(All amounts in thousands of US Dollars)

(A free translation of the original in Portuguese and Spanish)

	<u>12/31/2021</u>	<u>12/31/2020</u>
SOURCES OF FUNDS		
Operations		
Profit for the period	1.588.159	1.834.053
Expense items not affecting net working capital		
Long-term monetary restatements - borrowings	(2.683)	(34.439)
Long-term monetary restatements - estimated obligations	(21.037)	(261.015)
Write-offs of property, plant and equipment	28.855	8.827
	<u>1.593.294</u>	<u>1.547.426</u>
Third parties		
Increase in non-current liabilities	500.374	265.411
Transfer from current liabilities to non-current liabilities	30.002	27.606
Transfer from non-current assets to current assets	2.765	3.157
Decrease in non-current assets	16.881	20.291
	<u>550.022</u>	<u>316.465</u>
TOTAL SOURCES	<u>2.143.316</u>	<u>1.863.891</u>
INVESTMENTS OF FUNDS		
Investments in property, plant and equipment and intangible assets	34.819	26.020
Incorporated charges on property, plant and equipment	241	405
Increase in non-current assets	6.018	15.394
Decrease in non-current liabilities	191.054	141.441
Transfer from non-current to current - borrowings	1.351.442	1.860.810
Transfer from non-current to current - estimated obligations	25.218	29.945
TOTAL INVESTMENTS	<u>1.608.792</u>	<u>2.074.015</u>
INCREASE (DECREASE) IN NET WORKING CAPITAL	<u>534.524</u>	<u>(210.124)</u>
STATEMENT OF CHANGES IN NET WORKING CAPITAL		
Closing net working capital		
Final current assets	1.127.542	1.127.887
Final current liabilities	(2.071.216)	(2.606.085)
	<u>(943.674)</u>	<u>(1.478.198)</u>
Opening net working capital	<u>(1.478.198)</u>	<u>(1.268.074)</u>
Increase / (Decrease) in net working capital	<u>534.524</u>	<u>(210.124)</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(All amounts in thousands of US Dollars)

(A free translation of the original in Portuguese and Spanish)

	12/31/2021	12/31/2020
FROM OPERATING ACTIVITIES		
Profit for the period	1.588.159	1.834.053
Profit (loss) adjustments		
Write-offs of property, plant and equipment	28.855	8.827
Monetary restatements - borrowings	10.943	(32.476)
Monetary restatements - estimated obligations	(21.037)	(261.015)
Liability provisions		
Finance charges - borrowings	188.635	312.319
Provisions for personnel	(45.578)	(52.966)
Actuarial provisions	350.666	169.756
Provision for lawsuits	(6.951)	(18.202)
Adjusted profit	2.093.692	1.960.296
Changes in assets and liabilities		
Changes in trade receivables	64.735	79.334
Changes in storeroom supplies	(202)	257
Changes in other receivables	11.063	17.256
Changes in remunerations and reimbursements	(10.516)	(28.938)
Changes in trade and other payables	5.192	30.830
Changes in salaries and social charges	(1.016)	(15.530)
Changes in estimated obligations	(2.450)	(9.620)
	66.806	73.589
Net cash from operating activities	2.160.498	2.033.885
FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(34.819)	(26.020)
Net cash used in investing activities	(34.819)	(26.020)
FROM FINANCING ACTIVITIES		
Amortization of borrowings en financing	(1.858.462)	(1.740.767)
Payment of interest on borrowings and financing	(205.847)	(320.304)
Net cash used in financing activities	(2.064.309)	(2.061.071)
TOTAL EFFECTS IN CASH AND CASH EQUIVALENTS	61.370	(53.206)
Opening balance of cash and cash equivalents	183.959	237.165
Closing balance of cash and cash equivalents	245.329	183.959
Change in cash and cash equivalents	61.370	(53.206)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(All amounts in thousands of US Dollars)

(A free translation of the original in Portuguese and Spanish)

	<u>12/31/2021</u>	<u>12/31/2020</u>
GENERATION OF VALUE ADDED		
Revenues		
Contracted power	3.291.012	3.291.012
Remuneration for electricity assignment	186.085	217.973
Royalties and reimbursement for energy additional to the one tied to the contracted power	44.408	49.960
Sundry revenues (expenses)	(21.201)	(22.147)
	<u>3.500.304</u>	<u>3.536.798</u>
(-) Inputs acquired from third parties		
Materials	16.732	13.563
Third-party services	90.069	91.130
Other operating expenses	297.025	310.611
	<u>403.826</u>	<u>415.304</u>
GROSS VALUE ADDED	<u>3.096.478</u>	<u>3.121.494</u>
(+) Value added received through transfer		
Finance income	25.385	236.870
	<u>25.385</u>	<u>236.870</u>
VALUE ADDED TO DISTRIBUTE	<u>3.121.863</u>	<u>3.358.364</u>
DISTRIBUTION OF VALUE ADDED		
Compensation:		
Personnel		
Direct compensation	187.789	180.724
Benefits	114.422	113.745
Actuarial provisions	350.666	169.756
Labor indemnities	(13.310)	(5.278)
Government Severance Indemnity Fund for Employees (FGTS)	4.074	4.122
	<u>643.641</u>	<u>463.069</u>
Government		
INSS and IPS	24.253	23.997
Royalties	404.424	424.226
Remuneration for electricity assignment	186.085	217.973
	<u>614.762</u>	<u>666.196</u>
Third-party capital		
Debt charges	188.635	312.319
Monetary variation	896	-
Other finance costs	-	85
	<u>189.531</u>	<u>312.404</u>
Own capital		
Yields from capital	54.660	50.010
Reimbursement of management and supervision charges	31.110	32.632
	<u>85.770</u>	<u>82.642</u>
Profit for the period	<u>1.588.159</u>	<u>1.834.053</u>
VALUE ADDED DISTRIBUTED	<u>3.121.863</u>	<u>3.358.364</u>

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese and Spanish)

**NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2021 AND 2020**

(All amounts in thousands of US Dollars unless otherwise stated)

1. OPERATIONS

ITAIPU Binacional ("ITAIPU") is a Binational Entity created and governed, with equal rights and obligations, under the Treaty signed on April 26, 1973, between the Federative Republic of Brazil and the Republic of Paraguay, also referred to as the High Contracting Parties with capital, in equal portions, from Centrais Elétricas Brasileiras S.A. - Eletrobras and Administración Nacional de Electricidad - ANDE, also referred as the Parties.

ITAIPU is headquartered in both Brasilia, Capital of the Federative Republic of Brazil and in Asunción, Capital of the Republic of Paraguay, and enjoys total tax exemption in both countries, according to the signed Treaty.

It utilizes the water resources of the Parana River to generate hydroelectric power, for both countries, in the form of a condominium, from and including the Salto Grande de Sete Quedas or Salto de Guairá until the mouth of the Iguazu River, it constructed and operates a Hydroelectric Power Plant, with a total installed capacity of 14,000 MW, generating electric power, with social and environmental responsibility, fostering economic, tourist and technologically sustainable development activities in Brazil and Paraguay.

ITAIPU formally started its activities on May 17, 1974 and the Hydroelectric Power Plant was officially inaugurated on October 25, 1984. Two generating units were available for commercial contract from March 1985. In 1991, the first stage of the implementation of the generating units was completed. After entry into operation of the last two generating units in December 2006 and April 2007, the Hydroelectric Power Plant was generating 12,135 MW per month of power available for contracting by Eletrobras and ANDE.

In 2021, ITAIPU generated 66.4 million MWh while in 2020 generated 76.4 million MWh. The record for power generation was achieved in 2016 at 103.1 million MWh.

ITAIPU is governed under the terms stipulated in the Treaty and its Attachments, referred to below, and its administrative bodies comprise a Board of Directors and an Executive Board, with an equal number of members from each country.

Attachment "A" - ITAIPU Bylaws.

Attachment "B" - General Description of Facilities for the Production of Electricity and Auxiliary Works.

Attachment "C" - Financial Bases and Provision of Electricity Service of ITAIPU.

The Treaty has no prescriptive period, as defined in Article XXV, any changes require a new agreement among the High Contracting Parties. The provisions in Attachment "C", pursuant to Article VI, will be reviewed after a period of 50 years from the date the Treaty became effective, considering, among other aspects, amortization of debt contracted by ITAIPU for plant construction and the relative levels of power contracted by each country (Notes 14 and 23). Attachment "C" provides details for the supply conditions, breakdown of electricity service cost and revenue (Notes to the Statement of Operating Account).

Effects of Coronavirus (COVID-19) on the financial statements

The Coronavirus (COVID-19) was declared by the World Health Organization (WHO) to be a pandemic, ITAIPU has been monitoring the situation and adopting necessary measures to protect the health and wellbeing of its employees and to mitigate the effects of the virus on its operations and its communities. The initiatives follow WHO recommendations, the protocols of the Ministries of Health in Brazil and Paraguay, and aim to contribute to the efforts of the population and the authorities of both countries.

ITAIPU formed a Binational Technical Committee to propose coordination of actions to contain the COVID-19 virus, whose objectives include:

- a. Preserve the health of workers and others accessing its premise;
- b. Assure continued CHI electricity generation activities;
- c. Adopt preventive measures to contain the massive contagion of disease ; and
- d. Create a rapid response capability when cases are confirmed in ITAIPU's facilities.

Each Party, based on its national health protocols, adopted measures to contain the spread of COVID-19.

Management carried out an assessment of potential business risks to which the ITAIPU could be exposed, such as the measures instituted by the governments affecting economic activity and effects on accounting estimates and measurement of its assets and liabilities. The main impact of COVID-19 has been on the ITAIPU's funds due to delinquent invoices for the provision of electricity services from ANDE (Note 6). This situation affected cash and cash equivalents. This did not, however, affect ITAIPU's ability to meet its obligations within the agreed time schedule.

No further significant or material effects were identified affecting assets and liabilities as presented in its financial statements at December 31, 2021.

Management continues to assess the impacts and risks related to the Coronavirus pandemic, providing the necessary disclosures.

2 PRESENTATION OF FINANCIAL STATEMENTS

Basis of presentation

The Financial Statements have been prepared in accordance with the practices and the provisions of the ITAIPU constitutional Treaty, its Attachments and other official acts, and are comprised of the Balance Sheet, Statement of Income, Statement of Changes in Financial Position and Notes to the Financial Statements.

Supplementally, the Statement of Cash Flows and Statement of Value Added are presented in Attachment I, Statement of Operating Account and Notes to the Statement of Operating Account.

a) Statement of cash flows

The Statement of cash flows was prepared under the indirect method and presents the cash flows for the year classified by operating, investing, and financing activities. Cash flows deriving from transactions that are ITAIPU's main source of revenue are classified as operating activities, generated by transactions and other events as included in the Statement of income. Disbursements intended to generate future cash flows are classified and presented as cash flows from investing activities. Cash flows from transactions with banks, shareholders, etc. are classified and presented as financing activities.

b) Statement of value added

The Statement of value added provides information related to the generation of wealth and the manner by which it was distributed. The origin of wealth generation was from revenue, less inputs acquired from third parties, plus amounts received as transfers - classified according to the nature of each transaction. Wealth distribution reflects the amounts disbursed to personnel, payroll charges, royalties, remuneration for electricity assignment and remuneration of own and third parties' capital. The Statement follows the basic conceptual framework used for the preparation and presentation of the Financial Statements and information in the Statement of income for the same period.

c) Statement of Operating Account

Preparation basis described in the Notes to the Statement of Operating Account (Attachment I).

d) Statement of Changes in Financial Position

The Statement of changes in financial position presents the changes in ITAIPU's working capital detailing the respective sources and uses of funds. The sources of funds reflect the increases in working capital from operations (profit or loss for the period and other changes in own capital) or from third-party funds (derived from

increase in non-current liabilities, decrease in non-current assets and disposal of investments and fixed assets). The uses of funds reflect reductions in working capital from investments in Property, plant and equipment and Intangible assets, increase in non-current assets and decrease in non-current liabilities. Although this Statement is no longer required by accounting standard, it is presented to meet the requirements of the regulatory provisions.

As required by the Treaty, in its Attachments and other official acts, the Financial Statements and Supplementary Information were prepared in compliance with the accounting practices adopted in Brazil and Paraguay

The main provisions and/or normative guidelines that differ from the accounting practices adopted in these countries are:

- (i) The depreciation of property, plant and equipment and the amortization of intangible assets is not recorded over their useful lives (Notes 3.e, 12 and 13);
- (ii) The Entity's profit (loss) is not presented within Equity, but classified within Assets (Note 11);
- (iii) Post-employment benefit obligations, which include: actuarial gains and losses and returns on plan assets, are recognized in the Statement of income for the year (Notes 3.m and 19);
- (iv) The distribution of remuneration on own capital paid to the Parties does not consider the realization of profits, being presented as an operating expense in the period (Notes 15 and 24);
- (v) A Statement of changes in equity and a Statement of comprehensive income is not presented because Equity is unchanged; and
- (vi) The Statement of changes in financial position is included with the Financial Statements and the Statement of cash flows and the Statement of value added are presented as supplementary information.

The issue of these Financial Statements was authorized by the Executive Board on April 7, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the preparation of the Financial Statements, the following accounting practices were adopted to record its economic and financial transactions and operations:

a) Reference currency for recording transactions

When measuring transactions and presenting information in the Financial Statements, the US Dollar is used as the currency of reference, as provided for in Attachment "A" to the Treaty.

When economic and financial operations are carried out in other currencies these are translated into US Dollars based on the market closing rates as disclosed by the Central Banks of Brazil and Paraguay, according to the following criteria:

- Property, plant and equipment and intangible assets - the rates at the close of the previous day to the acquisition.
- Capital - at the rates in force on the dates subscriptions were paid-in.
- Borrowings and financing - adjusted to the currency of denomination in accordance with the contractual clauses and converted into the reference currency at the exchange rate on the last day of each month.
- Other assets and liabilities - translated at the rates on the last day of each month.

Operating revenues from the provision of electricity services are measured and accounted for in US Dollars and the corresponding invoice values, payable in Reais or Guaranis, are converted to those currencies based on the rates in effect on the day preceding settlement.

Yields from capital, royalties, and reimbursement of management and supervision charges, as well as remuneration for electricity assignment, components of operating expenditure, are calculated and accounted for in US Dollars and paid in Reais or Guaranis, at the rates in effect on the day preceding settlement.

Operating expenses, finance costs, and sundry expenses, as well as finance income and sundry revenues, are translated based on the rates in effect on the day preceding the date they were incurred.

Accordingly, the US Dollar asset and liability balances in these Financial Statements may have been changed to reflect the quotation of Brazilian Real and Guaraní, mainly, between this statement base date and Financial Statements reading date.

b) Use of estimates and judgments

The preparation of financial statements requires management to use its judgment and prepare estimates and make assumptions that affect the adoption of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are continuously reviewed. Changes from reviews of accounting estimates are recognized in the period in which they are reviewed.

Uncertainties, assumptions and estimates that pose a higher risk of material adjustment within the coming financial years include:

(i) provision for impairment losses of property, plant and equipment and intangible assets including the need for a provision and measurement of the charge; (ii) actuarial assumptions affecting the measurement of post-employment benefit obligation; and (iii) determination of the risk of loss and estimated outflows and measurement of recognition and measurement of the provisions for lawsuits.

c) Cash and cash equivalents

Comprise of cash on hand, deposits with banks and other short-term highly liquid investments, which are readily convertible into a known amount of cash.

d) Trade receivables

Non-derivative financial assets with fixed payments, not quoted in an active market. First-time measurement is based on the value of electricity service provision; subsequent measurement is carried out at amortized cost.

e) Property, plant and equipment and intangible assets

Investments in works related to acquisition, construction, assembly and engineering, including general administration expenses, finance charges on third-party funds during the construction period, pre-operational costs for mobilization and training of personnel during the construction period and apportionments of administration expenses were accounted for under the historical cost principle. In the event of impairment, provisions are charged against this cost.

Revenues and refunds from exemptions and tax benefits related to the works were recorded during the construction period and reduced the cost of the work. From the date of start-up of the Hydroelectric Power Plant, these were apportioned between the cost of the work and sundry revenues; from the date of full operation, these are recorded as sundry revenues.

ITAIPU does not record a depreciation charge for property, plant and equipment nor amortization of intangible assets over their useful life as its revenue is based on a calculation which takes account of its liability charges these expenses not being part of the Cost of Electricity Service, as defined in Attachment "C" to the Treaty.

f) Impairment tests of property, plant and equipment and intangible assets

As no depreciation of property, plant and equipment or amortization of intangible assets are recorded, and as amortization and finance charges for project financings are a component of Cost of Electricity Service, ITAIPU uses projected tariffs (unit cost of electricity service) to assess possible impairment of property, plant and equipment and intangible assets.

Projected tariffs are prepared annually based on Attachment "C" to the Treaty (Notes to the Statement of Operating Account - Attachment I) and are subject to ITAIPU's Board of Directors' approval. These projections are the basis for the preparation of cash flow

projections up to 2023 the year in which amortization of the construction financing is expected to have been completed and due for review under Attachment "C" to the Treaty, through which the recoverability of carrying amount of property, plant and equipment and intangible assets is assessed based on future cash flow estimates.

g) Borrowings and financing

Borrowings and financing are measured at the amortized cost using the effective interest rate method (Note 14). The effective interest method based on the amortized cost of a financial asset or liability for purposes of measuring and classifying interest income or expenses in the Statement of income for the year during de period.

h) Operating revenues

These arise from the provision of electricity services, including contracted power, reimbursement of royalties and reimbursement of management and supervision charges for surplus energy over and above the contracted power and remuneration from electricity assignment. Operating revenues are recognized on the accrual basis, performance obligations are met and transfers of energy services to customers are confirmed, in accordance with the contracts, reflecting the consideration ITAIPU expects to be entitled in exchange for services provided.

The annual revenues from the billing of contracted power as derived by applying the Tariff (Unit Cost of Electricity Service), which results from dividing the Cost of Electricity Service for a given year by the sum of monthly energy contracted in the year. The Tariff is fixed and approved annually.

Customer contracts (Eletrobras and ANDE) derive from the provisions of the ITAIPU Official Acts which link Revenue from billings of contracted power to the annual approved Tariff, pursuant to the conditions for the financial bases and provisions of electricity services set out in Attachment "C" to the Treaty.

i) Operating expenses

These include operating, maintenance and administration expenses for the operation of the hydroelectric plant, remuneration and reimbursements payable to the High Contracting Parties and Parties included in Attachment "C" to the Treaty and, from 2005, expenditure related to social and environmental responsibility programs, due to Reversal Notes 228/05 of the Brazilian Embassy in Asuncion and 1/05 of the Ministry of Foreign Affairs of Paraguay, both of March 31, 2005. Operating expenses are recognized on the accruals basis.

j) Finance income

This includes income from investments with banking institutions, indexation/interest accruals on collateral deposits under the Brazilian foreign debt restructuring agreement

(Note 8), penalty arrears for late receipt of invoices for the provision of electricity services, discounts obtained, interest from the agreement with ANDE for the construction of a substation on the right bank (Note 8) and other finance income.

k) Finance costs

These include finance charges from borrowings and financing agreements (Note 14), indexation/interest/foreign exchange accruals arising from contractually agreed operations, principally in Reais and Guaranis, translated into the accounting currency of reference, the US Dollar (item "a" above), in addition to interest on late payment of remuneration and reimbursements and other finance costs.

l) Sundry revenues /expenses

These include revenues and expenses arising from the sale of scrap and surplus equipment, property occupancy taxes, notices of sale, write-off of assets and other similar items.

m) Post-employment benefits

Obligations for employee benefit plans are recognized as follows:

- i) an actuarial assessment of retirement and pension and medical care and hospital plans is carried out by qualified actuaries using the projected credit method and best estimates are applied for the expected performance of investment plans for the funds, salary increases, employee retirement ages, turnover, mortality, expected costs for healthcare, among others, respecting the characteristics of each country;
- ii) the present value of retirement and pension plan actuarial obligations less the fair value of plan assets, with immediate recognition of all actuarial gains and losses, is recognized. If a deficit is determined it is recorded directly in the Statement of income (Notes 2.iii and 19);
- iii) the present value of medical and hospital care plan obligations, with immediate recognition of all actuarial gains and losses, is fully recognized in the Statement of income, as ITAIPU is a direct sponsored with no segregation of assets to the plan (Notes 2.iii and 19).

Balances are adjusted at year end or whenever events require adjustment.

n) Profit sharing

The employees payment is not attributed to the positive results in the fiscal year, it is based on the Collective Agreement Bargaining and the annual Terms of Agreement for the Distribution of Profit Sharing, signed for year. ITAIPU constitutes accruals for this expense effective provision of the service that gave rise to this remuneration exercise.

4. EFFECTS OF EXCHANGE-RATE CHANGES ON THE FINANCIAL STATEMENTS

Although ITAIPU transacts with several currencies, mainly the Real and the Guarani, these are accounted for by reference to the US dollar.

The changes in the purchasing power of these currencies in relation to the US dollar are recorded in accordance with the translation policy (Note 3.a).

US Dollar exchange rate

Closing rate	Brazil		Paraguay	
	Rate in Reais (R\$)	Change in the year - %	Rates in Guaranis (Gs)	Change in the year - %
2020	5.1967	28.9	6941.65	7.4
2021	5.5805	7.4	6,887.40	(0.8)

Amounts transacted in US dollars remain recorded at historical cost.

For information purposes, the headline annual inflation indexes for the financial years of 2021 and 2020 were:

		In percentage - %	
		2021	2020
Brazil:			
National Amplified Consumer Price Index - IPCA Instituto Brasileiro de Geografia e Estatística		10.1	4.5
General Price Index - IGP-DI Fundação Getúlio Vargas		17.7	23.1
Paraguay:			
Consumer Price Index - IPC Banco Central del Paraguay		6.8	2.2

5. CASH AND CASH EQUIVALENTS

Bank accounts and cash, held in Reais and Guaranis, linked to US dollars and balances held in Paraguay.

	2021	2020
Cash	11	11
Bank checking accounts	82	435
Interest earning bank deposits		
In Brazil		
Banco do Brasil - Fixed Income 25 thousand	94,162	54,002
Caixa Econômica Federal - CDB Flex	78,142	109,530
	172,304	163,532
In Paraguay		
Banco Atlas	13,006	38
Banco Basa	358	197
Banco Bilbao Vizcaya Argentaria	-	130
Banco Continental	1,490	22
Banco do Brasil	1	1
Banco Itaú	46,315	15,314
Banco Nacional de Fomento	8	11
Banco Regional	11,752	4,266
Sudameris Bank	2	2
	72,932	19,981
	245,236	183,513
Total	245,329	183,959

6. TRADE RECEIVABLES

Refer to the provision of electricity services (Note 23), being due and payable on the 20th of the second month after generation, on the 30th of the second month after generation, and on the 10th of the third month after generation, except for invoices related to remuneration for electricity assignment that mature 45 days after generation.

Includes adjustments for amounts receivable in US dollars for royalties and reimbursement of management and supervision charges from energy other than those linked to the contracted power and remuneration for electricity assignment (Attachment I - Notes to Statement of Operating Account), for the current financial year but referring to the prior year, which are billed in 12 monthly installments, maturing from March in the year following generation.

US Dollar denominated invoices, payable in Reais or Guaranis, at the closing selling exchange rates on the day prior to collection, as disclosed by the Central Banks of Brazil and Paraguay, respectively.

	2021	2020
Centrais Elétricas Brasileiras S.A. - Eletrobras	702,360	772,853
Administración Nacional de Electricidad - ANDE	176,165	174,271
(-) Provision for credits	(18,460)	(22,324)
Total	860,065	924,800

Amounts above include delinquent accounts totaling US\$ 54,969 billed to Eletrobras on December 31, 2020, as well as overdue amount billed to ANDE of US\$ 45,636 on December 31, 2021 and US\$ 50,237 on December 31, 2020.

On September 30, 2021, US\$ 54,969 which had been overdue from Eletrobras was received and the provision, for the principal, of US\$ 23,051 was reversed.

Late payment charges of 0.5% per month apply on amounts overdue during the first fifteen days and 1% per month from the sixteenth day. Late payment charges recorded at December 31, 2021, were US\$ 18,540 for Eletrobras and US\$ 3,188 for ANDE.

Invoice CT-00081/2021 for US\$ 18,460, was issued to Eletrobras for late payment charges the payment method to be agreed mutually by the Parties. Management is endeavoring to seek settlement for late payment of charges owed by Eletrobras, though a dispute has arisen with respect to the computation of the interest due.

Hence, at December 31, 2021, the provision corresponds to the full amount of late payment charges of US\$ 18,460.

Expected credit losses are based on a probability-weighted estimate of occurrence throughout the estimated life of the financial instrument. The expected credit losses consider the amount and timing of payments, irrespective if the entity expects to be paid-up in full after contract maturity.

As provided for in Article XIV of the Treaty, ITAIPU's electricity services are purchased by Eletrobras and ANDE, who can nominate other Brazilian or Paraguayan companies or entities.

Since 2003, ITAIPU electricity services have been acquired in Brazil by Eletrobras, according to Decree 4,550 of December 27, 2002, which established that company as the sole Trading Agent for ITAIPU Energy. In Paraguay, the ITAIPU electricity services are acquired by ANDE.

As defined in Article XIII of the Treaty, the High Contracting Parties undertake to acquire, jointly or separately, upon mutual agreement, all the installed capacity.

In accordance with Article II.4 of Attachment C, each party has the right to use the contracted power up to an agreed ceiling for each operating period. It is understood that each party has the right to use this contracted power for the time it so requires, within each period of operation, as long as the total energy used does not exceed the ceiling.

Article III of Attachment C also establishes that the royalties and reimbursement of management and supervision charges due to the High Contracting Parties and Parties, respectively, are part of the cost of the electricity service.

ITAIPU issues invoices in a manner consistent with the terms of the agreement for electricity services, known as the Engagement Letter (Eletrobras) and Letter of Agreement (ANDE).

7. STOREROOM SUPPLIES

Includes consumables held in inventory to meet operating needs. Balances are recorded at the average cost of acquisition. Changes in consumable balances occur through acquisitions, transfers between warehouses and releases for use.

8. BONDS RECEIVABLE

	2021	2020
Security deposits CT-80/92 (i)	232,643	233,565
Agreement ANDE 5808/99-Substation MD (ii)	739	1,373
Agreement ANDE 5808/99-Addendum n.2-T5/R5 (ii.a)	1,895	4,014
Agreement ANDE 5808/99-Addendum n.6-T4/R4 (ii.b)	162	312
Other	1,497	1,574
Total	236,936	240,838
Current	2,832	3,224
Non-current	234,104	237,614

Include mainly receivables linked to obligations with third parties, such as:

(i) Security deposits CT-80/92

Cash guarantees for loans maturing in April 2024 being borrowings raised from the Brazilian National Treasury, contract CT-80/92 (Note 14). Correspond to ITAIPU's rights for an amount equivalent to the "Par-Bond" and "Discount-Bond" principal, indexed to the medium and long-terms debt contract (DMLP) as disclosed in June and December by the Brazilian National Treasury Secretary - STN. For the remaining months, an adjustment is made based on the latest rate.

(ii) Agreement ANDE 5808/99

Agreement between ITAIPU and ANDE signed on March 30, 1999, for the expansion of ITAIPU's Right Bank Substation. ITAIPU is responsible for preparing the project, acquiring equipment and materials, civil construction, assembling equipment and trials for the service and acceptance of Substation Sector 3 facilities, as well as operational and maintenance services.

ITAIPU is responsible for obtaining necessary funds to finance the facilities. ANDE will compensate for disbursements made, under the same conditions of the respective borrowing contract.

Six addenda to this contract were executed, including:

- Addendum No. 2, dated August 20, 2010, defining compensation terms between ITAIPU and ANDE for payments for borrowings contracted by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI (Note 14), to finance the installation of an Autotransformer/Regulator of 500/220 kV (T5/R5) in the Right Bank Substation; and
- Addendum No. 6, dated February 17, 2012, defining compensation terms between ITAIPU by ANDE for borrowings contracted by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional - CAJUBI (Note 14) for the Repowering of Autotransformer Set/Regulator (T4/R4) in the Right Margin Substation.

9. OTHER RECEIVABLES

	2021	2020
Advances to suppliers (i)	12,077	8,637
Restricted deposits (ii)	770	894
Advances to staff	441	427
Sundry receivables	1,077	1,197
Total	14,365	11,155

- (i) Advances to suppliers of consumption materials and service providers to be offset upon delivery of merchandise or effective provision of services.
- (ii) Includes bank accounts linked to the Agreements and Terms of Cooperation executed among ITAIPU and several other parties.
ITAIPU is the executing party and the manager of funds destined to the respective projects.
The restricted deposits are comprised as follows:

	2021	2020
ANDE Cooperation Agreement L66kV (ii.a)	306	306
FINEP agreement (ii.b)	241	355
SESI and SENAI Terms of Cooperation (ii.c)	223	233
Total	770	894

(ii.a) ANDE Agreement of Cooperation L66kV

Cooperation Agreement JEC.JE/055/2014 between ITAIPU and the Administración Nacional de Electricidad - ANDE, defining the obligations and conditions for execution of the following works and services to strengthen the electrical system of Alto Parana, Paraguay.

Details of the works and services performed are as follows :

- Construction of a Substation Microcenter in Ciudad del Este
- Repowering of overhead Transmission Line at 66 kV, between the substations of Acaray and Alto Parana; and
- Construction of two 66 kV underground Transmission Lines between the Alto Paraná Substation and the future Microcenter Substation in Ciudad del Este.

(ii.b) FINEP Agreement

On November 27, 2013, FINEP Agreement 01.13.0347-00 was executed with Financiadora de Estudos e Projetos - FINEP for a "Hybrid Electric Ethanol Bus" project with funds from the National Fund for Scientific and Technological Development. The project is to finance the development of a high-end prototype for an ethanol hybrid electric bus, with all technical specifications, to serve as a reference for scale production across Brazil.

(ii.c) SESI and SENAI Terms of Cooperation

SESI and SENAI agreements in Brazil to destine part of INSS, payroll social security contribution, for investment in professional improvement and workers' social welfare programs.

10. JUDICIAL DEPOSITS

These are judicial escrow deposits and restricted bank deposit certificates (CDB) in Brazil, as well as judicial embargoes in Paraguay, related to labor, tax, civil and commercial lawsuits, in which ITAIPU is a party.

	2021	2020
Brazil	24,567	34,704
Paraguay	2,429	2,410
Total	26,996	37,114

In Brazil, judicial deposits related to labor suits accrue adjustments based on the FGTS correction factor and, for tax, civil and commercial purposes, based on the National Consumer Price Index - INPC. The bank deposit certificates (CDB) are adjusted based on terms agreed at acquisition.

11. RESULTS

This line item includes ITAIPU's results as per the Statement of Income, accumulated up to December 31, 2020, and the income (loss) for the period ended December 31, 2021.

	2021	2020
Prior-year results	(12,168,682)	(10,334,629)
Result for the current year	(1,588,159)	(1,834,053)
Total	(13,756,841)	(12,168,682)

Results should not be used for the purposes of determining the return on own capital, profit sharing, or formation of reserves (Note 2, items ii and vi).

Through to 2023, the year forecasted for the full debt amortization for the construction of the project and the revision of Attachment "C" to the Treaty, the closing balance of Results approximates the total property, plant and equipment and intangible assets of the Entity, minus the amount of Capital and long-term provisions, since: a) as defined in Attachment "C", the amortization of borrowings and financing is an integral part of the Cost of Electricity Service; b) the depreciation of property, plant and equipment and amortization of intangible assets are not charged (Note 2, item i); and, c) long-term obligations are estimated based on terms and amounts using assumptions, projections, statistical criteria and the judgment of qualified professionals. These are reassessed and/or updated, in accordance with the current benefit plan and respective accounting standards, at least annually. Although these provisions are charged to results for the year and, consequently, affect Accumulated Results, they are not part of the Cost of Electricity Service as there are uncertainties as to the amounts of disbursement required for their settlement and as the Cost of Electricity Service is comprised of annual installments.

12. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
Property, plant and equipment in service		
Assets and facilities for production	16,478,788	16,440,826
Other assets and facilities	736,960	751,004
Movable property	122,406	117,326
Total property, plant and equipment in service	17,338,154	17,309,156
Construction in progress		
Sundry property, plant and equipment	210,627	234,116
Advances of movable property	2,347	1,342
Technical reserve	53,581	53,693
Total construction in progress	266,555	289,151
TOTAL PROPERTY, PLANT AND EQUIPMENT	17,604,709	17,598,307

Property, plant and equipment in service, equivalent to 98.5% and 98.4% of total property, plant and equipment at December 31, 2021 and 2020, respectively, represents the historical cost of construction of the ITAIPU Hydroelectric Power Plant: facilities for the production of electricity and auxiliary works, adjacent areas, administrative headquarters, in addition to movable property.

These costs are originally classified as Construction in progress and are transferred to Property, plant and equipment in service upon completion of the respective physical/accounting reconciliation process for each unit.

Sundry property, plant and equipment - equivalent to 1.2% and 1.3% of total property, plant and equipment at December 31, 2021 and 2020, respectively - refer to investments in Technological Update of the Plant and ITAIPU Preserva projects, at historical acquisition cost. These investments are distributed among several assets, with no concentration in property, plant and equipment accounts.

The charges on borrowings and financing relating to property, plant and equipment are recorded in Assets until their effective start-up dates.

Inventories of spare parts and materials to be used directly in the property, plant and equipment are recorded as a technical reserve.

The balances of property, plant and equipment are presented at the historical cost, since ITAIPU does not record depreciation as its revenue is calculated based on liability charges as these expenses are not part of the Cost of Electricity Service, as defined in Attachment "C" to the Treaty (Notes 3.e and 11).

No provision for impairment was required at December 31, 2021 or 2020 (Note 3.f).

The net change in balances of property, plant and equipment in 2021 was US\$ 6,402 and US\$ 17,531 in the same period of 2020, as follows:

	2021	2020
Property, plant and equipment		
Sundry property, plant and equipment	22,875	20,131
Movable property	12,253	5,470
	<u>35,128</u>	<u>25,601</u>
Economic increases (decreases)		
Technical reserve	(112)	352
Finance charges	241	405
Write-off of property, plant and equipment	(28,855)	(8,827)
	<u>(28,726)</u>	<u>(8,070)</u>
Changes in property, plant and equipment	<u>6,402</u>	<u>17,531</u>

The write-offs refer to donations of movable property to meet public and social interest and the sale of housing complexes properties on both river banks.

13. INTANGIBLE ASSETS

Correspond to expenses inherent in obtaining intangible assets for the operation, maintenance and management.

	2021	2020
Software	34,675	34,874
Right of use of easements strip	71	69
Total	<u>34,746</u>	<u>34,943</u>

ITAIPU does not record amortization of its Intangible Assets (Notes 3.e. and 11). In 2021 and 2020, no provision for impairment was deemed necessary (Note 3.f).

14. BORROWINGS AND FINANCING

Borrowings and financing in US dollars and in other currencies, incorporating corresponding accruals for contractual interest and other finance charges, are summarized below:

		Annual interest rate	Contract value Total	Debt							
Currency (3)	12/31/2021			12/31/2020		Amortization period		Installment			
	Current			Non-current	Current	Non-current	Beginning		End		
I - ELETROBRAS											
ECF - 1480/97											
Tranche B - Principal	US\$	7.50	10.250.481	3.479	8.934	590.809	12.413	2001	2023	Monthly	
Tranche C - Principal	US\$	4.10	1.780.955	64.253	10.867	61.560	75.121	2007	2023	Monthly	
ECF - 1627/97											
Principal	US\$	7.50	181.577	9.931	1.655	9.931	11.586	1998	2023	Monthly	
ECF - 1628/97											
Principal	US\$	7.50	211.116	20.850	3.475	20.850	24.325	2007	2023	Monthly	
CT - 2686/08											
Principal	US\$	7.50 ⁽⁴⁾	22.343	-	-	1.701	-	2012	2021	Monthly	
				98.513	24.931	684.851	123.445				
II - BRAZILIAN NATIONAL TREASURY / BNDES											
CT-80/92											
External Debt Restructuring (DMLP)	US\$	(2)(6)	918.235	1.534	243.369	1.871	243.369	1997	2023	Semiannual	
CT-424/TN CT-808/BNDES											
Eletrobras Assignment (ECF-1480/97)											
Tranche B - Principal	US\$	7.50	-	312.558	53.339	290.980	365.932	2001	2023	Monthly	
Tranche C - Principal	US\$	4.10	-	68.548	11.697	65.899	80.250	2007	2023	Monthly	
CT-425/TN CT-808/BNDES											
Eletrobras Assignment (ECF-1480/97)											
Tranche B - Principal	US\$	7.50	-	691.927	112.924	644.159	804.926	2001	2023	Monthly	
Tranche C - Principal	US\$	4.10	-	151.671	25.886	145.809	177.566	2007	2023	Monthly	
				1.226.238	447.215	1.148.718	1.672.043				
III - OTHER CONTRACTS											
FIBRA - Fundação Itaipu BR de Previdência e											
Assistência Social											
CT-56/18 - SERV. PASSADO REAJ. SAL.	R\$	5.76 ⁽⁶⁾	141.536	4.852	80.393	4.927	91.542	2018	2038	Monthly	
CT - 7218/03 ⁽¹⁾	R\$	6.00 ⁽⁵⁾	73.911	3.264	563	2.980	3.703	2004	2023	Monthly	
				8.116	80.956	7.907	95.245				
CAJUBI - Caja Paraguaya de Jubilaciones y											
Pensiones del Personal de la Itaipu Binacional											
PIB 2010-10-0001 - T5/R5	US\$	8.00	15.000	1.895	-	2.119	1.895	2012	2022	Monthly	
PIB 2011-10-0001 - Repowering T1/R1, T2/R2,											
T3/R3 E TX/RX	US\$	8.00	5.000	-	-	707	-	2012	2021	Monthly	
PIB 2011-10-0002 - Sectioning L3 and L4 500kV	US\$	8.00	42.000	5.294	-	5.365	5.294	2013	2022	Monthly	
PIB 2011-10-0003 - Environment MD	US\$	8.00	12.000	1.171	-	1.889	1.171	2013	2022	Monthly	
PIB 2012-10-0001 - Repowering T4/R4	US\$	8.00	1.132	162	-	150	162	2013	2022	Monthly	
CT-257/18 - SERV. PASSADO REAJ. SAL.	Gs.	5.51 ⁽⁷⁾	129.445	6.136	89.344	5.771	94.734	2018	2038	Monthly	
				14.658	89.344	16.001	103.256				
Other lenders											
Banco Continental S.A.E.C.A. - ITAIPU Preserva MD	US\$	6.00	11.500	1.757	-	1.917	1.757	2016	2022	Monthly	
Banco Bilbao V. A. S.A.- Estudio Atual. Tec. UHI	US\$	5.75	4.537	825	-	825	825	2017	2022	Monthly	
				2.582	-	2.742	2.582				
TOTAL BORROWINGS AND FINANCING				1.350.107	642.446	1.860.219	1.996.571				

(1) The total amount of the contract translated at the current rate on the date of the release and updated at the balance sheet closing rate for the period is **US\$ 13.245**

(2) Interest rates
Six month Libor + Spread, 6.00

(3) Abreviations:
R\$ - Reais
US\$ - US Dollars

Gs. - Guaranis

(4) In addition to the interest rate, the contract sets forth the payment of management fees and commission of the credit reserve.

(5) In addition to the interest rate, the contract sets forth the correction of the balance due by the INPC and may not be less than the minimum actuarial profitability.

(6) In addition to the interest rate, the contract sets forth the payment of commission rate.

(7) In addition to the interest rate, the contract sets forth the correction of the balance payable by the IPC and may not be less than the minimum actuarial profitability.

(8) In addition to the interest rate, the contract sets forth the correction of the balance payable by the IPCA and may not be less than the minimum actuarial profitability.

As established in the ITAIPU Treaty, funds required for studies, construction and operation of the electric plant and construction work of auxiliary facilities are provided by the High Contracting Parties or raised by ITAIPU through credit transactions.

The High Contracting Parties - together or separately, directly or indirectly, as agreed - will make available to ITAIPU, as requested, guarantees for its credit operations.

The debt payment schedule for the construction of plant and associated construction work, contemplated full amortization by 2023. The cash deposits contracted by ITAIPU in 1992 referring to borrowing raised from the Brazilian National Treasury, contract CT- 80/92, will be used in April 2024.

In December 2018, contracts were executed for payment in installments and acknowledgment of debts with supplementary social security foundations related to the mathematical reserve difference deriving from updating of actuarial assumptions of founding members past service time and adjustments of salary table in Brazil and Paraguay. These contracts have installments maturing through to 2038.

Contracts entered into with Centrais Elétricas Brasileiras S.A. - Eletrobras and other creditors refer to:

- Eletrobras

Eletrobras ECF-1480/97 Financing Contract

Refinancing of overdue and current debt balances of total ITAIPU debts deriving from financing contracts with Eletrobras.

Eletrobras ECF-1627/97 Financing Contract

Financing of remaining investment cost of Construction Work Completion Plan (PCO).

Eletrobras ECF-1628/97 Financing Contract

Financing of installation of the last two ITAIPU generating units (9A and 18A).

Eletrobras ECF-2686/08 Financing Contract

Coverage of total cost of Supplementary Investment Program (PIC).

II - Brazilian National Treasury / National Bank for Economic and Social Development

Contract CT-80/92

Renegotiation of medium and long-term loan contracts with external creditors which stipulate guarantees for the principal in the form of cash deposits (Note 8).

Contract CT 424/TN and Contract CT 425/TN

Signed between Eletrobras and Brazilian National Treasury, on December 29, 1998, establishing the assignment of a part of Eletrobras' credits with ITAIPU related to the Contract ECF-1480/97 entered between ITAIPU and Eletrobras.

Accordingly, ITAIPU directly transferred to the Brazilian National Treasury part of amounts owed to Eletrobras pursuant to contract ECF-1480/97, as per the transfers flow in the contracts.

The Brazilian National Treasury, through concession agreements No. 808/PGFN/CAF of December 28, 2012, granted to the National Bank for Economic and Social Development - BNDES, part of credit receivables held against ITAIPU, under contracts 424/TN and 425/TN. The flow of disbursement started in March 2020.

III - Other contracts

Contract CT-7218/03

The contract entered into with Fundação Itaipu-BR de Previdência e Assistência Social (FIBRA), from the Resolution of the Board of Directors, RCA 010/03, of September 5, 2003, which revoked the payment in kind of properties for partial discharge of debts of ITAIPU with FIBRA, for the period of 1989 to 1992, which was approved by the Board of Directors Resolution RCA 004/93, of January 11, 1993.

Contract CT-56/18

Settlement of debt with FIBRA related to mathematical reserve differences from updating of actuarial assumptions of founding members past service time and adjustments of salary table above inflation.

CAJUBI and other lenders' contracts

Related to specific projects, as per the denomination of the respective contracts.

Contract CT-257/18

Settlement of debt with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la ITAIPU (CAJUBI) related to mathematical reserve difference from updating of actuarial assumptions of founding members past service time and adjustments of salary table above inflation.

The payment schedule for long-term borrowings and financing with Eletrobras, the Brazilian National Treasury and other institutions is as follows:

Year	
2023	240,946
2024	255,628
2025	12,948
2026	13,676
2027	14,445
2028 to 2038	104,803
Total	642,446

As part of the debt service, the following amounts relating to interest and repayment commitments:

Financing entities	2021	2020
Eletrobras		
Principal	684,851	641,508
Charges	32,635	78,645
	717,486	720,153
Brazilian National Treasury		
Credit Assignment of Eletrobras		
Principal	1,146,973	1,074,027
Charges	136,978	210,675
	1,283,951	1,284,702
Brazilian National Treasury		
Foreign debt restructuring		
Charges	7,387	9,545
	7,387	9,545
FIBRA		
Principal	7,765	7,425
Charges	15,031	11,227
	22,796	18,652
CAJUBI		
Principal	16,132	15,066
Charges	13,575	9,807
	29,707	24,873
Other lenders		
Principal	2,741	2,741
Charges	241	405
	2,982	3,146
Total		
Principal	1,858,462	1,740,767
Charges	205,847	320,304
	2,064,309	2,061,071

There are no overdue debt installments or covenants linked to the accounting results, or to new obligations, that affect the amounts recognized in liabilities.

15. REMUNERATION AND REIMBURSEMENTS

Include commitments with the High Contracting Parties (Federative Republic of Brazil and Republic of Paraguay), as well as with the Parties (Eletrobras and ANDE), as provided for in ITAIPU Treaty, in Attachments and respective Reverse Notes.

	2021			2020		
	Principal	US Dollar adjustment	Total	Principal	US Dollar adjustment	Total
Paraguayan Government						
Royalties (i)	14,777	135,143	149,920	5,897	143,356	149,253
Remuneration for electricity assignment (ii)	10,770	126,384	137,154	4,788	148,950	153,738
Subtotal	25,547	261,527	287,074	10,685	292,306	302,991
Brazilian Government						
Royalties (i)	14,777	135,143	149,920	5,897	143,356	149,253
Subtotal	14,777	135,143	149,920	5,897	143,356	149,253
Administración Nacional de Electricidad - ANDE						
Reimbursement of Management and Supervision Charges (iii)	1,137	10,396	11,533	1,223	10,258	11,481
Yields from Capital (iv)	6,000	21,306	27,306	6,000	18,991	24,991
Subtotal	7,137	31,702	38,839	7,223	29,249	36,472
Centrais Elétricas Brasileiras S.A. - Eletrobras						
Reimbursement of Management and Supervision Charges (iii)	1,137	10,396	11,533	1,223	10,258	11,481
Yields from Capital (iv)	6,000	21,306	27,306	6,000	18,991	24,991
Subtotal	7,137	31,702	38,839	7,223	29,249	36,472
Total	54,598	460,074	514,672	31,028	494,160	525,188

- (i) Royalties: owed to the High Contracting Parties for the use of the Paraná River hydraulic resource.
- (ii) Remuneration for electricity assignment: Amount owed to the Paraguayan Government related to assignment of rights to part of energy.
- (iii) Reimbursement of management and supervision charges: Amount owed to the Parties as reimbursement for management and supervision charges related to ITAIPU.
- (iv) Yields from capital: Remuneration paid to the Parties on invested capital.

Remuneration and reimbursements are calculated in accordance with Attachment "C" to the Treaty and respective Agreements (See Attachment I - Notes to Statement of Operating Account).

No amounts were overdue at December 31, 2021 and 2020.

Overdue amounts incur late payment charges of 0.5% per month during the first fifteen days and 1% per month beginning from the sixteenth day.

Adjustment for the US Dollar denomination of royalties, reimbursement of management and supervision charges and remuneration for energy assignment are paid in 12 installments from March of the following year. Adjustment for the US Dollar denomination of yields from capital in the year, for Eletrobras and ANDE, are paid in a single installment on the last business day of the month following the month in which the final calculation is made. These amounts are mandatorily offset against debts that Eletrobras and ANDE have with ITAIPU, which can be paid in cash if available.

16. SUPPLIERS

Include obligations from acquisition of assets or contracting of services required for the operations and development of social and environmental initiatives.

17. SALARIES AND SOCIAL CHARGES

	2021	2020
Provision for vacation and social security charges	31,710	31,506
Provision for profit sharing	22,811	22,828
Supplementary pension foundations	6,817	7,451
Payroll charges payable	5,395	5,262
Other	5,490	6,467
Total	72,223	73,514

18. LABOR INDEMNITIES

	2021	2020
Permanent voluntary termination program (i)	2,060	46,270
Indemnity for length of service (ii)	184,261	184,870
Total	186,321	231,140
Current	31,731	40,125
Non-current	154,590	191,015

Includes indemnities to be paid to employees upon termination, with provision recorded in accordance with the respective Collective Bargaining Agreements based on Protocol of Labor Relations and Social Security entered into by the governments of Brazil and Paraguay. These establish legal standards for Labor and Social Security Law for employees contracted by ITAIPU, regardless of nationality.

Indemnities were negotiated with the trade unions seeking to achieve an equilibrium among employees contracted in Brazil and in Paraguay in relation to termination indemnity systems conforming to their length of service.

(i) Permanent voluntary termination program (PPDV)

Program through which ITAIPU's employees contracted in Brazil may be terminated upon payment of an indemnity, approved by Executive Board Resolution RDE-183/2007 and respective clause of Collective Bargaining Agreements.

Include employment relationships with ITAIPU over a period equal to or higher than nine years before termination upon mutual agreement, as per program regulation.

These cover legal indemnities under Brazilian labor law, plus supplementary amount calculated for number of years of employment.

Although all employees contracted in Brazil can claim amounts upon dismissal regardless of the time of employment, only amounts owed to employees who elected to join the program are contemplated in the provisions.

(ii) Indemnity for length of service

Indemnity provided for in Collective Bargaining Agreements entered into by ITAIPU and the trade unions representing employees contracted in Paraguay, based on Protocol on Labor Relations and Social Security and on Article 97 of the Paraguayan Labor Code,

which will be paid to an employee leaving the Entity, other than in cases of just cause for termination, in conformity with this rule :

- a) for an employee whose work contract is less than nine years, indemnity will be calculated based on the month with the highest remuneration received, per year of service or per annum, and fraction equal to or higher than six months;
- b) for an employee whose work contract is over nine years the employee will be entitled to double the indemnity in (a).

The provision covers the total estimated amounts for indemnities, as per items "a" and "b". Paraguayan labor legislation does not provide an equivalent to the Brazilian Government Severance Indemnity Fund for Employees (FGTS).

19. POST-EMPLOYMENT BENEFITS

ITAIPU, as a sponsor, offers employees a retirement and pension program, which is administered in Brazil, by Fundação ITAIPU BR de Previdência e Assistência Social - FIBRA and in Paraguay, by Caja Paraguaya de Jubilaciones y Pensiones del personal de la Itaipu Binacional - CAJUBI.

FIBRA's Bylaws were approved by the Ministry of Social Security - MPAS on November 30, 1988, through Ordinance 4367 and its Regulation approved by the ITAIPU Board of Directors' Resolution RCA-041/87.

CAJUBI was created by Law 1,361/88, dated December 19, 1988, and its Regulation was approved by the ITAIPU Board of Directors Resolution RCA-039/09; it was amended on December 14, 2012 by ITAIPU Board of Directors' Resolution RCA-047/12.

Both FIBRA and CAJUBI's retirement and pension plans are of a "defined benefit" nature, whereby contributions are made by the sponsor and participants. These contributions are based on an actuarial study, in accordance with current legislation in Brazil and Paraguay, to provide sufficient funds to cover current obligations with benefits already granted, and future obligations, with benefits to be granted.

Benefits provided for in the retirement and pension plan are as follows:

i) Employees hired in Brazil:

- a) Retirement supplementation per length of contribution, disability and age;
- b) Special retirement supplement;
- c) Detention assistance;
- d) Pension supplement;

- e) Temporary special death benefit;
- f) Funeral assistance for the death of the beneficiary; and
- g) Supplementation of annual allowance.

ii) Employees hired in Paraguay:

- a) Ordinary retirement and disability;
- b) Extraordinary retirement;
- c) Voluntary early retirement;
- d) Detention assistance;
- e) Pension;
- f) Funeral assistance;
- g) Settled benefit of retirement plan; and
- h) Annual bonus.

Administrative cost of plans is the responsibility of ITAIPU, which pays a specific contribution to both parties.

To cover the plans' benefits, a regular sponsor contribution of 15% was made up to December 31, 2021 for the plan administered by FIBRA and 21.315% for the plan administered by CAJUBI, calculated on their total respective payrolls.

In January 2022, as approved by RCA-039/2021, there was an increase in the maximum limit of the regular sponsor contribution, for funding of the plan administered by FIBRA, to 21.315%, and the annual amount will be defined in accordance with the Costing Plan.

FIBRA's active members contribute with rates in three bands: 2.89%, 4.80% and 14.47%, applied to Actual Contribution Salary. CAJUBI's active members contribute with fixed rate of 8.526% on remunerations.

Both FIBRA and CAJUBI's assisted members contribute with 10% of their benefits. In the case of CAJUBI, pension members contribute with rate of 10% of their benefits.

In addition to the retirement and pension plan, ITAIPU offers a healthcare plan for its employees and dependents, covering also retirees and pensioners, including dependents, of FIBRA and CAJUBI.

Since 2003, ITAIPU records a liability for post-employment benefits relative to the healthcare plan, and from 2009 on the retirement and pension plan. Qualified actuaries issue opinions on data prepared based on the accounting standard CPC 33/NIC 19, for both programs.

The obligations recorded in ITAIPU's Financial Statements related to post-employment benefits are as follows:

	BRAZIL		PARAGUAY		Total	
	2021	2020	2021	2020	2021	2020
Obligations recorded on the balance sheet - long-term						
Retirement plan benefits	-	57,029	1,223,986	903,334	1,223,986	960,363
Healthcare plan benefits	230,865	319,995	736,476	574,445	967,341	894,440
	230,865	377,024	1,960,462	1,477,779	2,191,327	1,854,803
Provisions recognized in the statement of income for the years						
Retirement plan benefits	53,107	48,144	(313,389)	(169,147)	(260,282)	(121,003)
Healthcare plan benefits	67,123	24,738	(157,507)	(73,491)	(90,384)	(48,753)
	120,230	72,882	(470,896)	(242,638)	(350,666)	(169,756)

Assessments of post-employment benefits are made annually based on the following assumptions:

	BRAZIL		PARAGUAY	
	2021	2020	2021	2020
<u>GENERAL DATA</u>				
Active participants	1,325	1,326	1,443	1,548
Retired participants	1,682	1,685	1,702	1,671
Pensioners	299	275	448	386
<u>ECONOMIC ASSUMPTIONS</u>				
Real discount rate (p.a.) - pension plan	5.45%	3.75%	3.60%	4.21%
Real discount rate (p.a.) - healthcare plan	5.45%	3.75%	3.60%	4.21%
Assets expected return rate (p.a.)	8.94%	7.18%	7.74%	8.38%
Real rate of wage developments (p.a.)	3.01%	2.83%	3.50%	3.50%
Real rate of growth in costs (p.a.)	2.00%	2.00%	2.00%	2.00%

	BRAZIL		PARAGUAY	
	2021	2020	2021	2020
Inflation	3.31%	3.31%	4.00%	4.00%
Benefits capacity factor	98.20%	98.20%		97.80%
<u>ACTUARIAL ASSUMPTIONS</u>				
General mortality table	AT-2012 (75% Male 25% Female)	AT-2012 (75% Male 25% Female)	AT-2000 (-10%)	AT-2000 (-10%)
Mortality table of individuals with permanent disability	AT-1983 (-10%)	AT-1983 (-10%)	AT-1983	AT-1983
Table of new disability benefit vested	Light Weak	Light Weak	Light Weak	Light Weak
Turnover table	0.12%	0.12%	0.50%	0.50%

a) Pension plan

The post-employment benefit liability for pension plans is adjusted annually based on the respective actuarial reports. Provisions for the actuarial deficit of benefit plan are administered by CAJUBI, when first recognized in 2009, the actuarial deficit of benefit plan administered by FIBRA being recognized between 2016 and 2020. In 2021, there was a reversal of the provision related to the benefit plan administered by FIBRA, as it reported a surplus for the period. These provisions are adjusted annually based on respective professional opinions.

**STATEMENT OF ACTUARIAL SURPLUS (DEFICIT)
DEFINED BENEFIT PENSION PLAN SPONSORED BY ITAIPU BINACIONAL**

DESCRIPTION	FIBRA		CAJUBI	
	2021	2020	2021	2020
Fair value of plan assets	858,892	972,445	247,074	230,476
Present value of the obligations	(945,602)	(1,132,626)	(1,575,062)	(1,253,067)
Actuarial deficit	(86,710)	(160,181)	(1,327,988)	(1,022,591)
Loans and debt contracts (*)	89,072	103,152	104,002	119,257
Actuarial surplus / (deficit), net	2,362	(57,029)	(1,223,986)	(903,334)

(*) The actuarial reserves exclude the obligation already recognized by ITAIPU for loans and debt contracts with FIBRA and CAJUBI (Note 14).

Financial and actuarial balance of retirement and pension plans for their respective proportions and lawsuits are assigned to the sponsor and participants. The two retirement and pension plans have in their articles of incorporation: Art. 62 for FIBRA's Bylaws and Art. 94 and 95 of Law for CAJUBI Creation, a mechanism is contemplated for the actuarial balance, the provision for performing ordinary annual actuarial reviews and extraordinary reviews whenever the Board determines. Any contribution arising from the review, conditioned to the pre-approval of ITAIPU's Executive Board and the Board of Directors, will be made through changes to the contribution percentages by the participant and the sponsor.

Aiming at providing sustainability and convergence to the Pension Plans in both margins, the Board of Directors, through the Board of Directors' Resolution RCA-007/16, of February 26, 2016, approved the guidelines for the Project for the Settlement of current ITAIPU pension plans and the creation of new plans.

To comply with the guidelines approved by the Board of Directors, the Executive Board took the first steps to create new pension plans, including forming a Working Group and the engagement of a specialized consulting firm.

The results of the work by the consulting firm contracted for Phase 1 of the Assessment, Planning and Definition of the settlement strategy for pension plans and the creation of new plans in Brazil and Paraguay were presented and await a decision of ITAIPU's Executive Board.

Having completed a year since its presentation, the Board requested an update of Phase 1. This work was carried out updating economic scenarios and databases, and the final report for Phase 1 and its attachments were approved by the Board at the 1076th Executive Board Meeting held on August 7, 2020.

Upon the approval, work started on Phase 2 and 3 scoped to include the settlement of the current plans and creation of new pension plans. In August 2021, it was agreed by the High Contracting Parties that the settlement of the pension plans for both countries would be considered by October by the Executive Board and the Board of Directors.

In October, the Paraguayan working group presented a proposal for the CAJUBI settlement, together with the creation of the new FIBRA Defined Contribution Plan, however there was no consensus for approval from the Executive Board. Alternative plans to effect settlement of the current plans and the creation of new pension plans continue and will be submitted for consideration of the Executive Board and the Board of Directors.

b) Health care

The actuarial liabilities related to the health care plan are fully recognized in ITAIPU liabilities as there are no assets segregated in the plan. At the end of each year, these amounts are adjusted based on actuarial opinions.

**STATEMENT OF THE ACTUARIAL VALUATION OF THE OBLIGATIONS
FOR THE HEALTH PLAN SPONSORED BY ITAIPU BINACIONAL**

DESCRIPTION	BRAZIL		PARAGUAY	
	2021	2020	2021	2020
Fair value of the plan assets	-	-	-	-
Present value of the obligations				
Rights due	180,005	241,977	576,460	444,481
Rights falling due	50,860	78,018	160,016	129,964
	230,865	319,995	736,476	574,445
Unrecognized gains (losses)	-	-	-	-
Recorded actuarial liability	230,865	319,995	736,476	574,445

Hypothetical changes in actuarial assumptions, such as discount rates, with all other variables held constant, would affect the obligations for post-employment benefits as below:

	Liability amount 2021		Impact	
	Discount rate used		Projected scenarios	
			0.5% increase	0.5% decrease
Pension plan - Brazil	5.45%	2,362	52,010	(57,584)
Pension plan - Paraguay	3.60%	(1,223,986)	82,900	(90,740)
Health plan - Brazil	5.45%	(230,865)	14,444	(16,145)
Health plan - Paraguay	3.60%	(736,476)	45,318	(50,436)

20. PROVISION FOR LAWSUITS

ITAIPU is a party to lawsuits and administrative proceedings related to tax, civil, commercial, labor and environmental matters.

The lawsuits, with ITAIPU as a plaintiff or defendant, are classified based on the risk of loss, as follows:

- i) When there is a probable risk of loss, a provision is recorded;
- ii) When there is a possible risk of loss, no provision is recorded, but disclosures are provided; and
- iii) When there is a remote risk of loss, no provision is recorded nor disclosures provided.

The provisions for lawsuits or administrative proceedings are periodically updated, to present the best estimate of future disbursements, based on reports issued by the Entity's legal department. However, as lawsuits progress across several judicial or administrative levels it is not possible to estimate the expected timing for the cash outlay as of the reporting date of the Financial Statements. Provisions recorded are as follows:

	2021			2020		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Current						
Tax	10,993	-	10,993	12,647	-	12,647
Civil	13	-	13	15	-	15
Commercial	236	18	254	5,964	88	6,052
Labor	5,524	3,480	9,004	6,309	4,999	11,308
	16,766	3,498	20,264	24,935	5,087	30,022
Non-current						
Tax	3,698	-	3,698	6,976	-	6,976
Civil	13	-	13	18	-	18
Commercial	97,319	28	97,347	100,872	44	100,916
Labor	3,151	5,393	8,544	3,103	5,611	8,714
	104,181	5,421	109,602	110,969	5,655	116,624
Total	120,947	8,919	129,866	135,904	10,742	146,646

Changes in the balances of provisions for lawsuits were:

	<u>Tax</u>	<u>Civil</u>	<u>Commercial</u>	<u>Labor</u>	<u>Total</u>
Balance at 12/31/2020	19,623	33	106,968	20,022	146,646
Brazil					
(+) Additions	3,848	10	3,753	750	8,361
(-) Write-offs/reversals	(7,109)	(16)	(5,418)	(826)	(13,369)
Exchange-rate change	(1,671)	(1)	(7,614)	(661)	(9,947)
Paraguay					
(+) Additions	-	-	223	-	223
(-) Write-offs/reversals	-	-	(321)	(1,845)	(2,166)
Exchange-rate change	-	-	10	108	118
Balance at 12/31/2021	14,691	26	97,601	17,548	129,866

Lawsuits in Brazil and Paraguay classified as a possible risk of loss, for which no provision has been made, are as below:

	<u>2021</u>			<u>2020</u>		
	<u>Brazil</u>	<u>Paraguay</u>	<u>Total</u>	<u>Brazil</u>	<u>Paraguay</u>	<u>Total</u>
Tax	-	-	-	4,189	-	4,189
Civil	45	620	665	52	616	668
Commercial	26,247	2,033	28,280	9,473	2,070	11,543
Labor	183	8,696	8,879	458	8,022	8,480
Environmental	-	141	141	-	140	140
Total	26,475	11,490	37,965	14,172	10,848	25,020

A summary of lawsuits in progress in Brazil and Paraguay is provided below:

i) Tax lawsuits

In Brazil, 44 (forty four) tax lawsuits (administrative proceedings and tax foreclosures) to which ITAIPU is a party (plaintiff or defendant), include those related to alleged non-payment of social security contribution on payroll or withholdings as a secondary obligor in service agreements on subcontracting of works. Some proceedings are at the administrative level and others at the judicial level. In 2021, the change in the provisioned amounts was made following a review of risks and amounts, in addition to the write-off/reversal of provisioned amounts.

There are no tax lawsuits in progress in Paraguay.

ii) Civil lawsuits

In Brazil, 157 (one hundred and fifty seven) civil lawsuits (administrative lawsuits) to which ITAIPU is a party (plaintiff or defendant), include those for benefits in ITAIPU's self-managed healthcare plan, selection processes, FIBRA, assessments by the National Health Agency (ANS) regarding PAMHO's management and lawsuits for damages/collection, proprietary and possessory lawsuits. In 2021, the change in the provisioned amounts was made following a review of risks and amounts, in addition to the write-off/reversal of provisioned amounts.

In Paraguay, 29 (twenty nine) lawsuits in progress are of a civil nature correspond to claims for recovery and repossession of real estate properties owned by ITAIPU. In Paraguay, pecuniary losses and damages are within the jurisdiction of both civil and commercial courts.

iii) Commercial lawsuits

In Brazil, 72 (seventy-two) commercial lawsuits are in progress for which ITAIPU is a party (plaintiff or defendant), of which 9 (nine) were filed by companies which had contractual relationships with ITAIPU during the Plant's construction, claiming damages. The other lawsuits are related to claims challenging bidding processes, claims for restoring the economic and financial equilibrium of contracts, actions claiming contract breaches for late-payment interest and damages to ITAIPU's and its management's image. In 2021, the change in the provisioned amounts was made following a review of risks and amounts.

In Paraguay, the 22 (twenty two) commercial lawsuits in progress are mostly litigation suits from companies and contractors claiming losses and damages due to breach of contracts.

iv) Labor lawsuits

In Brazil, there are 518 (five hundred and eighteen) labor lawsuits in which ITAIPU is a party (plaintiff or defendant). Most of them are filed by the employees of companies engaged by or with an employment relationship with ITAIPU, in which they usually claim secondary obligor responsibility for the payment of salary amounts owed by their employer. There is also a significant amount for labor claims filed by ITAIPU's former employees, of which the

most common demands are: wage reclassification, salary equivalence, overtime payment, recognition of employment relationship over periods of work performed through outsourced companies, voluntary redundancy plan and annually-adjusted bonus. These include 10 (ten) class actions filed by trade unions representing employees. In 2021, the change in the provisioned amounts was made following a review of risks and amounts and write-off/reversal of part of the amounts provisioned to ITAIPU due to the settlement or termination of labor claims.

In Paraguay, 244 (two hundred forty four) labor lawsuits are in progress with claims mainly referring to salary levels, lawsuits for annulment of dismissal and readmission, filed by former employees of ITAIPU, and, in some specific cases, retired employees.

v) Environmental lawsuits

In Brazil, the 96 (ninety-six) environmental lawsuits in progress to which ITAIPU is a party (plaintiff or defendant), include those filed against ITAIPU claiming payment of indemnity and/or imposition of obligations for alleged losses from the formation of ITAIPU's reservoir and its operations. Numerous lawsuits were filed by neighboring farmers, who claim losses to soy productivity caused by the alleged change in the region's microclimate by the reservoir. There are also class lawsuits filed by a fishermen colony alleging losses when the level of water in the reservoir lowers during dry spells, and, consequently, claiming the payment of indemnity and submission of ITAIPU to the requirements of the Brazilian environmental legislation. A lawsuit filed by indigenous peoples claiming royalties and compensation for moral damages due to the impact of the reservoir on the community.

In Paraguay, the 5 (five) environmental lawsuits in progress refers to accusations and lawsuits for supposed breaches of Paraguayan environmental Laws, to protect ITAIPU's environmental heritage, consistent with the recovery of environmental preservation and conservation area, which are possibly affected by third party's actions.

21. OTHER PAYABLES

	2021	2020
Agreements (i)	459	665
Contractual retentions	1,726	1,339
Sundry creditors	2,096	2,106
Total	4,281	4,110
Current	2,206	2,025
Non-current	2,075	2,085

- (i) Includes appeals pending execution by ITAIPU, linked to the Agreements and Terms of Cooperation, entered into with several bodies (Note 9).

22. CAPITAL

Pursuant to the Treaty and Attachment "A" - Bylaws, the capital of ITAIPU is equivalent to US\$ 100,000, unchanged since August 13, 1973, the date of execution of the Instrument of Ratification of the Treaty, distributed equally and nontransferable by nature between Centrais Elétricas Brasileiras S.A. - Eletrobras and Administración Nacional de Electricidad - ANDE.

23. OPERATING REVENUES

These are from electricity services rendered which include: (i) the contracted power; (ii) royalties and reimbursement of management and supervision charges related to the energy other than that linked to the contracted power; and (iii) remuneration for electricity assignment.

- (i) Contracted power: is the power that ITAIPU puts permanently at the disposal of the purchasing entity, over a stipulated period of time and following terms and conditions in the respective electricity service purchase and sale instruments.

Power is billed based on a rate, defined by ITAIPU as the unit cost of electricity service, calculated based on Attachment "C" to the Treaty, the main assumption is that annual revenue, from electricity service provision, shall be equal, in each year, to the cost of service established in such Attachment (see Attachment I - Notes to the Statement of Operating Account).

The bound energy associated with the contracted power is the monthly energy corresponding to the power contracted by each Purchasing Entity, established by ITAIPU for each period of operation and billed in the current contractual instruments.

- (ii) Royalties and reimbursement related to energy additional to the one tied to the contracted power: correspond to the costs related to the royalties and reimbursement of management and supervision charges (see Attachment I - Notes to the Statement of Operating Account) related to the energy other than that linked to the contracted power and to the energy generated by the power surplus to that contracted, billed to each purchasing entity, according to their respective consumption.
- (iii) Remuneration for electricity assignment: the energy produced by ITAIPU is divided into equal parts between the two countries, each having a right to acquire the energy not used by the other for own consumption.

The Party that consumes the energy assigned by the other Party will pay ITAIPU remuneration for electricity assignment (see Attachment I - Notes to the Statement of Operating Account), being fully transferred by ITAIPU to the Contracting State that assigned the energy.

The revenue from billing the contracted power in 2021 and 2020 totaled US\$ 3,291,012, which corresponds to 145,620 MW of power, at the rate of US\$ 22.60 per kW of monthly contracted power.

The energy linked to the contracted power delivered in 2021 was 59.3 million MWh and 67.6 million MWh in 2020.

The total energy supplied to the Purchasing Entities in the year 2021 amounted to 66 million MWh and 75.9 million MWh in 2020.

	2021			2020		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Contracted power	2,847,224	443,788	3,291,012	2,884,442	406,570	3,291,012
Remuneration for electricity assignment	186,085	-	186,085	217,973	-	217,973
Royalties and reimbursement other than that linked to the contracted power	6,876	37,532	44,408	9,952	40,008	49,960
Total	3,040,185	481,320	3,521,505	3,112,367	446,578	3,558,945
Billed power - MW	125,983	19,637	145,620	127,630	17,990	145,620
Bound energy delivered - MWh	49,155,613	10,112,082	59,267,695	58,391,513	9,214,008	67,605,521
Energy supplied - MWh	50,197,184	15,799,169	65,996,353	60,045,120	15,861,298	75,906,418

24. OPERATING EXPENSES - REMUNERATION AND REIMBURSEMENTS

These include the remuneration and reimbursement as provided for in Attachment "C" to the Treaty and the Notes (see Note 15 and Attachment I - Notes to Statement of Operating Account), the amounts below were generated in 2021 and 2020, due to the High Contracting Parties: royalties and remuneration for energy assignment, as well as to the Parties (Eletrobras and ANDE): yields from capital and reimbursement of management and supervision charges.

	2021			2020		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Yields from capital						
Principal	(6,000)	(6,000)	(12,000)	(6,000)	(6,000)	(12,000)
US dollar adjustment	(21,330)	(21,330)	(42,660)	(19,005)	(19,005)	(38,010)
Subtotal	(27,330)	(27,330)	(54,660)	(25,005)	(25,005)	(50,010)
Royalties						
Principal	(85,795)	(85,795)	(171,590)	(98,678)	(98,678)	(197,356)
US dollar adjustment	(116,417)	(116,417)	(232,834)	(113,435)	(113,435)	(226,870)
Subtotal	(202,212)	(202,212)	(404,424)	(212,113)	(212,113)	(424,226)
Reimbursement of management and supervision charges						
Principal	(6,600)	(6,600)	(13,200)	(7,590)	(7,590)	(15,180)
US dollar adjustment	(8,955)	(8,955)	(17,910)	(8,726)	(8,726)	(17,452)
Subtotal	(15,555)	(15,555)	(31,110)	(16,316)	(16,316)	(32,632)
Remuneration for electricity assignment						
Principal	-	(78,944)	(78,944)	-	(101,402)	(101,402)
US dollar adjustment	-	(107,141)	(107,141)	-	(116,571)	(116,571)
Subtotal	-	(186,085)	(186,085)	-	(217,973)	(217,973)
Total	(245,097)	(431,182)	(676,279)	(253,434)	(471,407)	(724,841)

25. OPERATING EXPENSES - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of all expenses attributable to the venture, and represent all operating costs, maintenance and administration, as well as all expenditures under social and environmental programs. ITAIPU's social and environmental actions are aimed at environmental conservation, improvements in infrastructure, public health, income generation, education, protection and respect for human rights.

	2021	2020
Personnel		
Remuneration	(188,064)	(188,607)
Benefits	(114,422)	(113,745)
Social charges	(28,327)	(28,119)
Indemnities (Note 18)	(31,993)	(39,805)
(Formation) and reversal of provisions	45,578	52,966
	<u>(317,228)</u>	<u>(317,310)</u>
Materials		
Consumption materials	(14,838)	(12,116)
Materials used in social and environmental actions	(1,894)	(1,447)
	<u>(16,732)</u>	<u>(13,563)</u>
Third-party services		
Services applied on social and environmental actions	(28,818)	(38,194)
Maintenance services	(14,338)	(12,189)
Consultancy and audit	(2,569)	(2,248)
Insurance	(2,941)	(2,841)
Other third-party services	(41,403)	(35,658)
	<u>(90,069)</u>	<u>(91,130)</u>
Provisions - (Formation) / Reversals		
Related to pension and health plans (Note 19)	(350,666)	(169,756)
Related to lawsuits (Note 20)	6,951	18,202
	<u>(343,715)</u>	<u>(151,554)</u>
Other		
Agreements and financial contributions	(279,342)	(295,951)
Other expenses	(24,634)	(32,862)
	<u>(303,976)</u>	<u>(328,813)</u>
Total	<u><u>(1,071,720)</u></u>	<u><u>(902,370)</u></u>
Reconciliation - Expenses per function		
Operation, maintenance and management	(769,302)	(613,731)
Social and environmental responsibility programs	(302,418)	(288,639)
	<u><u>(1,071,720)</u></u>	<u><u>(902,370)</u></u>

26. OTHER INCOME (EXPENSES)

Income or expenses from the disposal of scrap and surplus equipment, real estate occupancy rates, contractual fines, property and equipment write-offs, expected credit losses, bank expenses, discounts granted and similar, are as below:

	2021	2020
Sundry revenues		
Disposals	1,160	406
Real estate occupancy rates	1,202	1,060
Interest, contractual fines and other	1,509	800
Reversal of expected credit losses (Note 6)	3,864	-
	7,735	2,266
Sundry expenses		
Write-off of assets and facilities	(28,855)	(8,827)
Expected credit losses (Note 6)	-	(15,572)
Bank and fine expenses	(14)	(11)
Other expenses	(67)	(3)
	(28,936)	(24,413)
	(21,201)	(22,147)

27. FINANCE RESULT

	2021	2020
Finance income		
Income from interest on bank deposits (Note 5 and Note 29)	9,363	20,754
Restatement of judicial deposits (Note 10)	1,938	1,492
Late payment charges on billings (Note 6)	14,002	7,878
Inflation adjustments (Note 27.1)	-	206,615
Other finance income	82	131
	25,385	236,870

Finance costs

Finance charges on borrowings and financing (Note 14)	(188,635)	(312,319)
Inflation adjustments (Note 27.1)	(896)	-
Late payment charges on remuneration and reimbursements (Note 15)	-	(85)
	<u>(189,531)</u>	<u>(312,404)</u>
	<u>(164,146)</u>	<u>(75,534)</u>

27.1 FINANCE RESULT - INFLATION ADJUSTMENTS

The reference currency used to calculate the operations and presentation of ITAIPU's financial statements is the US Dollar (Note 3.a); thus, the economic and financial operations, carried out in other currencies are translated into US Dollars based on the market closing rates.

Accruals arising from exchange rate changes and monetary adjustments are recorded in asset and liability accounts, consistent with the principal transaction account, and classified in the Statement of income accounts, as below:

	2021	2020
Borrowings and financing		
CAJUBI	(7,978)	5,444
FIBRA	(2,965)	27,032
	<u>(10,943)</u>	<u>32,476</u>
Other exchange rate changes		
Current assets	(12,492)	(86,534)
Non-current assets	(1,220)	(12,259)
Current liabilities	2,722	11,918
Non-current liabilities	21,037	261,014
	<u>10,047</u>	<u>174,139</u>
	<u>(896)</u>	<u>206,615</u>

28. INSURANCE

Insurance for the main property, plant and equipment items in service is provided, as approved by ITAIPU's Board of Directors in 1992, which aims to guarantee the following coverages:

- Insurance for all goods installed in Hydroelectric Power Plant, with the coverage type "All Risks" at an insured amount of US\$ 2,420,124.

- b) Operating civil liability insurance for the Hydroelectric Power Plant, at an insured amount of US\$ 20,000.

In addition to the above coverage, ITAIPU has insurance to cover other risks not directly related to the operation of the Hydroelectric Power Plant, contracted according to the location of the risk and market conditions in the country it is located in, such as: i) fire affecting administrative facilities; ii) civil and hull liability for vehicles; iii) personal accidents involving tourists visiting ITAIPU; iv) Management civil liability; v) hull cover, civil liability, aircraft crew and passengers; and vi) group life insurance for its employees, as presented in the table below:

Description	Cover
i) Fire	US\$ 240,168
ii) Vehicles	Civil and hull liability - US\$ 216,902
iii) Personal Tourists Accident	Death, disability, medical and hospital expenses.
iv) Management civil liability - D&O	US\$ 10,000
v) Aircraft	US\$ 6,037
Vi) Group life	To the employee: 30 basic salaries, limited to 15 salaries at the highest level of the ITAIPU's salary scale. For the spouse: 50% of coverage, limited to 5 salaries at the highest level of the ITAIPU's salary scale.

29. FINANCIAL RISK MANAGEMENT

1. Financial risk factors

ITAIPU's activities expose it to financial risks which are managed by the financial area, according to internally approved policies and the ITAIPU Treaty and its respective Attachments.

a) Market risk

Market risk represents the potential loss from differences in prices charged in the market or changes in risk factors, such as: foreign exchange risk and interest rate risk.

(i) Foreign exchange risk:

Foreign exchange risk arises from exchange rate volatility of a specific currency, considering the exposure in each currency.

ITAIPU has borrowing and financing contracts in US dollars, commitments to pay royalties, yields from capital, and reimbursement of management and supervision charges, as well as billing of electricity services in the same currency. On the other hand, the inflows and disbursements are made in the currency corresponding to each country, Guaranis for Paraguay and Reais for Brazil, being also indexed to US dollar equivalents (Note 3.a).

Management of foreign exchange risk is addressed in Attachment "C" to the ITAIPU Treaty, which establishes that the annual revenue from electricity service provision shall consider the cost of service established therein. This cost arises from exposures in foreign currency not fully offset by revenues from operations calculated based on an annual rate per kW of contracted power in US dollar.

(ii) Interest rate risk

The risk from change in market interest rates is the loss related to the change in the profitability of the financial decisions taken, as a consequence of the changes in the market's interest rates.

ITAIPU has borrowings indexed to LIBOR, a floating rate loan in the portfolio, without significant annual disbursements of interest. Other obligations, particularly borrowings indexed to the INPC and social security payables indexed to the IPCA in Brazil and IPC in Paraguay. These, as also the actuarial discount rates for benefit plans, do not represent a significant share of the total debt balance.

Interest accrues on bank deposits from fixed interest rates, being of low risk and designed over time to achieve a rate of return on cash and banks, with dilution of liquidity risks (from private financial institution), according to the internal standards and procedures.

b) Credit risk

Credit risk arises from uncertainty about the net future inflows resulting in a default by a party. The credit exposure to customers Eletrobras and ANDE is considered low risk, because of the ITAIPU Treaty. At December 31, 2021, there were balances pending (Note 6).

The financial institutions with which ITAIPU's funds are held are usually state owned in both countries. Private financial institutions may be considered if first submitted to the Executive Board for approval, upon justification provided by the respective CFO, with, among others, an analysis of credit risk from a renowned rating agency, analysis of equity (comparatively to the other national financial institutions), solvency, liquidity, besides the basket of product and service offerings.

c) Liquidity risk

Liquidity risk is the likelihood that the payment commitments may not be fulfilled, or that, to fulfill them, it may be necessary to obtain funds under less favorable conditions.

The forecast of cash flow is carried out by the Finance Department which continuously monitors forecasts to comply with liquidity requirements and to ensure that ITAIPU will have sufficient cash to satisfy operating needs.

The cash surplus obtained during the year is invested in short-term interest earning bank deposits, with a choice of instruments, suitable due dates and/or sufficient liquidity to fulfill financial commitments.

The undiscounted financial liabilities, classified by maturity, at December 31, 2021 and 2020, are as follows:

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
December 31, 2021				
Borrowings and financing	1,440,360	272,167	94,187	219,484
Remuneration and reimbursements	514,672	-	-	-
Suppliers	80,013	-	-	-
December 31, 2020				
Borrowings and financing	2,050,785	1,432,595	311,717	196,005
Remuneration and reimbursements	525,188	-	-	-
Suppliers	74,992	-	-	-

2. Financial instruments

Financial assets held:

- Include bank deposits and other short-term cash investments with high liquidity, readily convertible into a known amount of cash. These investments are held-to-maturity and correspond to non-derivative financial assets with fixed or determinable payments and fixed maturity dates for which ITAIPU has the positive intent and ability to hold to maturity (Notes 3.c and 5).
- Trade receivables are non-derivative financial assets with fixed payments, but not quoted on any active market. First-time measurement is calculated at value of electricity services provision (Notes 3.d and 6).

Financial liabilities maintained:

- Include borrowings and financing, trade and other payables, which are measured at the amortized cost using the effective interest rate method. Interest, foreign exchange gains and losses are recognized in the Statement of income (Notes 14, 15 and 16).

The effective interest method calculates the amortized cost of a financial asset or liability to distribute and recognize interest income or expenses in profit (loss) for the year during the period.

ITAIPU's financial statements are measured at amortized cost in accordance with CPC 48/NIIF 9.

The management of these financial instruments is done through operating strategies, aimed at liquidity, profitability and security. The control policy consists of permanent follow-up of the contracted rates versus those in force in the market. ITAIPU does not invest in derivatives or any other risk assets on a speculative basis.

In Brazil, the interest earning bank deposits are made in Reais, obtaining an effective weighted average yield of 4.62% p.a. in 2021 and 2.65% p.a. in 2020, all are in cash, with capitalization, liquidity and credit for daily yield.

In Paraguay, the interest earning bank deposits are in Guaranis and US Dollars. The 2021 effective weighted average yield of investments in Guaranis was 1.82% p.a. and 3.22% p.a. in 2020; for investments in US dollars in 2021 it was 0.19% p.a. and 0.57% p.a. in 2020. The financial instruments used to obtain these returns, both in Guaranis and in US Dollars, are demand savings accounts generating monthly and quarterly income. In 2021, there was a reduction in interest rates offered by the banks in the market, impacting the effective average yield obtained by ITAIPU on its investments. This was mainly due to external economic factors including COVID-19.

30. RELATED PARTIES

The more significant related party transactions in 2021 and 2020, include the provision of electricity services, borrowings, obligations under Attachment "C" to the Treaty of ITAIPU and obligations related to pension funds, as shown below:

		2021				
	Note	ELETROBRAS	ANDE	FIBRA	CAJUBI	Total
BALANCE SHEET						
ASSETS						
Trade receivables	6	683,900	176,165	-	-	860,065
Agreements	8	-	2,796	-	-	2,796
Total		683,900	178,961	-	-	862,861
LIABILITIES						
Borrowings and financing	14	(123,444)	-	(89,072)	(104,002)	(316,518)
Remuneration and reimbursements	15	(38,839)	(38,839)	-	-	(77,678)
Pension contributions	17	-	-	(1,834)	(4,983)	(6,817)
Actuarial obligations	19	-	-	-	(1,223,986)	(1,223,986)
Total		(162,283)	(38,839)	(90,906)	(1,332,971)	(1,624,999)
PROFIT (LOSS)						
REVENUES						
Revenue from rendering of services	23	3,040,185	481,320	-	-	3,521,505
Finance income		5,002	9,078	-	-	14,080
Total		3,045,187	490,398	-	-	3,535,585
EXPENSES						
Finance costs		(32,635)	-	(15,031)	(13,320)	(60,986)
Remuneration and reimbursements	24	(42,885)	(42,885)	-	-	(85,770)
Pension contributions		-	-	(12,512)	(24,044)	(36,556)
Actuarial expenses	19	-	-	53,107	(313,389)	(260,282)
Total		(75,520)	(42,885)	25,564	(350,753)	(443,594)
		2020				
	Note	ELETROBRAS	ANDE	FIBRA	CAJUBI	Total
BALANCE SHEET						
ASSETS						
Trade receivables	6	750,529	174,271	-	-	924,800
Agreements	8	-	5,699	-	-	5,699
Total		750,529	179,970	-	-	930,499
LIABILITIES						
Borrowings and financing	14	(808,296)	-	(103,152)	(119,257)	(1,030,705)
Remuneration and reimbursements	15	(36,472)	(36,472)	-	-	(72,944)
Pension contributions	17	-	-	(1,746)	(5,705)	(7,451)
Actuarial obligations	19	-	-	(57,029)	(903,334)	(960,363)
Total		(844,768)	(36,472)	(161,927)	(1,028,296)	(2,071,463)
PROFIT (LOSS)						
REVENUES						
Revenue from rendering of services	23	3,112,367	446,578	-	-	3,558,945
Finance income		6,708	1,295	-	-	8,003
Total		3,119,075	447,873	-	-	3,566,948
EXPENSES						
Finance costs		(78,645)	-	(11,227)	(9,384)	(99,256)
Remuneration and reimbursements	24	(41,321)	(41,321)	-	-	(82,642)
Pension contributions		-	-	(14,126)	(23,868)	(37,994)
Actuarial expenses	19	-	-	48,144	(169,147)	(121,003)
Total		(119,966)	(41,321)	22,791	(202,399)	(340,895)

ITAIPU is also considered to be related to the Itaipu Health Foundation, Tesai Health Foundation, the ITAIPU Technological Park Foundation Brazil and ITAIPU Technological Park Foundation Paraguay, due to its significant influence over the management of these entities and as it also carries out financial transactions, such as the transfer of funds for administrative costs and investments.

Itaipu Health Foundation and Tesai Health Foundation

The Ministro Costa Cavalcanti Hospital - HMCC, in Brazil, and the ITAIPU Margem Direita Hospital, in Paraguay, were built by ITAIPU to exclusively serve the workers contracted for the construction and operation of the Hydroelectric Power Plant.

To optimize the use of these hospitals and in accordance with its regional insertion policy, ITAIPU decided to offer hospital services to the communities in the region. This was initiated in November 1994, through the Board of Directors Resolution RCA 019/94, the Itaipu Health Foundation, a private non-profit organization, which is responsible for managing and operating the Ministro Costa Cavalcanti Hospital - HMCC, in Brazil. Subsequently, in March 1997, through the Board of Directors Resolution 004/97 RCA, the Tesai Health Foundation was established, a private non-profit organization, which is responsible for managing and operating the ITAIPU Margem Direita Hospital, in Paraguay.

ITAIPU Technological Park Foundations - FPTI BR and FPTI PY

In 2005, in Brazil, through the Board of Directors Resolution 010/05, and in 2008 in Paraguay through the Board of Directors Resolution RCA 035/08, the ITAIPU Technological Park Foundations were created, in both countries, whose mission is to understand and transform the Iguazu falls region, coordinating and promoting actions aimed at economic, scientific and technological development with respect for humans and emphasis on solutions that are focused on water, energy and tourism.

The purpose of these Foundations is to maintain and operate ITAIPU Technology Parks, contributing to regional development, in a sustainable manner, through activities that foster institutional, scientific, technological and innovation development, the dissemination of knowledge, professional training, and the generation of companies, interacting, for these purposes, with public and private, academic and research, development and production entities.

The financial transactions between ITAIPU and these Foundations, in the years 2021 and 2020, are shown below:

	Assets/(Liabilities)		Revenue/(Expenses)	
	2021	2020	2021	2020
1. Contracted services				
a) Itaipu Health Foundation	4,838	4,983	(6,398)	(5,777)
a) Tesai Health Foundation	(112)	(1,075)	(22,417)	(21,278)
b) ITAIPU Technological Park Foundation BR	(321)	(4,922)	(3,468)	(9,544)
b) ITAIPU Technological Park Foundation PY	-	-	(12)	(191)
2 Agreements and financial contributions				
a) Itaipu Health Foundation	(4,574)	(4,811)	(10,819)	(19,422)
a) Tesai Health Foundation	20	(3,078)	(12,376)	(13,326)
b) ITAIPU Technological Park Foundation BR	(9,621)	(14,637)	(10,427)	(24,868)
b) ITAIPU Technological Park Foundation PY	(4,765)	(933)	(10,221)	(5,858)
Total				
a) Itaipu Health Foundation	264	172	(17,217)	(25,199)
a) Tesai Health Foundation	(92)	(4,153)	(34,793)	(34,604)
b) ITAIPU Technological Park Foundation BR	(9,942)	(19,559)	(13,895)	(34,412)
b) ITAIPU Technological Park Foundation PY	(4,765)	(933)	(10,233)	(6,049)
Total	(14,535)	(24,473)	(76,138)	(100,264)

The assets refer to the advances made by ITAIPU to the Foundations, written off once the services are rendered and the liabilities refer to accounts payable arising from the signed agreements.

The disbursements made by ITAIPU are recorded as expense according to the expenditure's nature: expenses with health care plan, operating agreements, or social and environmental expenditures.

1. Services engaged

a) Health Foundations

Refer to the contracting of medical and hospital services, such as: medical and hospital expenses of employees and their dependents, provision of 24-hour emergency services, pre-employment and termination medical examinations, consulting in nutrition, among other services of similar nature.

b) Technology Park Foundations

Refer to technical and financial cooperation agreements for performance of specialized services developed from research, development and innovation projects to ITAIPU.

2. Agreements and financial contributions

a) Health Foundations

ITAIPU allocates financial funds to support social initiatives developed by Health Foundations, such as: services to underprivileged communities in Paraguay, and service to Single Healthcare System (SUS) users of the nine municipalities of the 9th Regional Health Department of the State of Paraná, in Brazil.

The main services provided by Health Foundations to the community are: outpatient consultations, Emergency and First Aid services, internments, surgeries, childbirth and medical and hospital care programs.

b) Technology Park Foundations

The ITAIPU financial contributions support the costs of infrastructure and back-office for the Foundation's operations.

Agreements signed between ITAIPU and Technology Park Foundations for the performance by the Foundations of actions that result in products, services and/or knowledge. Currently, Technology Parks have supported ITAIPU's organization units in the development of projects and research in the areas of electric mobility, renewable energy, plant tests and automation, environmental management, and social and economic development.

Remuneration of key management personnel

The remunerations, charges and benefits related to Key Management Personnel were as follows:

	2021	2020
Remuneration of board members and officers	(4,933)	(6,458)
Social charges	(494)	(506)
Benefits	(988)	(930)
	(6,415)	(7,894)

31. OTHER DISCLOSURES

Incorporation of ENBPAR

On September 10, 2021, Decree 10,791/2021 was published, which created Empresa Brasileira de Participações em Energia Nuclear e Binacional S.A. - ENBpar, a state-owned company linked to the Ministry of Mines and Energy, organized as a corporation, which will have as its corporate objectives, among others, holding the ownership of the share capital and the acquisition of electricity services from ITAIPU to comply with the provisions in the Treaty between the Federative Republic of Brazil and the Republic of Paraguay.

Management believes that the creation of the state-owned company has not yet affected its financial statements.

Binational Accounts Committee

The right to unilaterally inspection of the management of ITAIPU by authorities in Brazil and Paraguay has been widely discussed over the years and addressed by the Ministries of Foreign Affairs of both countries. Attempts at unilateral inspection were initiated by the Federal Court of Auditors (TCU) of Brazil and the Comptroller General of the Republic of Paraguay (CGR).

As an example, under CGR Resolution 394 of March 31, 2009, the Comptroller unilaterally ordered the Special Examination of ITAIPU's Debt. Despite the lack of legal jurisdiction, the CGR issued a Final Report dated July 19, 2021 without prior knowledge of ITAIPU and without allowing management to provide a response raised. Similarly, on 10.18.2021 CGR Resolution 486/2021 approved a general audit plan, which includes ITAIPU. This decision has yet to be submitted to the court.

The Constitutional Courts of Brazil and Paraguay, the highest bodies of the Judiciary in both countries (ACO 1905 and Acuerdo y Sentencia 280/2011, respectively) stated that any inspection by external control bodies could only occur under terms previously agreed between the two Sovereign States signatories to the Treaty of Itaipu, in a diplomatic instrument, given the binational nature of ITAIPU and the principle of parity that governs it.

On November 5, 2021, through the exchange of Reverse Notes, the High Contracting Parties constituted the ITAIPU Binational Audit Commission, comprising of representatives from the Comptroller General of the Republic of Paraguay (CGR) and the Federal Court of Auditors (TCU) of Brazil. The Commission will be an autonomous binational body formed for auditing ITAIPU's accounts, whose members will act jointly and on a basis of parity, under the terms of the Treaty.

32. EVENTS AFTER THE REPORTING PERIOD

Changes to the Executive Board

The Brazilian Federal Official Gazette published, on January 27, 2022, announced the appointment of the new Brazilian General Director of ITAIPU, Anatalicio Risdén Junior, replacing João Francisco Ferreira. Anatalicio Risdén Junior had been the acting Executive Financial Director since February 21, 2019.

The Brazilian Federal Official Gazette published, on February 23, 2022, announced the appointment of David Rodrigues Krug as Executive Technical Director of ITAIPU, replacing Cesar Villar Torino.

The National Congress of Paraguay, through the Chamber of Senators, by Resolution 2457, of March 31, 2022, resolved to provide a constitutional agreement to designate as members of the Executive Board of ITAIPU, as requested by the Executive Power, through Message No. 609, of January 31, 2022, the following:

- Gustavo José Ovelar Rojas, as Executive Coordination Director of ITAIPU, replacing Miguel Ángel Gómez Acosta.
- Fernando Souto dos Santos, as Executive Administrative Director of ITAIPU, replacing Alberto Cabrera Villalba.

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(A free translation of the original in Portuguese and Spanish)

STATEMENT OF OPERATING ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(All amounts in thousands of US Dollars)

	<u>12/31/2021</u>	<u>12/31/2020</u>
REVENUES		
Revenues from rendering of electric power services:		
Contracted power	3.291.012	3.291.012
Brazilian purchasing entity	2.847.224	2.884.442
Paraguayan purchasing entity	443.788	406.570
Remuneration for electricity assignment	186.085	217.973
Royalties and reimbursement for energy additional to the one tied to the contracted power	44.408	49.960
Total revenues	<u>3.521.505</u>	<u>3.558.945</u>
LESS:		
REMUNERATION FOR ELECTRICITY ASSIGNMENT	<u>(186.085)</u>	<u>(217.973)</u>
COST OF ELECTRICITY SERVICE		
Remuneration and compensation to the High Contracting Parties and the Parties that constitute ITAIPU:		
Yields from capital	(54.660)	(50.010)
Electricity related to contracted power		
Royalties	(363.188)	(377.834)
Reimbursement of management and supervision charges	(27.938)	(29.064)
	<u>(391.126)</u>	<u>(406.898)</u>
Energy additional to the one tied to the contracted power		
Royalties	(41.236)	(46.392)
Reimbursement of management and supervision charges	(3.172)	(3.568)
	<u>(44.408)</u>	<u>(49.960)</u>
	<u>(490.194)</u>	<u>(506.868)</u>
Amortization of borrowings and financing	<u>(1.856.193)</u>	<u>(1.745.339)</u>
Finance charges on borrowings	<u>(205.593)</u>	<u>(313.208)</u>
Exploration expenses		
Personnel	(359.632)	(366.090)
Materials and equipment	(40.311)	(28.413)
Third-party services	(99.780)	(101.185)
Other exploration expenses	(300.811)	(306.953)
	<u>(800.534)</u>	<u>(802.641)</u>
Total cost of electricity service	<u>(3.352.514)</u>	<u>(3.368.056)</u>
OPERATING ACCOUNT RESULTS FOR THE PERIOD	<u>(17.094)</u>	<u>(27.084)</u>
Prior-year balance	97.248	124.332
RETAINED EARNINGS FROM OPERATING ACCOUNT	<u>80.154</u>	<u>97.248</u>

(A free translation of the original in Portuguese and Spanish)

NOTES TO THE STATEMENT OF OPERATING ACCOUNT

AT DECEMBER 31, 2021 AND 2020

Attachment "C" to the Treaty of ITAIPU, which contains financial bases and provision of electricity services, states that the Operating Account as an annual balance sheet between revenue and service cost.

a) Revenue

According to article IV of Attachment "C" to the Treaty, ITAIPU's annual revenue, from electricity service contracts, shall be equal, in each year, to the cost of the service established in the Attachment.

The revenue derived from electricity services includes the billing of the contracted power, the royalties, and reimbursement of management and supervision charges related to the energy additional to the one tied to the contracted power, and the remuneration for electricity assignment. The contracted power is billed based on the rate, established by ITAIPU as unit cost of electricity service. The Board of Directors of ITAIPU sets annually the unit cost of the electricity service as per the conditions set out in ITAIPU's Treaty, Attachments and other Official Acts.

The royalties and the reimbursement of management and supervision charges related to the energy additional to the one tied to the contracted power, as well as the remuneration for electricity assignment are billed according to cost, therefore, for ITAIPU, they respectively show the same amount in revenue and cost.

b) Cost of Electricity Service

According to item III of Attachment "C" to the Treaty, ITAIPU's Cost of Electricity Service comprises the following annual installments:

- 1) The amount required for payment, to the High Contracting Parties (Federative Republic of Brazil and Republic of Paraguay) and to the Parties comprising ITAIPU (Eletrobras and ANDE), of the following remunerations and reimbursements:
 - i) Yields from Capital: yield of 12% per annum on the participation of Centrais Elétricas Brasileiras S.A. - Eletrobras and the Administración Nacional de Electricidad - ANDE of the ITAIPU's paid capital.
 - ii) Royalties: calculated at the equivalent of US\$ 650 per gigawatt hours generated and measured in Hydroelectric Power Plant. On an annual basis, this amount may not be less than US\$ 18 million, at the rate of half to each High Contracting Party.

- iii) Reimbursement of Management and Supervision Charges: calculated at the equivalent of US\$ 50 per gigawatt hours generated and measured in Hydroelectric Power Plant, in equal parts to Centrais Elétricas Brasileiras S.A. - Eletrobras and Administración Nacional de Electricidad - ANDE.
- iv) Remuneration for electricity assignment: remuneration payable to one of the High Contracting Parties, equivalent to US\$ 300 per gigawatt hours granted to the other High Contracting Party, to be exclusively paid by the High Party that consumes the electricity granted.

As of January 2001, the yields from capital were updated based on the formula established in Reversal Note 10, exchanged between the Brazilian and Paraguayan Ministries of Foreign Affairs on November 13, 2000, according to the following adjustment factors:

Year	Adjustment factor*
2001	2.88105
2002	2.87653
2003	2.97528
2004	3.09679
2005	3.27196
2006	3.40917
2007	3.51997
2008	3.75019
2009	3.58511
2010	3.72859
2011	3.93029
2012	3.97306
2013	4.01223
2014	4.05879
2015	3.92165
2016	3.91005
2017	4.04035
2018	4.18752
2019	4.20262
2020	4.16917
2021	4.55102

(*) Base: annual average inflation rate observed in the United States, using the indexes: "Industrial Goods" and "Consumer Prices" published in the journal of "International Financial Statistics", updated since 1975.

The royalties, the Reimbursement of Management and Supervision Charges and remuneration for electricity assignment, were multiplied, from the financial year of 1992, as per Reversal Note 3, exchanged between Brazilian and Paraguayan Ministries of Foreign Affairs, on January 28, 1986, by a factor of 4.00 (four whole).

From 2006, according to the agreement by Diplomatic Notes exchanged between the Government of the Federative Republic of Brazil and the Government of the Republic of Paraguay on December 8, 2005, the Remuneration for Electricity Assignment started to be multiplied by the factor 5.10 (five point ten).

From May 14, 2011, as agreed by the Reverse Notes signed, on September 1, 2009, between the Government of the Federative Republic of Brazil, promulgated by Decree 7,506 of June 27, 2011, and the Government of the Republic of Paraguay, approved by Law Number 3,923, of November 18, 2009, the multiplying factor of Remuneration for electricity assignment increased from 5.10 (five whole and one-tenth) to 15.30 (fifteen whole and three-tenths).

The amounts of Royalties, Reimbursement of Management and Supervision Charges, and Remuneration for Electricity Assignment started to be adjusted according to the formula established in Reversal Note 3 and following Reversal Notes, mentioned in the above paragraphs, as below:

Year	Original factor (A)	Adjustment factor (B)*	Adjusted factor (A x B)
1985	3.50	-	-
1986	3.50	-	-
1987	3.58	1.03161	3.69316
1988	3.66	1.07050	3.91803
1989	3.74	1.12344	4.20167
1990	3.82	1.17452	4.48667
1991	3.90	1.20367	4.69431
1992	4.00	1.22699	4.90796
1993	4.00	1.25442	5.01768
1994	4.00	1.27941	5.11764
1995	4.00	1.32219	5.28876
1996	4.00	1.35174	5.40696
1997	4.00	1.37073	5.48292
1998	4.00	1.36668	5.46672
1999	4.00	1.39071	5.56284
2000	4.00	1.45725	5.82900
2001	4.00	1.48488	5.93952
2002	4.00	1.48082	5.92328
2003	4.00	1.53284	6.13136
2004	4.00	1.59690	6.38760
2005	4.00	1.68959	6.75836
2006	4.00	1.76153	7.04610
2006	5.10	1.76153	8.98378
2007	4.00	1.81921	7.27684
2007	5.10	1.81921	9.27797
2008	4.00	1.94133	7.76534
2008	5.10	1.94133	9.90080
2009	4.00	1.85365	7.41460
2009	5.10	1.85365	9.45362

2010	4.00	1.93060	7.72240
2010	5.10	1.93060	9.84606
2011	4.00	2.03768	8.15072
Jan-May 2011	5.10	2.03768	10.39217
May-Dec 2011	15.30	2.03768	31.17650
2012	4.00	2.05866	8.23464
2012	15.30	2.05866	31.49750
2013	4.00	2.07836	8.31344
2013	15.30	2.07836	31.79891
2014	4.00	2.10189	8.40756
2014	15.30	2.10189	32.15892
2015	4.00	2.02638	8.10552
2015	15.30	2.02638	31.00361
2016	4.00	2.01838	8.07352
2016	15.30	2.01838	30.88121
2017	4.00	2.08721	8.34884
2017	15.30	2.08721	31.93431
2018	4.00	2.16483	8.65932
2018	15.30	2.16483	33.12190
2019	4.00	2.17066	8.68264
2019	15.30	2.17066	33.21110
2020	4.00	2.15057	8.60228
2020	15.30	2.15057	32.90372
2021	4.00	2.35462	9.41848
2021	15.30	2.35462	36.02569

(*) Base: annual average inflation rate observed in the United States, using the indexes: "Industrial Goods" and "Consumer Prices" published in the journal of "International Financial Statistics", updated since 1986.

2) Amount required to settle finance charges of contracted borrowings, as per Attachment being all interest, fees, and commissions pertinent to the contracted borrowings.

3) Amount required to settle amortization of the contracted borrowings.

From the financial year of 2012, amortizations and payments of charges on borrowings obtained from CAJUBI are not included in the Operating Account, relating to contracts PIB 2010-10-0001 and PIB 2012-10-0001, as these amounts are reimbursed to ITAIPU by ANDE, as provided in addenda No. 2 and 6 of the Agreement 5808/99 (See Note 8.ii of Notes to Financial Statements).

Amount required to settle exploration expenses, as per the Attachment being all expenses attributable to the rendering of electricity services, including direct expenditures of operation and maintenance, in addition to replacements caused by normal wear, management and general expenditures, in addition to insurance against risks of ITAIPU's assets and facilities.

Long-term provisions are not included in the operating account expenses, as they are obligations with estimated terms and amounts, therefore, they depend on future facts to confirm their liability, their amount and their payment method.

- 4) The balance, plus or minus the balance of Operating Account for the previous year.

(A free translation of the original in Portuguese and Spanish)

AUTHORIZATION FOR ISSUE
FINANCIAL STATEMENTS AND ATTACHMENT I
DECEMBER 31, 2021 AND 2020

Anatalicio Ridsen Junior
Brazilian General Director

Manuel María Cáceres
Paraguayan General Director

David Rodrigues Krug
Executive Technical Director

Luis Gilberto Valdez González
Technical Director

Mariana Favoreto Thiele
Legal Director

Iris Magnolia Mendoza Balmaceda
Executive Legal Director

Paulo Roberto da Silva Xavier
Administrative Director

Fernando Souto dos Santos
Executive Administrative Director

Anatalicio Ridsen Junior
Interim Executive Financial Director

Fabián Domínguez
Financial Director

Luiz Felipe Kraemer Carbonell
Coordination Director

Gustavo José Ovelar Rojas
Executive Coordination Director

Simone Rogoginski
Assistant Superintendent of Budget and
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Mirtha Beatriz Caballero Borges
Superintendent of Budget and Accounting

Emerson Cardoso Teotonio
Accountant - CRC PR-064802/O-4

Celia Cristina Martínez Colmán
Accounting Department Manager
Enrollment No. C 732 Council of Public
Accountants of Paraguay

(A free translation of the original in Portuguese and Spanish)

Independent auditor's report

To the Board Members and Directors of
ITAIPU Binacional
Brasília – Brazil
Asunción - Paraguay

Opinion

We have audited the accompanying financial statements of Itaipu Binacional ("Entity" or "Itaipu"), which comprise the balance sheet as at December 31, 2021 and the statements of income and of changes in financial position for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of ITAIPU Binacional as at December 31, 2021, and its financial performance and changes in financial position for the year then ended, as per specific provisions in the Entity's constitutional Treaty and its attachments dated April 26, 1973, described in Note 2 and embodied in the chart of accounts and rules for preparing accounting records, approved by the Board of Directors of the Entity.

Basis for opinion

We conducted our audit in accordance with Brazilian standards, standards on auditing in effect in Paraguay issued by the Council of Public Accountants of Paraguay (hereinafter referred to as "Paraguayan standards") and international standards on auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Entity in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council and the Council of Public Accountants of Paraguay, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

Accounting practice adopted in the financial statements

We draw attention to Note 2 to the financial statements that describes the basis of preparation of the financial statements. The financial statements were prepared in accordance with the financial reporting provisions required by the Entity's constitutional Treaty and its attachments. Consequently, the financial statements may not be appropriate for other purposes. Our opinion is not modified in respect of this matter.

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Treatment of long-term provisions in the Cost of Electricity Service

As described in Note 11, certain long-term provisions, substantially composed of post-employment benefits, provisions for lawsuits and labor indemnities, are not included in the calculation of the Cost of Electricity Service while the annual disbursement foreseen for its settlement is not determined. As the aforementioned provisions are not included in the Cost of Electricity Service to be recovered through the Operating Income, these financial statements do not include the possible effects, if any, if the High Contracting Parties do not conclude on the ways and terms to recover such long-term provisions, when reviewing Attachment C, which will occur in 2023. Our opinion is not modified in respect of this matter.

Re-evaluation of retirement and pension plans

As mentioned in Note 19, the Entity's management is in the process of re-evaluation of retirement and pension plans based on defined benefit. The purpose of this process is to transform those retirement and pension plans sponsored by the Entity into sustainable plans, including the analysis of other alternatives to the current pension systems administered by Fundação Itaipu BR de Previdência e Assistência Social - FIBRA in Brazil and Caja Paraguaya de Jubilaciones y Pensiones del personal de la Itaipu Binacional - CAJUBI, in Paraguay. The accompanying financial statements do not include any adjustment, if any, that could be made as consequence of the re-evaluation of pension and retirement plans based on defined benefits. Our opinion is not modified in respect of this matter.

Other matters

Statements of value added, cash flows and operating accounts

The financial statements referred to above include the statements of value added, cash flows and operating accounts for the year ended December 31, 2021, prepared under the responsibility of the Entity's management and presented as supplementary information based on the preparation described in Note 2 to the financial statements. These statements were submitted to audit procedures performed in conjunction with the audit of the Entity's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are consistent with the financial statements taken as a whole.

Audit of the prior year financial statements

The audit of the financial statements for the year ended December 31, 2020 was conducted under the responsibility of other independent auditors, who issued an audit opinion thereon on March 29, 2021, without qualifications, containing emphasis of matter regarding the accounting practice adopted in the financial statements and re-evaluation of retirement and pension plans, similar to those described above.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with specific provisions in the Entity's constitutional Treaty and attachments of April 26, 1973, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free material misstatements, whether due to fraud or error.

ITAIPU Binacional

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian, Paraguayan and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with Brazilian, Paraguayan and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.




ITAIPU Binacional

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

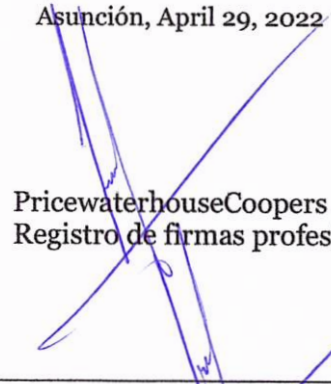
Curitiba, April 29, 2022



PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Carlos Alexandre Peres
Contador CRC 1SP198156/O-7

Asunción, April 29, 2022



PricewaterhouseCoopers S.R.L.
Registro de firmas profesionales no. 2

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